

**MENTAL HEALTH & RECOVERY BOARD OF
CLARK, GREENE AND MADISON COUNTIES**

Financial Statements

June 30, 2007

with

Independent Auditors' Report



Mary Taylor, CPA

Auditor of State

Board of Trustees
Mental Health & Recovery Board of Clark, Greene and Madison Counties
1055 East High Street
Springfield, Ohio 45505

We have reviewed the *Independent Auditors' Report* of the Mental Health & Recovery Board of Clark, Greene and Madison Counties, Clark County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2006 through June 30, 2007. 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's Office (AOS). Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the AOS 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 *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the AOS 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 & Recovery Board of Clark, Greene and Madison Counties is responsible for compliance with these laws and regulations.

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

Mary Taylor, CPA
Auditor of State

December 7, 2007

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**MENTAL HEALTH & RECOVERY BOARD OF CLARK,
GREENE AND MADISON COUNTIES**

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Independent Auditors' Report

Board of Trustees
Mental Health & Recovery Board of Clark, Greene and Madison Counties
Springfield, Ohio

We have audited the accompanying financial statements of the Mental Health & Recovery Board of Clark, Greene and Madison Counties (the Board) as of and for the year ended June 30, 2007. The financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on the 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 described more fully in Note 1, the Board has prepared the financial statements using accounting practices the Auditor of State of Ohio 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 statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Board to reformat its financial statement presentation and make other changes for the year ended June 30, 2007. Instead of the combined funds the accompanying financial statement presents for the year ended June 30, 2007, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2007. While the Board does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Board has elected not to reformat its statements. Since this Board does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the 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 statements referred to above for the year ended June 30, 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Board as of June 30, 2007, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Mental Health & Recovery Board of Clark, Greene and Madison Counties as of June 30, 2007, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Board to include Management's Discussion and Analysis for the year ended June 30, 2007. The Board has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we also have issued our report dated November 9, 2007 on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 performed for the purpose of forming an opinion on the financial statements of the Board, taken 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 Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
November 9, 2007

MENTAL HEALTH & RECOVERY BOARD OF CLARK, GREENE AND MADISON COUNTIES

Combined Statement of Cash Receipts, Cash Disbursements, and Changes

in Fund Cash Balances - All Governmental Fund Types

For the Year Ended June 30, 2007

	Governmental Fund Types		Totals
	General	Special Revenue	(Memorandum Only)
Cash Receipts:			
Taxes	\$ 10,203,749	\$ -	\$ 10,203,749
Intergovernmental	1,056,067	20,204,438	21,260,505
Rental income	863,571	-	863,571
Miscellaneous	11,991	139,768	151,759
	<u>12,135,378</u>	<u>20,344,206</u>	<u>32,479,584</u>
Total cash receipts			
Cash Disbursements:			
Salaries	94,433	936,068	1,030,501
Benefits	46,493	294,893	341,386
Treatment services to contract agencies	8,618,656	19,097,517	27,716,173
Professional services	19,808	86,283	106,091
Supplies and materials	18,363	40,303	58,666
Capital outlay/equipment	434,176	-	434,176
Repairs	55,123	9,710	64,833
Insurance	32,727	15,042	47,769
Rental and utilities	320,040	26,305	346,345
Advertising and printing	-	12,569	12,569
Travel expense	5,210	7,986	13,196
Debt expense	132,669	-	132,669
Miscellaneous	182,472	2,594	185,066
	<u>9,960,170</u>	<u>20,529,270</u>	<u>30,489,440</u>
Total cash disbursements			
Total cash receipts over/(under) cash disbursements	<u>2,175,208</u>	<u>(185,064)</u>	<u>1,990,144</u>
Other financing receipts/(disbursements):			
Proceeds from sale of assets	129,175	-	129,175
Refund of prior year disbursement	40,618	241,097	281,715
Advance-in	-	251,249	251,249
Advance-out	(251,249)	-	(251,249)
	<u>(81,456)</u>	<u>492,346</u>	<u>410,890</u>
Total other financing receipts(disbursements)			
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	2,093,752	307,282	2,401,034
Fund balances at beginning of year - as restated	<u>3,389,285</u>	<u>255,556</u>	<u>3,644,841</u>
Fund balances at end of year	<u>\$ 5,483,037</u>	<u>\$ 562,838</u>	<u>\$ 6,045,875</u>

See accompanying notes to the financial statement.

