MENTAL HEALTH, DRUG AND ALCOHOL SERVICES BOARD OF LOGAN AND CHAMPAIGN COUNTIES

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCE

June 30, 2012

Dave Yost • Auditor of State

Board of Directors
Mental Health, Drug and Alcohol Services Board of Logan and Champaign Counties
123 N. Detroit Street
West Liberty, Ohio 43357

We have reviewed the *Report on Independent Accountants* of the Mental Health, Drug and Alcohol Services Board of Logan and Champaign Counties, Logan County, prepared by Joseph Decosimo and Company, LLC, for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report on Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report on Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Mental Health, Drug and Alcohol Services Board of Logan and Champaign Counties is responsible for compliance with these laws and regulations.

Dave Yost

Dave Yost
Auditor of State

March 18, 2013

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MENTAL HEALTH, DRUG AND ALCOHOL SERVICES BOARD OF LOGAN AND CHAMPAIGN COUNTIES

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DECOSIMO
CERTIFIED PUBLIC ACCOUNTANTS

Joseph Decosimo and Company, LLC
255 East Fifth Street
Suite 2200
Cincinnati, Ohio 45202

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board Members
Mental Health, Drug and Alcohol Services
Board of Logan and Champaign Counties
West Liberty, Ohio

We have audited the accompanying statement of cash receipts, cash disbursements and changes in fund cash balance of Mental Health, Drug and Alcohol Services Board of Logan and Champaign Counties (the Board) for the year ended June 30, 2012. This financial statement is the responsibility of the Board's management. Our responsibility is to express an opinion on this financial statement 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 *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Board's management has prepared the financial statement using accounting practices the Ohio Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statement of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the fund the accompanying financial statement presents, GAAP requires presenting entity wide financial statements and also presenting the Board's larger (i.e., major) funds separately. While the Board does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the financial statement does not substantially conform to GAAP presentation requirements. The Ohio Auditor of State permits, but does not require, boards to reformat their statements. The Board has elected not to follow GAAP financial statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Ohio Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statement referred to above does not present fairly, in conformity with GAAP, the financial position of the Board as of June 30, 2012, or its changes in financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund cash balance of the Board as of June 30, 2012, and its cash receipts and disbursements for the year then ended on the accounting basis as described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2012, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement taken as a whole.

Joseph Decosimo and Company, LLC

Cincinnati, Ohio
December 18, 2012

MENTAL HEALTH, DRUG AND ALCOHOL SERVICES BOARD OF LOGAN AND CHAMPAIGN COUNTIES

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGE IN FUND CASH BALANCE ALL GOVERNMENTAL FUND TYPES

Year Ended June 30, 2012

	General Fund
RECEIPTS	
Taxes	$ 986,214
Intergovernmental - Medicaid	1,977,226
Intergovernmental	1,772,830
Rental receipts	72,736
Charges for services	205,912
	5,014,918
DISBURSEMENTS	
Salaries	219,844
Benefits	103,944
Purchased services - Medicaid	1,919,986
Purchased services	2,307,946
Capital outlay	124,410
Dues and memberships	50,741
Board operations	38,212
Supplies and materials	32,184
Rental	10,585
Advertising and printing	16,237
Contract labor	35,460
Travel and training	8,725
Professional fees	8,185
Repairs	4,291
	4,880,750
NET CHANGE IN FUND CASH BALANCES	134,168
FUND CASH BALANCES - July 1	3,148,743
FUND CASH BALANCES - June 30	
Restricted	3,264,710
Unassigned	18,201
FUND CASH BALANCES - June 30	$ 3,282,911

The accompanying notes are an integral part of the financial statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS - The constitution and laws of the State of Ohio establish the rights and privileges of Mental Health, Drug and Alcohol Services Board of Logan and Champaign Counties as a body corporate and politic. An eighteen-member board is the governing body. The Board's Director and the legislative authorities of the political subdivisions appoint the other Board members. The Board includes members from those legislative authorities as well as citizens of Logan and Champaign Counties. Those subdivisions are Director of the Ohio Department of Mental Health, Director of the Ohio Department of Alcohol and Drug Addiction, and the County Commissioners of Logan and Champaign Counties. The Board provides alcohol, drug addiction and mental health services and programs to citizens of Logan and Champaign Counties. Private and public agencies are the primary service providers through Board contracts.

