



Mary Taylor, CPA  
Auditor of State



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

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Tri-County Alcohol, Drug and Mental Health Services Board  
Mercer, Van Wert and Paulding Counties  
1054 S. Washington Street, Suite A  
P.O. Box 269  
Van Wert, Ohio 45891

To the Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tri-County Alcohol, Drug and Mental Health Services Board of Mercer, Van Wert and Paulding Counties, (the Board), as of and for the year ended June 30, 2006, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Tri-County Alcohol, Drug and Mental Health Services Board of Mercer, Van Wert and Paulding Counties, as of June 30, 2006, and the respective changes in financial position thereof and the respective budgetary comparisons for the General, Mental Health State, Mental Health Federal, and Alcohol and Drug Federal funds for the year then ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2007, on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

March 7, 2007

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(UNAUDITED)**

This discussion and analysis of the Tri County Alcohol, Drug Addiction and Mental Health Services Board of Van Wert, Mercer and Paulding Counties (the Board) financial performance provides an overall review of the Board's financial activities for the fiscal year ended June 30, 2006, within the limitations of the Board's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Board's financial performance.

**Highlights**

Key highlights for Fiscal Year 2006 are as follows:

- Net assets increased \$ 43,786.
- The Board's general receipts accounted for \$1,134,326 in receipts or approximately 19 percent of all receipts. Program specific receipts in the form of operating grants and contributions accounted for \$ \$4,760,601 or approximately 81 percent of total receipts of \$5,894,927.
- The Board had \$5,851,141 in disbursements, of which \$5,422,570 or approximately 93 percent was for mental health and dependency rehabilitation grants to service providers.

**Using this Annual Financial Report**

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

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

**Reporting the Board as a Whole**

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

While this document contains information used by the Board to provide programs and services for its service area, the view of the Board as a whole looks at all the financial transactions and asks the question, "How did we do financially during the fiscal year 2006?" The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis answer this question. These two statements report the Board's net assets and changes in those assets.

This change in net assets is important because it tells the reader that, for the Board as a whole, the financial position of the Board has improved or diminished.

The causes of this change may be the result of many factors, some financial, some not.

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(UNAUDITED)  
(Continued)**

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

**Governmental Financial Statements**

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

**The Board as a Whole**

Table 1 provides a summary of the Board's net assets for Fiscal Year 2006 compared to Fiscal Year 2005.

**Table 1  
Net Assets – Cash Basis**

|  | <b>Governmental<br/>Activities</b> |                    |
|--|------------------------------------|--------------------|
|  | <b>2006</b>                        | <b>2005</b>        |
| <b>Assets</b>                              |                                    |                    |
| Equity in Pooled Cash and Cash Equivalents | \$1,053,247                        | \$1,009,461        |
| Total Assets                               | <u>1,053,247</u>                   | <u>1,009,461</u>   |
| <b>Net Assets</b>                          |                                    |                    |
| Unrestricted                               | 727,943                            | 666,991            |
| Restricted                                 | 325,304                            | 342,470            |
| Total Net Assets                           | <u>\$1,053,247</u>                 | <u>\$1,009,461</u> |

As shown in table 1, the Board's total assets increased by \$43,786 or approximately 4 percent from Fiscal 2005 to Fiscal 2006. This minimal increase was the result of several budget line items ending the fiscal year under budget.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(UNAUDITED)  
(Continued)**

Table 2 reflects the changes in net assets in Fiscal Year 2006 as compared to Fiscal Year 2005.