**MENTAL HEALTH & RECOVERY BOARD OF CLARK,
GREENE AND MADISON COUNTIES**

Notes to the Financial Statement
June 30, 2007

1. Summary of Significant Accounting Policies:

Reporting entity

The Mental Health & Recovery Board of Clark, Greene and Madison 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 Ohio Department of Mental Health (ODMH), Ohio Department of Drug and Alcohol Services (ODADAS) and the legislative authorities of the counties making up the Board. Those subdivisions are the Clark, Greene and Madison County Commissioners. The Board provides alcohol, drug addiction, and mental health services and programs to citizens in Clark, Greene and Madison Counties primarily through contracts with private and public agencies.

The Clark County Auditor and the Clark 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.

Basis of accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received rather than when earned, and disbursements are recognized 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).

Cash

As required by Ohio Revised Code, the Board's cash is held and invested by the Clark 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 at the County Treasurer's carrying amount. Information related to investments and credit risk can be obtained by reviewing the Clark County, Ohio financial statements.

Fund accounting

The Board uses fund accounting to segregate cash and investments that are restricted as to use. The Board classifies its funds into the following 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 to be accounted for in another fund.

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Board had the following significant special revenue funds:

**MENTAL HEALTH & RECOVERY BOARD OF CLARK,
GREENE AND MADISON COUNTIES**

Notes to the Financial Statement
June 30, 2007

Medicaid (ODMH) – This fund accounts for the Medicaid reimbursements received from the Ohio Department of Mental Health based on claims submitted by provider agencies.

ODMH 408 SMD Services – This fund accounts for funding passed through the Ohio Department of Mental Health to local mental health boards to pay for inpatient services as well as community services for persons with severe mental illnesses.

ODMH 505 Regular – This fund accounts for funding passed through the Ohio Department of Mental Health to local mental health boards to provide mental health services to members of the community.

Budgetary process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

A. Appropriations

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

B. Estimated Resources

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

C. 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.

A summary of fiscal year 2007 budgetary activity appears in Note 2.

Property, plant and equipment

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

**MENTAL HEALTH & RECOVERY BOARD OF CLARK,
GREENE AND MADISON COUNTIES**

Notes to the Financial Statement
June 30, 2007

Unpaid vacation and sick leave

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

Interfund Transactions

During the course of normal operations, the Board will, as necessary, transfer or advance cash between funds to meet current obligations.

2. Budgetary Activity:

Budgetary activity for the year ending June 30, 2007 follows:

<u>2007 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted</u> <u>Receipts</u>	<u>Actual</u> <u>Receipts</u>	<u>Variance</u>
General	\$ 11,957,137	\$ 12,305,171	\$ 348,034
Special revenue	<u>20,003,077</u>	<u>20,585,303</u>	<u>582,226</u>
Total	<u>\$ 31,960,214</u>	<u>\$ 32,890,474</u>	<u>\$ 930,260</u>

<u>2007 Budgeted vs. Actual Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation</u> <u>Authority</u>	<u>Budgetary</u> <u>Expenditures</u>	<u>Variance</u>
General	\$ 10,268,459	\$ 9,960,170	\$ 308,289
Special revenue	<u>21,164,696</u>	<u>20,529,270</u>	<u>635,426</u>
Total	<u>\$ 31,433,155</u>	<u>\$ 30,489,440</u>	<u>\$ 943,715</u>

The Board did not budget for advances to and from one fund to another.

3. Long-Term Obligations:

Over the years, the Board has received numerous mortgage loans payable from the State of Ohio Department of Mental Health (ODMH) to fund construction or acquisition of facilities. These loans are being forgiven by the State over 40 years, as long as the use of these facilities continues to provide mental health services. The loans are exempt from the debt limitations established by Section 5705.19 of the Ohio Revised Code.

