

**Mental Health, Drug, and Alcohol Services
Board of Logan and Champaign Counties**

Audited Financial Statements

June 30, 2004



**Auditor of State
Betty Montgomery**

Board of Directors
Mental Health, Drug, and Alcohol Services Board of Logan and Champaign Counties
123 N. Detroit St.
P.O. Box 765
West Liberty, OH 43357

We have reviewed the Independent Auditor's Report of the Mental Health, Drug, and Alcohol Services Board of Logan and Champaign Counties, Logan County, prepared by Rea & Associates, Inc., for the audit period July 1, 2003 through June 30, 2004. 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.

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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

January 12, 2005

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

**AUDITED FINANCIAL STATEMENTS
JUNE 30, 2004**

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

December 6, 2004

Board Members
Mental Health, Drug, and Alcohol Services
Board of Logan and Champaign Counties
West Liberty, Ohio 43357

Independent Auditor's Report

We have audited the accompanying financial statements of the Mental Health, Drug, and Alcohol Services Board of Logan and Champaign Counties (the "Board"), as of and for the year ended June 30, 2004, 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 *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 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Board prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting 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, cash balances of the Mental Health, Drug, and Alcohol Services Board of Logan and Champaign Counties, as of June 30, 2004, and the revenues it received and expenditures it paid and budgeted receipts, appropriations, and encumbrances for the year then ended, on the basis of accounting described in Note 1.

Alcohol, Drug Addiction, and Mental Health
Mental Health, Drug, and Alcohol Services
Board of Logan and Champaign Counties
December 6, 2004
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Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Board. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we also have issued our report dated December 6, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, Board, federal awarding agencies and pass-through entities, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code. It is not intended to be and should not be used by anyone other than specified parties.

Rea & Associates, Inc.

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

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES
FOR THE YEAR ENDED JUNE 30, 2004

	General Fund	Special Revenue Fund	Fiduciary Funds	Total (Memorandum Only)
RECEIPTS:				
Taxes	\$ 741,535	\$ 0	\$ 0	\$ 741,535
Intergovernmental	0	4,024,661	0	4,024,661
Rental income	74,220	0	0	74,220
Charges for Services	67,631	0	0	67,631
Miscellaneous	235	0	0	235
<i>Total receipts</i>	883,621	4,024,661	0	4,908,282
DISBURSEMENTS:				
Salaries	90,324	150,238	0	240,562
Benefits	82,203	0	0	82,203
Purchased Services	411,650	4,470,846	5,215	4,887,711
Contract Labor	22,678	0	0	22,678
Board Operations	49,905	0	0	49,905
Supplies and Materials	21,356	0	0	21,356
Professional Fees	14,152	0	0	14,152
Repairs	41,902	0	0	41,902
Rental Expenses	9,312	0	0	9,312
Advertising and Printing	17,966	0	0	17,966
Dues and Memberships	67,487	0	0	67,487
Travel and Training	21,103	0	0	21,103
<i>Total disbursements</i>	850,038	4,621,084	5,215	5,476,337
<i>Excess (deficit) of receipts and other financing sources under disbursements</i>	33,583	(596,423)	(5,215)	(568,055)
<i>FUND CASH BALANCES, July 1, 2003</i>	266,472	1,372,028	5,340	1,643,840
<i>FUND CASH BALANCES, June 30, 2004</i>	<u>\$ 300,055</u>	<u>\$ 775,605</u>	<u>\$ 125</u>	<u>\$ 1,075,785</u>

The accompanying notes are an integral part of these financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

Mental Health, Drug, and Alcohol Services Board of Logan and Champaign Counties (the Board) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Board is directed by a Board of Directors, who are appointed by the Director of the Ohio Department of Mental Health, Director of Ohio Department of Alcohol and Drug Addiction, and the County Commissioners of Logan and Champaign Counties. The Board provides services for mentally ill, emotionally disturbed, and alcohol and drug addicted persons. These services are provided primarily through contracts with private and public agencies.

The Champaign County Auditor and Champaign County Treasurer serve respectively as fiscal officer and custodian of all public funds. The Board's management believes these financial statements present all activities for which the Board is financially accountable.

B. BASIS OF ACCOUNTING

The Board prepares its financial statements on a basis of cash receipts and disbursements; consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred.

C. CASH

As required by Ohio Revised Code, the Board's cash is held and invested by the Champaign County Treasurer, who acts as custodian for the Board's money. The Board's assets are held in the County's cash and investment pool, and are valued by the County Treasurer at carrying value.

D. FIXED ASSETS

Capital outlays are recorded as expenditures of those funds at the time of purchase and are subsequently recorded for control purposes in a fixed assets listing. See Note 4 for details

E. DEBT

The Ohio Department of Mental Health (ODMH) holds a note on the West Liberty, Urbana and Bellefontaine provider facilities that are amortized to zero after forty years as long as the facilities are operated for activities mandated by the ODMH. See Note 7 for details

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. FUND ACCOUNTING

The Board maintains its accounting records in accordance with the principles of fund accounting. 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 restrictions associated with each type of funds are as follows:

Governmental Fund Types

General Fund

The General Fund is the general operating fund of the Board. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds

Special revenue funds are to account for proceeds of specific revenue sources that are legally restricted to disbursements for specified purposes.