The Board's management believes the financial statement presents all activities for which the Board is financially accountable.

BASIS OF ACCOUNTING - The financial statement follows the accounting basis the Ohio Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when revenue is earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

The financial statement includes adequate disclosure of material matters, as the Ohio Auditor of State prescribes or permits.

CASH BALANCE - As required by the Ohio Revised Code, the Champaign County Treasurer is custodian for the Board's deposits. The Champaign County's cash and investment pool holds all of the Board's assets, valued at the County Treasurer's reported carrying amount.

FUND ACCOUNTING - The Board uses fund accounting to segregate cash and investments that are restricted as to use. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The Board classifies all of its funds into the following type:

General fund - This fund reports all financial resources except those required to be accounted for in another fund.

FUND BALANCE - In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances as applicable based on the constraints imposed on the use of these resources.

Nonspendable fund balance - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

Restricted fund balance - This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance - These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions by the Board Members. Those committed amounts cannot be used for any other purpose unless the Board Members remove the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance - This classification reflects the amounts constrained by the Board's "intent" to be used for specific purposes, but are neither restricted nor committed. The Board Members have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance - This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the Board's policy to use externally restricted resources first, then unrestricted resources - committed, assigned and unassigned - in order as needed. The Board had outstanding encumbrances of $402,757 as of June 30, 2012.

BUDGETARY PROCESS - The Ohio Revised Code requires the Board to adopt a budget for each fund annually.

Appropriations - Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Board must annually approve appropriation measures and subsequent amendments. The Champaign County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

Estimated resources - Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of July 1. The Champaign County Budget Commission must also approve estimated resources.

Encumbrances - The Ohio Revised Code requires the Board to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over and need not be re-appropriated.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

PROPERTY, PLANT AND EQUIPMENT - The Board records acquisitions of property, plant and equipment as disbursements when paid.

ACCUMULATED LEAVE - In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statement does not include a liability for unpaid leave.

DEBT - The Board has non-interest bearing debt with the Ohio Department of Mental Health (ODMH). The financial statement does not report a liability for this debt.

SUBSEQUENT EVENTS - The Board has evaluated subsequent events for potential recognition and disclosure through December 18, 2012, the date the financial statement was available to be issued.

NOTE 2 - GOVERNMENTAL FUND CASH BALANCE CLASSIFICATIONS

Governmental fund cash balance as of June 30, 2012, consist of the following:

Restricted -	
Medical assistance programs (Title XIX)	$ 181,783
Mental health, drug and alcohol programs and related administration	2,945,971
HUD supportive housing program	103,956
ECMH Federal Childcare Quality	33,000
Total restricted	3,264,710
Unassigned	18,201
	$ 3,282,911

NOTE 3 - BUDGETARY ACTIVITY

Budgetary activity for 2012 is as follows:

	Budgeted Receipts	Actual Receipts	Favorable Variance
General fund	$ 4,892,737	$ 5,014,918	$ 122,181

	Budgeted Expenditures	Actual Expenditures	Favorable Variance
General fund	$ 4,948,625	$ 4,880,750	$ 67,875

The budgetary comparison for 2012 includes appropriations and encumbrances filed with Champaign County. The Board was in compliance with all requirements established by Ohio Revised Code Section 5705.41 (B).

NOTE 4 - PROPERTY TAXES

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statement includes homestead and rollback amounts the state pays 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 and the second half is due the following June 20.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property with Logan and Champaign Counties by each April 30.

Logan and Champaign Counties are responsible for assessing property and for billing, collecting and distributing all property taxes on behalf of the Board.