**MENTAL HEALTH & RECOVERY BOARD OF CLARK,
GREENE AND MADISON COUNTIES**

Notes to the Financial Statement
June 30, 2007

The original balances of these loans are as follows:

Loan Number	Original Loan Amount	ODMH Balance as of 6/30/07
MH-207	\$ 1,229,396	\$ 455,901
MH-324	99,779	47,515
MH-364	58,146	30,481
MH-379	128,006	69,508
MH-409	131,000	76,690
MH-414	225,200	129,959
MH-519	142,500	95,891
MH-591	437,400	317,115
MH-636	73,500	56,656
MH-637	104,540	100,041
MH-726	94,000	78,529
MH-731	30,000	26,188
Total	<u>\$ 2,753,467</u>	<u>\$ 1,484,474</u>

The Board is also a party to various promissory notes related to the purchase of property, secured by mortgages on the related properties:

A promissory note to Sky Bank in the amount of \$216,000 issued on June 30, 1999 with an interest rate of 6.89% for 240 months with final maturity in fiscal year 2019. The promissory note relates to the acquisition of 1480 Anna Street, Fairborn, Ohio.

A promissory note to Bank One with an original borrowing of \$105,000 issued on April 21, 2000. On November 17, 2005, the remaining balance on the mortgage, \$84,509, was renewed with Chase Bank at a fixed interest rate of 7.5% until maturity on September 30, 2015. Monthly installments of \$1,008 will be paid on the mortgage related to the properties at 323 and 335 E. Market, Xenia, Ohio.

A promissory note to Sky Bank with an original mortgage borrowing of \$860,000 on December 21, 2000. The principal amount of \$746,454 was refinanced on December 12, 2002 at a 6.5% interest rate, which is adjusted every five-years to the U.S. Treasury weekly average yield. On November 17, 2005 the rate was adjusted to 7.75% thereby changing the monthly installment payment from \$5,897 to \$6,132 with the final payment due in September 2021. The property mortgage is on the facility located at 600 Dayton-Yellow Springs Road, Fairborn, Ohio.

A promissory note to Huntington National Bank with an original borrowing of \$320,000 issued on April 9, 2004. The interest rate on the loan is adjusted annually to the 3-month LIBOR average. For fiscal year 2007 the interest rate on the loan was 5.395%. The current monthly debt service payment is \$2,179. The property mortgage is on the facility located at the rear of 224 East Street in Springfield Ohio.

**MENTAL HEALTH & RECOVERY BOARD OF CLARK,
GREENE AND MADISON COUNTIES**

Notes to the Financial Statement
June 30, 2007

Future principal and interest requirements at June 30, 2007, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 55,335	\$ 71,457	\$ 126,792
2009	58,856	67,935	126,791
2010	62,651	64,140	126,791
2011	66,744	60,047	126,791
2012	71,156	55,635	126,791
2013-2017	413,186	200,162	613,348
2018-2022	393,295	56,471	449,766
2023-2026	51,933	816	52,749
Total	<u>\$ 1,173,156</u>	<u>\$ 576,663</u>	<u>\$ 1,749,819</u>

4. Property Tax:

Real property taxes become a lien on January 1 preceding the October 1 date. Property tax levies have been passed in Clark, Greene and Madison Counties. Total mental health levy tax rates in effect for fiscal year 2007 are 2.65, 1.5, and 0.5 mills in Clark, Greene and Madison Counties, respectively. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reported in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semi annual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the respective counties. Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The respective counties are responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Board.

5. Retirement System:

The Board's employees belong to the Public Employees 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 the period July 1, 2006 to December 31, 2006 PERS members contributed 9.0% of their gross salaries and the Board contributed an amount equal to 13.70% of participants' gross salaries. For the period January 1, 2007 to June 30, 2007 PERS members contributed 9.5% of their gross salaries and the Board contributed an amount equal to 13.85% of participants' gross salaries. The Board has paid all contributions required through June 30, 2007. See the financial report of Clark County, Ohio complete pension disclosure.

**MENTAL HEALTH & RECOVERY BOARD OF CLARK,
GREENE AND MADISON COUNTIES**

Notes to the Financial Statement
June 30, 2007

6. Deferred Compensation Programs:

Employees of the Board have the option to participate in either, or both, the Ohio Public Employees Deferred Compensation Program or the County Commissioners Association of Ohio Deferred Compensation Plan. Both of these programs are deferred compensation plans under Internal Revenue Code Section 457. Employees may elect to defer a portion of their pay until a later date, normally retirement.

7. Risk Management:

The Board has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Employee Practice and Dishonesty
- Employer liability
- Directors and Officers liability

The Board also provides health insurance and dental coverage to full-time employees through a private carrier. 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.