Fiduciary (Agency) Funds

Fiduciary funds are used to account for resources restricted by fund for which the Board receives in an agency capacity.

G. BUDGETARY PROCESS

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A summary of Fiscal Year 2004 budgetary activity appears in Note 2.

F. UNPAID VACATION AND SICK LEAVE

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Board.

G. TOTAL COLUMN ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned “(Memorandum Only)” to indicate that they are presented only to facilitate financial analysis. Such data is not comparable to a consolidation.

2. BUDGETARY ACTIVITY

Budgetary activity for the year ended June 30, 2004 follows:

2004 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General Fund	\$ 863,315	\$ 883,621	\$ (20,306)
Special Revenue Funds	4,324,123	4,024,661	299,462
Fiduciary Funds	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$5,187,438</u>	<u>\$4,908,282</u>	<u>\$ 279,156</u>

2004 Budgeted vs. Actual Expenditures

<u>Fund Type</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General Fund	\$ 930,490	\$ 850,038	\$ 80,452
Special Revenue Funds	4,675,913	4,621,084	54,829
Fiduciary Funds	<u>5,215</u>	<u>5,215</u>	<u>0</u>
Total	<u>\$5,611,618</u>	<u>\$5,476,337</u>	<u>\$ 135,281</u>

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

3. PROPERTY TAX

Champaign County

Real property taxes are levied on assessed values which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2002.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. 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 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property for the tax (calendar) year 2003 was \$.70 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$.383352 per \$1,000 of assessed valuation for real property classified as residential/agricultural, and \$.286971 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the Board by the State of Ohio.

Owners of tangible personal property are required to file a list of such property, including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the fiscal year ended June 30, 2004 was \$.70 per \$1,000 of assessed valuation.

Real property – 2003 valuation:

Residential/Agricultural	\$ 1,106,918,910
Commercial/Industrial/Minerals	197,369,910
Public Utilities	589,770

Tangible personal property - 2004 valuation:

General	217,206,797
Public Utilities	<u>70,835,960</u>

Total valuation \$ 1,592,921,347

The Champaign County Treasurer collects property tax on behalf of all taxing districts within the county. The Champaign County Auditor periodically remits to the taxing districts their portion of the taxes collected.

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

3. PROPERTY TAX (Continued)

Logan County

Real property taxes are levied on assessed values which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2002.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. 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 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property for the tax (calendar) year 2003 was \$.70 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$.383352 per \$1,000 of assessed valuation for real property classified as residential/agricultural, and \$.499120 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the Board by the State of Ohio.

Owners of tangible personal property are required to file a list of such property, including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the fiscal year ended June 30, 2004 was \$.70 per \$1,000 of assessed valuation.

Real property – 2003 valuation:

Residential/Agricultural	\$ 613,038,750
Commercial/Industrial/Minerals	128,846,470
Public Utilities	458,130

Tangible personal property - 2004 valuation:

General	134,612,179
Public Utilities	<u>39,364,200</u>

Total valuation	<u>\$ 916,319,729</u>
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The Logan County Treasurer collects property tax on behalf of all taxing districts within the county. The Logan County Auditor periodically remits to the taxing districts their portion of the taxes collected

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

4. PROPERTY, PLANT AND EQUIPMENT

The following represents a summary of changes in general fixed assets through the year ended June 30, 2004:

	<u>Land</u>	<u>Buildings</u>	<u>Equipment/ Furniture</u>	<u>Totals</u>
Net fixed assets, July 1, 2003	\$ 73,500	\$2,017,096	\$ 223,714	\$2,314,310
Additions	0	0	0	0
Disposals	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Balance, June 30, 2004	<u>\$ 73,500</u>	<u>\$2,017,096</u>	<u>\$ 223,714</u>	<u>\$2,314,310</u>

5. RETIREMENT COMMITMENTS

The Board employees belong to the Public Employee Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For fiscal year 2004, PERS members contributes 8.5% of their gross salaries. The Board contributed an amount equal to 13.55% of participants' gross salaries. The Board paid all contributions required through June 30, 2004. Refer to Champaign County, Ohio financial report for complete pension disclosure.

6. 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.

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

7. LONG-TERM OBLIGATIONS

The Board has entered into five 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 the facilities are used exclusively for the purpose of providing mental health services.