NOTE 5 - RETIREMENT PLANS

The Board participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate benefit 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, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For the fiscal year ended June 30, 2012, member and employer contribution rates were consistent across all three plans discussed above. The member contribution rates were 10% of their annual salary for members in state and local classifications. The Board was required to contribute 14% of covered payroll for employees. A portion of the Board's contribution equal to 5% of covered payroll was allocated to fund the postemployment healthcare plan. Contributions are authorized by state statute. The contribution rates are determined actuarially. The Board’s required contributions for pension obligations to the traditional and combined plans for the year ended June 30, 2012, totaled $41,419. The Board has paid all contributions required through June 30, 2012.

NOTE 6 - POSTEMPLOYMENT BENEFITS

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits other than Pensions*, establishes standards for disclosure information for postemployment benefits other than pension benefits. OPERS has postemployment benefits that meet the definition as described in GASB Statement 45.

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment healthcare plan, which includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement, for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment healthcare.

In order to qualify for postemployment healthcare coverage, age-and-service retirees under the traditional pension and combined plans must have ten years or more of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The healthcare coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide healthcare benefits to eligible members and beneficiaries. Authority to establish and amend benefits is provided in 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, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement healthcare through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement healthcare benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2011 and 2012, local government employers contributed 14% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB plan.

The postemployment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution that will be set aside for funding postemployment healthcare benefits. For 2011 and 2012, the employer contributions allocated to health care for members in the traditional plan was 4%. The portion of employer contributions allocated to health care for members in the combined plan was 6.05%. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual employer contributions which were used to fund postemployment healthcare benefits for the year ended June 30, 2012, totaled $11,834. The Board has paid all contributions required through June 30, 2012.

NOTE 7 - LONG-TERM OBLIGATIONS

The Board has entered into six non-interest bearing mortgage agreements with the Ohio Department of Mental Health. In accordance with the mortgage agreements, the loans are forgiven by the State of Ohio over a period of 40 years, under the condition that the facilities are used exclusively for the purpose of providing mental health services.

As of June 30, 2012, these obligations consist of:

Mortgage, ODMH, original loan balance of $818,084, non-interest bearing note, forgiven by ODMH in monthly installments of $1,680, term expiring November 2033.	$	436,424
Mortgage, ODMH, original loan balance of $125,000, non-interest bearing note, forgiven by ODMH in monthly installments of $257, expiring October 2035.		72,459
Mortgage, ODMH, original loan balance of $154,488, non-interest bearing note, forgiven by ODMH in monthly installments of $299, expiring August 2041.		105,754
Mortgage, ODMH, original loan balance of $208,512, non-interest bearing note, forgiven by ODMH in monthly installments of $447, expiring April 2042.		161,828
Mortgage, ODMH, original loan balance of $76,000, non-interest bearing note, forgiven by ODMH in monthly installments of $156, expiring August 2043.		59,063
Mortgage, ODMH, maximum loan balance of $213,750, non-interest bearing note, forgiven by ODMH in monthly installments of $439, expiring November 2049.		199,529
	$	1,035,057

Principal amounts of long-term obligations are expected to be forgiven for the following periods:

Year ending		
June 30, 2013	$	39,978
June 30, 2014		39,978
June 30, 2015		39,978
June 30, 2016		39,978
June 30, 2017		39,978
June 30, 2018 - June 30, 2022		199,889
June 30, 2023 - June 30, 2027		199,889
June 30, 2028 - June 30, 2032		199,889
June 30, 2033 - June 30, 2037		118,133
June 30, 2038 - June 30, 2042		76,534
June 30, 2043 - June 30, 2047		28,720
June 30, 2048 - June 30, 2050		12,113
	$	1,035,057

Principal forgiven by ODMH during the year ended June 30, 2012, totaled $39,978.