8. Contingencies:

The Board received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. 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.

9. Adjustment of Beginning Fund Balance:

During fiscal year 2007, the Board determined it would be appropriate to reclassify an activity previously reported as part of the general fund to a special revenue fund. This adjustment reduced the beginning fund balance of the general fund by \$2,952 from the \$3,392,237 previously reported to \$3,389,285 and increased the beginning fund of the special revenue funds from the \$252,604 previously reported to \$255,556.

10. Subsequent Event:

Subsequent to year end, the Board transferred the property it held under ODMH loan number MH-637 to a provider agency. As of the date of the financial statements, the Board has not yet received a release from loan from ODMH.

MENTAL HEALTH & RECOVERY BOARD OF CLARK, GREENE AND MADISON COUNTIES
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2007

<u>Grant Title</u>	<u>CFDA Number</u>	<u>Award Year</u>	<u>Pass-through Number</u>	<u>Expenditures</u>
U. S. DEPARTMENT OF HUMAN SERVICES:				
<i>Passed through Ohio Department of Mental Health:</i>				
Public Health and Social Services Emergency	93.003	2006	08-IBHS-06-01	3,608
Promoting Safe and Stable Families	93.556	2007	(1)	87,428
Community Based Child Abuse Prevention Grant	93.590	2007	08-CS-07-04	49,049
Title XX		2006	(1)	66,858
		2007	(1)	<u>133,653</u>
Total Title XX	93.667			200,511
<i>Passed through Ohio Department of Alcohol and Drug Addiction:</i>				
Block Grants:				
Women and Children's Treatment Program		2007	12-01039-00- WOMAN-T-07-9925	205,000
Women's Treatment		2007	12-01123-00- WOMAN-T-07-9045	390,258
Treatment Per Capita		2006	(1)	3,558
		2007	(1)	<u>735,695</u>
Total Treatment Per Capita				739,253
Prevention Per Capita		2007	(1)	<u>283,970</u>
Total Block Grants	93.959			1,618,481
<i>Passed through Multiple Agencies:</i>				
Substance Abuse and Mental Health Services - Transformation Grant (passed through Ohio Department of Mental Health)		2007	09-TSIG-07-01	24,674
Substance Abuse and Mental Health Services (passed through The Ohio State University)		2007	(1)	<u>40,000</u>
Total Substance Abuse and Mental Health Services:	93.243			64,674
Block Grants for Community Mental Health Services (passed through Ohio Department of Mental Health)				
Community Plan		2007	(1)	163,445
Children/Adolescent		2007	(1)	<u>57,895</u>
				221,340
Block Grants for Community Mental Health Services (passed through The Ohio State University)				
Total Block Grants for Community Mental Health Services	93.958	2007	125-CS-07-01	<u>5,000</u>
				226,340
Title XIX (passed through Ohio Department of Mental Health)				
		2006	(1)	968,795
		2007	(1)	<u>5,102,241</u>
				6,071,036
Title XIX (passed through Ohio Department of Alcohol & Drug Addiction)				
		2006	(1)	254,081
		2007	(1)	<u>769,718</u>
				1,023,799
Total Title XIX	93.778			7,094,835

(Continued)

MENTAL HEALTH & RECOVERY BOARD OF CLARK, GREENE AND MADISON COUNTIES
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2007
 (Continued)

<u>Grant Title</u>	<u>CFDA Number</u>	<u>Award Year</u>	<u>Pass-through Number</u>	<u>Expenditures</u>
<u>U. S. DEPARTMENT OF HUMAN SERVICES (Continued):</u>				
<i>Passed through Multiple Agencies (Continued):</i>				
Title XIX SCHIPS (passed through Ohio Department of Mental Health)		2006	(1)	72,188
		2007	(1)	<u>357,217</u>
				429,405
Title XIX SCHIPS (passed through Ohio Department of Alcohol & Drug Addiction)		2006	(1)	52,055
		2007	(1)	<u>138,265</u>
				190,320
Total Title XIX SCHIPS	93.767			<u>619,725</u>
Total U.S. Department of Human Services				<u>9,964,651</u>
TOTAL FEDERAL AWARDS				<u>\$ 9,964,651</u>

(1) Pass-through; number not available

See accompanying notes to this schedule.