The Board has the following long-term obligations with the ODMH as of June 30, 2004:

Mortgage, ODMH, original loan balance of \$818,084, non-interest bearing note, forgiven by the ODMH in monthly installments of \$1,704, term of the loan expires November, 2033. \$ 601,633	
Mortgage, ODMH, original loan balance of \$125,000, non-interest bearing note, forgiven by the ODMH in monthly installments of \$260, term of the loan expires October, 2035.	97,655
Mortgage, ODMH, original loan balance of \$154,488, non-interest bearing note, forgiven by the ODMH in monthly installments of \$322, term of the loan expires August, 2041.	143,545
Mortgage, ODMH, original loan balance of \$208,512, non-interest bearing note, forgiven by the ODMH in monthly installments of \$434, term of the loan expires April 2042.	197,218
Mortgage, ODMH, original loan balance of \$76,000, non-interest bearing note, forgiven by the ODMH in monthly installments of \$158, term of the loan expires August, 2043.	\$ 74,417
	1,114,468
Less current portion	<u>34,536</u>
Long-term portion	<u>\$1,079,932</u>

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

7. LONG-TERM OBLIGATIONS (continued)

Principal amounts of long-term obligations are forgiven as follows:

2005	\$ 34,536
2006	34,536
2007	34,536
2008	34,536
2009	34,536
Thereafter	<u>941,788</u>
	<u>\$1,114,468</u>

Principal forgiven by the ODMH during the year ended June, 30, 2004 amounted to \$31,775.

Debt is not recorded as a liability under the cash basis of accounting.

8. LEASE REVENUE

The Board has entered into a lease for the mental health center at 1521 N. Detroit Street, West liberty, Ohio with Consolidated Care, Inc. a funded agency of the Board. Rent income for the year ended June 30, 2004 was \$59,340. In addition, the agency reimbursed utility expenses in the amount of \$14,880.

9. CONTINGENCIES

Grants

The Board received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds.

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Federal Expenditures
U.S. Department of Health and Human Services:			
<i>Passed through State Department of Mental Health:</i>			
Block Grants-			
Community Plan	(1)	93.958	\$ 38,717
Children/Adolescent	(1)	93.958	12,417
Title XX	(1)	93.667	55,409
Title XIX	(1)	93.778	1,173,130
Children's Health Insurance Program	(1)	93.767	120,159
 <i>Passed through State Department of Alcohol and Drug Addiction Services:</i>			
Block Grant- Drug Treatment, Prevention and IV Users	(1)	93.959	288,750
Title XIX	(1)	93.778	110,716
Children's Health Insurance Program	(1)	93.767	8,200
 <i>Total U.S. Department of Health and Human Services</i>			1,807,498
 U.S. Department of Housing and Urban Development:			
<i>Direct Award:</i>			
Supporting Housing Program	(1)	14.235	31,217
Total			31,217
 <i>Total U.S. Department of Housing and Urban Development</i>			31,217
 Total Expenditures of Federal Awards			\$ 1,838,715

(1) Pass through entity numbers not available from State agencies.

The accompanying notes are an integral part of this schedule.

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

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2004

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 cash 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*.

NOTE 2: MEDICAID

The Mental Health, Drug, and Alcohol Services Board of Logan and Champaign Counties expended \$1,283,846 from the Medical Assistance Program (Medicaid) Title XIX, CFDA Number 93.778 for fees for service program. During the fiscal year ended June 30, 2004, the Board paid providers the entire bill and was subsequently reimbursed for the Federal Financial Participation rate (FFP) of 58.83% through September 30, 2003 and 59.23% thereafter. Expenditures reported on this schedule reflect only the federal portion of the total Medicaid payments to the Board's providers during the fiscal year ended June 30, 2004.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

December 6, 2004

Board Members
Mental Health, Drug, and Alcohol Services
Board of Logan and Champaign Counties
West Liberty, Ohio 43357

**Independent Auditor's Report on Compliance and Internal Control
Over Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

We have audited the accompanying financial statements of Mental Health, Drug, and Alcohol Services Board of Logan and Champaign Counties (the "Board"), as of and for the year ended June 30, 2004, and have issued our report thereon dated December 6, 2004. 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

In planning and performing our audit, we considered the Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control structure over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the audit committee, management, Board, 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.

Rea & Associates, Inc.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

December 6, 2004

Board of Directors
Mental Health, Drug, and Alcohol Services
Board of Logan and Champaign Counties
West Liberty, Ohio 43357

**Independent Auditor's Report on Compliance with
Requirements Applicable to Each Major Program and
Internal Control Over Compliance in Accordance with OMB Circular A-133**

Compliance

We have audited the compliance of 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 are applicable to each of its major federal programs for the year ended June 30, 2004. 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 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*. 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 on the Board's compliance with those requirements.

In our opinion, the Board complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the Board is responsible for establishing and maintaining effective internal control over compliance with requirements, 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 would have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, Board, 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.

Hea & Associates, Inc.

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2004

1. SUMMARY OF AUDITOR'S RESULTS

A-133 Ref.
.505(d)

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified CFDA # 93.778
(d) (1) (vi)	Are there any reportable findings under Section .510(a) of Circular A-133?	No
(d) (1) (vii)	Major Programs (list):	Title XIX: Medicaid CFDA # 93.778
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



**Auditor of State
Betty Montgomery**

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Facsimile 614-466-4490

ADAMHS 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
FEBRUARY 10, 2005**