**Table 2  
Changes in Net Assets**

|   | <b>Governmental<br/>Activities<br/>2006</b> | <b>Governmental<br/>Activities<br/>2005</b> |
|---|---|---|
| <b>Receipts:</b>                            |   |   |
| <b>Program Receipts:</b>                    |   |   |
| Capital Grants and Contributions            | \$4,760,601                                 | \$4,327,619                                 |
| Total Program Receipts                      | 4,760,601                                   | 4,327,619                                   |
| <b>General Receipts:</b>                    |   |   |
| Property and Other Local Taxes              | 964,972                                     | 1,000,000                                   |
| Homestead/Rollback/Entitlements             | 102,350                                     | 182,008                                     |
| Other                                       | 67,004                                      | 20,061                                      |
| Total General Receipts                      | 1,134,326                                   | 1,202,069                                   |
| Total Receipts                              | 5,894,927                                   | 5,529,688                                   |
| <b>Disbursements:</b>                       |   |   |
| Mental Health and Dependency Rehabilitation | 5,851,141                                   | 5,454,286                                   |
| Total Disbursements                         | 5,851,141                                   | 5,454,286                                   |
| <b>Net Change in Assets</b>                 | <b>\$43,786</b>                             | <b>\$75,402</b>                             |

In Fiscal Year 2006, approximately 81 percent of the Board's total receipts consisted of Program specific receipts in the form of operating grants and contributions.

Of the Program specific receipts, 79 percent were for Mental Health programs, and the remaining 21 percent were for Alcohol and Drug rehabilitation programs.

In Fiscal Year 2006, 93 percent of the Board's cash disbursements were for client specific services or needs.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(UNAUDITED)  
(Continued)**

**Governmental Activities**

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

**Table 3  
Cost of Services**

|   | <b>Total Cost<br/>Of Services<br/>2006</b> | <b>Net Cost<br/>Of Services<br/>2006</b> | <b>Total Cost<br/>Of Services<br/>2005</b> | <b>Net Cost<br/>Of Services<br/>2005</b> |
|---|--|--|--|--|
| <b>Mental Health and Dependency Rehabilitation:</b> |  |  |  |  |
| Salaries  | \$214,172                                  | \$214,172                                | \$214,653                                  | \$214,653                                |
| Supplies  | 5,700                                      | 5,700                                    | 5,500                                      | 5,500                                    |
| Equipment   | 7,876                                      | 7,876                                    | 6,473                                      | 6,473                                    |
| Grants  | 5,422,570                                  | 661,969                                  | 5,023,589                                  | 695,970                                  |
| Contract Services                                   | 26,291                                     | 26,291                                   | 21,400                                     | 21,400                                   |
| Rentals   | 21,406                                     | 21,406                                   | 34,121                                     | 34,121                                   |
| Advertising and Printing                            | 2,988                                      | 2,988                                    | 2,019                                      | 2,019                                    |
| Travel and Expenses                                 | 11,422                                     | 11,422                                   | 9,983                                      | 9,983                                    |
| Public Employee's Retirement                        | 43,033                                     | 43,033                                   | 49,445                                     | 49,445                                   |
| Worker's Compensation                               | 0  | 0  | 2,738                                      | 2,738                                    |
| Other Expenses                                      | 95,683                                     | 95,683                                   | 84,365                                     | 84,365                                   |
| <b>Total Disbursements</b>                          | <b>\$5,851,141</b>                         | <b>\$1,090,540</b>                       | <b>\$5,854,286</b>                         | <b>\$1,126,667</b>                       |

The dependence upon state entitlements and property tax receipts for governmental activities is apparent as 19 percent of governmental activities are supported through these general receipts.

**The Board's Governmental Financial Statements**

The Board's governmental financial statements are accounted for using the cash basis of accounting. The governmental financial statements had total receipts of \$5,894,927 and disbursements of \$5,851,141.

**Budgeting Highlights**

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

During Fiscal Year 2006, the Board amended its appropriations, and the budgetary statement reflects both the original and final appropriated amounts. There were no significant changes between the original and the final budgets except in the grant funds where changes in the amounts appropriated were modified to agree with additional anticipated revenue.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(UNAUDITED)  
(Continued)**

**Current Issues**

The challenge for all Boards is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little ways of generating other receipts. Our newly prepared financial forecast predicts deficit spending for fiscal 2007 and for the next several years, thus depleting our fund balances; therefore, the finance committee and the administration implemented a strategy to delay the deficit spending situation. This plan became effective in fiscal 2005. We reviewed our sources of revenue and determined that increases were unlikely. We then reviewed the disbursement history of the Board. We have been forced to reduce the funding to our local Mental Health Providers, and in some cases, not fund programs we have in the past. We hope that this continued vigilance will help preserve the Mental Health and Alcohol and Drug Addiction services at the level the citizens within our area have received in the past.