**MENTAL HEALTH & RECOVERY BOARD OF CLARK,
GREENE AND MADISON COUNTIES**

Notes to the Schedule of Expenditures of Federal Awards
June 30, 2007

1. Significant Accounting Policies:

The accompanying schedule of federal award expenditures is a summary activity of all federal awards programs of the Mental Health & Recovery Board of Clark, Greene and Madison Counties (the Board). The schedule has been prepared on the cash basis of accounting.

2. Sub-Recipients:

The Board passes through certain federal grants from the State Department of Mental Health and the State Department of Alcohol and Drug Addiction Services to various not-for-profit provider agencies. As described in Note 1 above, the Board records expenditures of federal awards to subrecipients when paid in cash.

The subrecipient agencies have certain compliance responsibilities related to administering these federal programs. Under OMB Circular A-133, the Board is responsible for monitoring subrecipients to help assure 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.

The Board conducts its monitoring procedures by requiring each of the subrecipients to have an annual audit performed in accordance with OMB Circular A-133.

3. Matching Requirements:

Certain federal programs require 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 of federal awards expenditures.



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Report 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*

Board of Trustees
Mental Health & Recovery Board of Clark, Greene and Madison Counties
Springfield, Ohio

We have audited the financial statement of the Mental Health & Recovery Board of Clark, Greene and Madison Counties (the Board), as of and for the year ended June 30, 2007, and have issued our report thereon dated November 9, 2007, in which we noted the Board prepared its financial statement on a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the appropriate basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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 deficiencies in internal control that might be 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 statements are 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 for the information of the Board, audit committee, management, the Auditor of State, and 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.

Clark, Schaefer, Hockett & Co.

Springfield, Ohio
November 9, 2007



Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS
www.cshco.com

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

Board of Trustees
Mental Health & Recovery Board of Clark, Greene and Madison Counties
Springfield, Ohio

Compliance

We have audited the compliance of the Mental Health & Recovery Board of Clark, Greene and Madison 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 are applicable to each of its major federal programs for the year ended June 30, 2007. 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*. 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 requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the Board is responsible for establishing and maintaining effective internal control over compliance with 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 the requirements that could 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, but not for the purpose of expressing an opinion on the effectiveness of the 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 an entity's 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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.

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
November 9, 2007

**MENTAL HEALTH & RECOVERY BOARD OF CLARK
GREENE AND MADISON COUNTIES**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2007

1. SUMMARY OF AUDITORS' RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified						
(d)(1)(ii)	Were there any material weakness conditions reported at the financial statement level (GAGAS)?	No						
(d)(1)(ii)	Were there any other significant deficiencies reported at the financial statement level (GAGAS)?	No						
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	No						
(d)(1)(iv)	Were there any material weakness conditions reported for major federal programs?	No						
(d)(1)(iv)	Were there any other significant deficiencies reported for major federal programs?	No						
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified						
(d)(1)(vi)	Are there any reportable findings under §.510?	No						
(d)(1)(vii)	Major Programs (list):	<table border="0"> <tr> <td><u>Program</u></td> <td><u>CFDA#</u></td> </tr> <tr> <td>Title XIX</td> <td>93.778</td> </tr> <tr> <td>Title XIX S-Chips</td> <td>93.767</td> </tr> </table>	<u>Program</u>	<u>CFDA#</u>	Title XIX	93.778	Title XIX S-Chips	93.767
<u>Program</u>	<u>CFDA#</u>							
Title XIX	93.778							
Title XIX S-Chips	93.767							
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: All others						
(d)(1)(ix)	Low Risk Auditee?	Yes						

**MENTAL HEALTH & RECOVERY BOARD OF CLARK
GREENE AND MADISON COUNTIES**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2007

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

NONE NOTED DURING YEAR ENDED JUNE 30, 2007

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE NOTED DURING THE YEAR ENDED JUNE 30, 2007

4. SCHEDULE OF PRIOR AUDIT FINDINGS

NO FINDINGS ISSUED IN PRIOR AUDIT



Mary Taylor, CPA
Auditor of State

MENTAL HEALTH AND RECOVERY BOARD OF CLARK, GREENE AND MADISON COUNTIES

CLARK 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
DECEMBER 20, 2007**