NOTE 8 - RENTAL RECEIPTS

The Board has entered into a lease as lessor for the mental health center at 1521 N. Detroit Street, West Liberty, Ohio with Consolidated Care, Inc., a funded agency of the Board. Rental for the year ended June 30, 2012, totaled $72,736.

NOTE 9 - CONTINGENCIES

Amounts grantor agencies pay to the Board are subject to audit and adjustments by the grantor, principally the federal government. The grantor may require refunding by the Board for any disallowed costs. Management cannot determine amounts grantors may disallow in future periods. However, based on prior experience, management believes any refunds would be immaterial to its financial statement as of June 30, 2012.

NOTE 10 - RISK MANAGEMENT

The Board has obtained commercial insurance for the following risks:

- Director and officer insurance
- Comprehensive property and general liability
- Bond insurance
- Errors and omissions

There was no reduction in the level of coverage during the year and settled claims have not exceeded insurance coverage in any of the past three years.

SUPPLEMENTARY INFORMATION

MENTAL HEALTH, DRUG AND ALCOHOL SERVICES BOARD
OF LOGAN AND CHAMPAIGN COUNTIES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

Federal Grantor/Pass Through Grantor/Program Title	**Federal CFDA Number**	**Federal Expenditures**	**Total CFDA Program Expenditures**
U.S. Department of Health and Human Services			
Passed through Ohio Department of Alcohol Drug and Addiction Services			
Block grants for prevention and treatment of substance abuse	93.959	$ 242,655	$ 242,655
Passed through Ohio Department of Alcohol, Drug and Addiction Services			
Drug Free Communities Support Programs Grant	93.276	52,959	52,959
Passed through Ohio Department of Mental Health			
Medical Assistance Program (Title XIX)	93.778	176,394	
Passed through Ohio Department of Alcohol, Drug and Addiction Services			
Medical Assistance Program (Title XIX)	93.778	49,684	
Total Medical Assistance Program (Title XIX)			226,078
Passed through Ohio Department of Mental Health			
Children's Health Insurance Program	93.767	12,937	
Passed through Ohio Department of Alcohol, Drug and Addiction Services			
Children's Health Insurance Program	93.767	347	
Total Children's Health Insurance Program			13,284
Passed through Ohio Department of Mental Health			
Block grants for community mental health services	93.958	58,098	58,098
Passed through Ohio Department of Mental Health			
Block grant for social services	93.667	57,100	57,100
Total U.S. Department of Health and Human Services		650,174	650,174
U.S. Department of Housing and Urban Development			
Supportive housing program	14.235	129,695	129,695
Total Expenditures of Federal Awards		$ 779,869	$ 779,869

MENTAL HEALTH, DRUG AND ALCOHOL SERVICES BOARD OF LOGAN AND CHAMPAIGN COUNTIES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2012

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Mental Health, Drug and Alcohol Services Board of Logan and Champaign Counties and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statement.

NOTE 2 - SUBRECIPIENTS

The Board passes through certain federal assistance received from the U.S. Department of Health and Human Services and the U.S. Department of Education to other governments or not-for-profit agencies (subrecipients). As described in Note 1 of the financial statement, the Board records expenditures of federal awards to subrecipients when paid.

NOTE 3 - MATCHING

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 expenditure of non-federal matching funds is not included on the schedule.

INTERNAL CONTROL AND COMPLIANCE

DECOSIMO
CERTIFIED PUBLIC ACCOUNTANTS

Joseph Decosimo and Company, LLC
255 East Fifth Street
Suite 2200
Cincinnati, Ohio 45202

REPORT OF INDEPENDENT ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board Members
Mental Health, Drug and Alcohol Services
Board of Logan and Champaign Counties
West Liberty, Ohio

We have audited the statement of cash receipts, cash disbursements and changes in fund cash balance of Mental Health, Drug and Alcohol Services Board of Logan and Champaign Counties (the Board) for the year ended June 30, 2012, and have issued our report thereon dated December 18, 2012, wherein we noted that the Board followed accounting practices the Ohio Auditor of State prescribes rather 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting
Management of the Board is responsible for establishing and maintaining effective 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 auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Board's financial statement will not be prevented or detected and corrected on a timely basis.