**Contacting the Government's Financial Management**

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

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

**STATEMENT OF NET ASSETS - CASH BASIS  
JUNE 30, 2006**

|  | <b>Governmental<br/>Activities</b> |
|--|------------------------------------|
| <b>Assets</b>                              |                                    |
| Equity in Pooled Cash and Cash Equivalents | <u>\$1,053,247</u>                 |
| Total Assets                               | <u><u>1,053,247</u></u>            |
| <b>Net Assets</b>                          |                                    |
| Unrestricted                               | 727,943                            |
| Restricted                                 | <u>325,304</u>                     |
| <b>Total Net Assets</b>                    | <u><u>\$1,053,247</u></u>          |

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

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

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2006**

|   | <u>Cash</u>          | <u>Program Cash Receipts</u> | <u>Net (Disbursements) Receipts</u> |
|---|----------------------|------------------------------|-------------------------------------|
|   | <u>Disbursements</u> | <u>Operating Grants</u>      | <u>and Changes in Net Assets</u>    |
|   |                      | <u>and Contributions</u>     | <u>Governmental</u>                 |
|   |                      |                              | <u>Activities</u>                   |
| <b>Governmental Activities:</b>               |                      |                              |                                     |
| Mental Health and Dependency Rehabilitation   |                      |                              |                                     |
| Salaries                                      | \$214,172            |                              | (\$214,172)                         |
| Supplies                                      | 5,700                |                              | (5,700)                             |
| Equipment                                     | 7,876                |                              | (7,876)                             |
| Grants  | 5,422,570            | \$4,760,601                  | (661,969)                           |
| Contract - Services                           | 26,291               |                              | (26,291)                            |
| Rentals                                       | 21,406               |                              | (21,406)                            |
| Advertising and Printing                      | 2,988                |                              | (2,988)                             |
| Travel and Expenses                           | 11,422               |                              | (11,422)                            |
| Public Employee's Retirement                  | 43,033               |                              | (43,033)                            |
| Other Expenses                                | 95,683               |                              | (95,683)                            |
|   | <u>\$5,851,141</u>   | <u>\$4,760,601</u>           | <u>(1,090,540)</u>                  |
| <br><b>General Receipts</b>                   |                      |                              |                                     |
| Property Taxes Levied<br>for General Purposes |                      |                              | 964,972                             |
| Homestead/Rollback and Entitlements           |                      |                              | 102,350                             |
| Other   |                      |                              | 67,004                              |
|   |                      |                              | <u>1,134,326</u>                    |
| Total General Receipts                        |                      |                              | 1,134,326                           |
| Change in Net Assets                          |                      |                              | <u>43,786</u>                       |
| Net Assets Beginning of Year                  |                      |                              | <u>1,009,461</u>                    |
| Net Assets End of Year                        |                      |                              | <u><u>\$1,053,247</u></u>           |

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

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

**STATEMENT OF ASSETS AND FUND BALANCES - GOVERNMENTAL FUNDS - CASH BASIS  
JUNE 30, 2006**

|  | <u>General</u>   | <u>Mental Health<br/>State</u> | <u>Mental Health<br/>Federal</u> | <u>Alcohol Drug<br/>Federal</u> | <u>Other<br/>Governmental</u> | <u>Total</u>       |
|--|------------------|--------------------------------|----------------------------------|---------------------------------|-------------------------------|--------------------|
| <b>Cash Basis Assets</b>                               |                  |                                |                                  |                                 |                               |                    |
| Equity in Pooled Cash and Cash Equivalents             | \$727,943        | \$165,543                      | \$57,669                         | \$52,092                        | \$50,000                      | \$1,053,247        |
| Total Assets   | <u>727,943</u>   | <u>165,543</u>                 | <u>57,669</u>                    | <u>52,092</u>                   | <u>50,000</u>                 | <u>1,053,247</u>   |
| <b>Cash Basis Fund Balance</b>                         |                  |                                |                                  |                                 |                               |                    |
| Reserved for Encumbrances<br>Unrestricted, Reported in | 29,269           | 71,813                         | 13,063                           |                                 |                               | 114,145            |
| General Fund   | 698,674          |                                |                                  |                                 |                               | 698,674            |
| Special Revenue Funds                                  |                  | 93,730                         | 44,606                           | 52,092                          | 50,000                        | 240,428            |
| Total Cash Basis Fund Balance                          | <u>\$727,943</u> | <u>\$165,543</u>               | <u>\$57,669</u>                  | <u>\$52,092</u>                 | <u>\$50,000</u>               | <u>\$1,053,247</u> |

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

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006**

|   | <u>General Fund</u> | <u>Mental Health<br/>State</u> | <u>Mental Health<br/>Federal</u> | <u>Alcohol/Drug<br/>Federal</u> | <u>Other<br/>Governmental</u> | <u>Total</u>       |
|---|---------------------|--------------------------------|----------------------------------|---------------------------------|-------------------------------|--------------------|
| <b>Receipts</b>   |                     |                                |                                  |                                 |                               |                    |
| Taxes   | \$964,972           |                                |                                  |                                 |                               | \$964,972          |
| Grants  |                     | \$2,349,178                    | \$1,414,602                      | \$734,646                       | \$262,175                     | 4,760,601          |
| Intergovernmental   | 102,350             |                                |                                  |                                 |                               | 102,350            |
| Other   | 67,004              |                                |                                  |                                 |                               | 67,004             |
| Total Receipts  | <u>1,134,326</u>    | <u>2,349,178</u>               | <u>1,414,602</u>                 | <u>734,646</u>                  | <u>262,175</u>                | <u>5,894,927</u>   |
| <b>Disbursements</b>  |                     |                                |                                  |                                 |                               |                    |
| Salaries  | 4,172               | 210,000                        |                                  |                                 |                               | 214,172            |
| Supplies  |                     | 3,000                          |                                  | 2,700                           |                               | 5,700              |
| Equipment   | 3,376               | 4,500                          |                                  |                                 |                               | 7,876              |
| Grants  | 943,520             | 2,019,897                      | 1,449,122                        | 747,856                         | 262,175                       | 5,422,570          |
| Contract Services   | 26,291              |                                |                                  |                                 |                               | 26,291             |
| Rentals   |                     | 21,406                         |                                  |                                 |                               | 21,406             |
| Advertising and Printing  | 2,988               |                                |                                  |                                 |                               | 2,988              |
| Travel and Expenses   | 1,065               | 10,357                         |                                  |                                 |                               | 11,422             |
| Public Employee's Retirement  | 39,033              | 4,000                          |                                  |                                 |                               | 43,033             |
| Other   | 52,929              | 42,754                         |                                  |                                 |                               | 95,683             |
| Total Disbursements   | <u>1,073,374</u>    | <u>2,315,914</u>               | <u>1,449,122</u>                 | <u>750,556</u>                  | <u>262,175</u>                | <u>5,851,141</u>   |
| Excess of Receipts Over (Under) Disbursements   | <u>60,952</u>       | <u>33,264</u>                  | <u>(34,520)</u>                  | <u>(15,910)</u>                 |                               | <u>43,786</u>      |
| <b>Other Financing Receipts/(Disbursements)</b>   |                     |                                |                                  |                                 |                               |                    |
| Advances - In   | 400,000             | 100,000                        | 175,000                          | 75,000                          | 50,000                        | 800,000            |
| Advances-Out  | (400,000)           | (100,000)                      | (175,000)                        | (75,000)                        | (50,000)                      | (800,000)          |
| Total Other Financing Receipts (Disbursements)  |                     |                                |                                  |                                 |                               |                    |
| Excesss of Cash Receipts and Other Financing<br>Receipts Over (Under) Cash Disbursements<br>and Other Financing Disbursements | <u>60,952</u>       | <u>33,264</u>                  | <u>(34,520)</u>                  | <u>(15,910)</u>                 |                               | <u>43,786</u>      |
| Cash Balance Beginning of Year  | <u>666,991</u>      | <u>132,279</u>                 | <u>92,189</u>                    | <u>68,002</u>                   | <u>50,000</u>                 | <u>1,009,461</u>   |
| Cash Balance End of Year  | <u>\$727,943</u>    | <u>\$165,543</u>               | <u>\$57,669</u>                  | <u>\$52,092</u>                 | <u>\$50,000</u>               | <u>\$1,053,247</u> |