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

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Board's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

This report is intended solely for the information and use of the Board Members, management, others within the entity, the Ohio Auditor of State and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Joseph Decosimo and Company, LLC

Cincinnati, Ohio
December 18, 2012

DECOSIMO
CERTIFIED PUBLIC ACCOUNTANTS

Joseph Decosimo and Company, LLC
255 East Fifth Street
Suite 2200
Cincinnati, Ohio 45202

REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133; OHIO DEPARTMENT OF MENTAL HEALTH, *FINANCIAL AND COMPLIANCE AUDIT GUIDELINES FOR COMMUNITY MENTAL HEALTH PROGRAMS AND AGENCIES RECEIVING STATE AND FEDERAL FUNDING*; AND OHIO DEPARTMENT OF ALCOHOL AND DRUG ADDICTION SERVICES, *FINANCIAL AND COMPLIANCE AUDIT GUIDELINES FOR ALCOHOL AND OTHER DRUG ADDICTION PROGRAMS AND AGENCIES RECEIVING STATE AND FEDERAL FUNDING*

To the Board Members
Mental Health, Drug and Alcohol Services
Board of Logan and Champaign Counties
West Liberty, Ohio

Compliance

We have audited the compliance of Mental Health, Drug and Alcohol Services Board of Logan and Champaign Counties (the Board) with the types of compliance requirements described in the OMB Circular A-133, *Compliance Supplement*; Ohio Department of Mental Health, *Financial and Compliance Audit Guidelines for Community Mental Health Programs and Agencies Receiving State and Federal Funding*; and Ohio Department of Alcohol and Drug Addiction Services, *Financial and Compliance Audit Guidelines for Alcohol and Other Drug Addiction Programs and Agencies Receiving State and Federal Funding* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with 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*; Ohio Department of Mental Health, *Financial and Compliance Audit Guidelines for Community Mental Health Programs and Agencies Receiving State and Federal Funding*; and Ohio Department of Alcohol and Drug Addiction Services, *Financial and Compliance Audit Guidelines for Alcohol and Other Drug Addiction Programs and Agencies Receiving State and Federal Funding*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Board's compliance with those requirements.

In our opinion, the Board complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of the Board 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 have a direct and material effect on a major federal program as a basis for designing our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 *deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the Board's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the Board's compliance but not to provide an opinion on the effectiveness of the Board's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

Joseph Decosimo and Company, LLC

Cincinnati, Ohio
December 18, 2012

MENTAL HEALTH, DRUG AND ALCOHOL SERVICES BOARD OF LOGAN AND CHAMPAIGN COUNTIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Section I - Summary of Auditor's Results

Financial Statement

Type of auditor's report issued:
GAAP Basis - Adverse
Regulatory basis - Unqualified

Internal control over financial reporting:				
Material weakness(es) identified?	____	Yes	x	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	____	Yes	x	None reported
Noncompliance material to financial statement noted?	____	Yes	x	No

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?	____	Yes	x	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	____	Yes	x	None reported

Type of auditor's report issued on compliance for major programs:
Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	____	Yes	x	No

Identification of major program

CFDA Number	Name of Federal Program
93.778	Medical Assistance Program (Title XIX)

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as low-risk auditee?	x	Yes	____	No

Section II - Financial Statement Findings
No matters reported.

Section III - Federal Award Findings and Questioned Costs
No matters reported.

MENTAL HEALTH, DRUG AND ALCOHOL SERVICES BOARD OF LOGAN AND CHAMPAIGN COUNTIES

SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2012

No prior audit findings reported.

MENTAL HEALTH, DRUG AND ALCOHOL SERVICES BOARD OF LOGAN AND CHAMPAIGN COUNTIES

LOGAN 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 2, 2013

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