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



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

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2006**

|  | <u>Budgeted Amounts</u> |                         | <u>Actual</u>           | <u>Variance with<br/>Final Budget<br/>Favorable<br/>(Unfavorable)</u> |
|--|-------------------------|-------------------------|-------------------------|---|
|  | <u>Original</u>         | <u>Final</u>            |                         |   |
| <b>Receipts</b>                                      |                         |                         |                         |   |
| Taxes  | \$955,398               | \$955,398               | \$964,972               | \$9,574   |
| Intergovernmental                                    | 104,602                 | 104,602                 | 102,350                 | (2,252)   |
| Other Board Receipts                                 | 40,000                  | 59,000                  | 67,004                  | 8,004   |
| <b>Total Receipts</b>                                | <u>1,100,000</u>        | <u>1,119,000</u>        | <u>1,134,326</u>        | <u>15,326</u>   |
| <b>Disbursements</b>                                 |                         |                         |                         |   |
| Salaries   | 6,000                   | 11,000                  | 4,172                   | 6,828   |
| Equipment  | 4,643                   | 4,643                   | 3,376                   | 1,267   |
| Grants   | 1,065,604               | 1,000,189               | 965,123                 | 35,066  |
| Contracts-Services                                   | 33,000                  | 33,000                  | 26,291                  | 6,709   |
| Advertising and Printing                             | 3,229                   | 3,229                   | 2,988                   | 241   |
| Travel and Expenses                                  | 2,300                   | 2,300                   | 1,065                   | 1,235   |
| Public Employee's Retirement                         | 44,500                  | 44,500                  | 43,059                  | 1,441   |
| Workers Compensation                                 | 4,800                   | 4,800                   | 3,449                   | 1,351   |
| Other  | 55,547                  | 58,047                  | 53,120                  | 4,927   |
| <b>Total Cash Disbursements</b>                      | <u>1,219,623</u>        | <u>1,161,708</u>        | <u>1,102,643</u>        | <u>59,065</u>   |
| <b>Excess of receipts Over (Under) Disbursements</b> | <u>(119,623)</u>        | <u>(42,708)</u>         | <u>31,683</u>           | <u>74,391</u>   |
| <b>Other Financing Sources (Uses)</b>                |                         |                         |                         |   |
| Advances In  |                         |                         | 400,000                 | 400,000   |
| Advances Out   |                         |                         | (400,000)               | (400,000)   |
| <b>Total Other Financing Sources (Uses)</b>          |                         |                         |                         |   |
| <b>Changes in Fund Balance</b>                       | <u>(119,623)</u>        | <u>(42,708)</u>         | <u>31,683</u>           | <u>74,391</u>   |
| <b>Fund Balance Beginning of Year</b>                | 639,054                 | 639,054                 | 639,054                 |   |
| <b>Prior Year Encumbrances Appropriated</b>          | <u>27,937</u>           | <u>27,937</u>           | <u>27,937</u>           |   |
| <b>Fund Balance End of Year</b>                      | <u><u>\$547,368</u></u> | <u><u>\$624,283</u></u> | <u><u>\$698,674</u></u> | <u><u>\$74,391</u></u>  |

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

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BASIS) AND ACTUAL  
MENTAL HEALTH STATE FUND  
FOR THE YEAR ENDED JUNE 30, 2006**

|   | <u>Budgeted Amounts</u> |                        | <u>Actual</u>          | <u>Variance with<br/>Final Budget<br/>Favorable<br/>(Unfavorable)</u> |
|---|-------------------------|------------------------|------------------------|---|
|   | <u>Original</u>         | <u>Final</u>           |                        |   |
| <b>Receipts</b>                               |                         |                        |                        |   |
| Grants  | \$2,054,800             | \$2,363,081            | \$2,349,178            | (\$13,903)  |
| Total Receipts                                | <u>2,054,800</u>        | <u>2,363,081</u>       | <u>2,349,178</u>       | <u>(13,903)</u>   |
| <b>Disbursements</b>                          |                         |                        |                        |   |
| Salaries                                      | 210,000                 | 210,000                | 210,000                |   |
| Supplies                                      | 3,000                   | 3,000                  | 3,000                  |   |
| Equipment                                     | 4,500                   | 4,500                  | 4,500                  |   |
| Grants  | 1,786,333               | 2,099,592              | 2,091,710              | 7,882   |
| Rentals                                       | 21,406                  | 21,406                 | 21,406                 |   |
| Travel and Expenses                           | 12,700                  | 10,357                 | 10,357                 |   |
| Public Employee's Retirement                  | 4,000                   | 4,000                  | 4,000                  |   |
| Other   | 45,389                  | 42,754                 | 42,754                 |   |
| Total Cash Disbursements                      | <u>2,087,328</u>        | <u>2,395,609</u>       | <u>2,387,727</u>       | <u>7,882</u>  |
| Excess of Receipts Over (Under) Disbursements | <u>(32,528)</u>         | <u>(32,528)</u>        | <u>(38,549)</u>        | <u>(6,021)</u>  |
| <b>Other Financing Sources (Uses)</b>         |                         |                        |                        |   |
| Advances In                                   |                         |                        | 100,000                | 100,000   |
| Advances Out                                  |                         |                        | (100,000)              | (100,000)   |
| Total Other Financing Sources (Uses)          |                         |                        |                        |   |
| Changes in Fund Balance                       | (32,528)                | (32,528)               | (38,549)               | (6,021)   |
| Fund Balance Beginning of Year                | 99,751                  | 99,751                 | 99,751                 |   |
| Prior Year Encumbrances Appropriated          | <u>32,528</u>           | <u>32,528</u>          | <u>32,528</u>          |   |
| Fund Balance End of Year                      | <u><u>\$99,751</u></u>  | <u><u>\$99,751</u></u> | <u><u>\$93,730</u></u> | <u><u>(\$6,021)</u></u>   |

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

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BASIS) AND ACTUAL  
MENTAL HEALTH FEDERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2006**

|   | <u>Budgeted Amounts</u> |                  | <u>Actual</u>    | <u>Variance with<br/>Final Budget<br/>Favorable<br/>(Unfavorable)</u> |
|---|-------------------------|------------------|------------------|---|
|   | <u>Original</u>         | <u>Final</u>     |                  |   |
| <b>Receipts</b>                               |                         |                  |                  |   |
| Grants  | \$1,358,965             | \$1,488,781      | \$1,414,602      | (\$74,179)  |
| Total Receipts                                | <u>1,358,965</u>        | <u>1,488,781</u> | <u>1,414,602</u> | <u>(74,179)</u>   |
| <b>Disbursements</b>                          |                         |                  |                  |   |
| Grants  | <u>1,387,419</u>        | <u>1,517,235</u> | <u>1,462,185</u> | <u>55,050</u>   |
| Total Disbursements                           | <u>1,387,419</u>        | <u>1,517,235</u> | <u>1,462,185</u> | <u>55,050</u>   |
| Excess of Receipts Over (Under) Disbursements | <u>(28,454)</u>         | <u>(28,454)</u>  | <u>(47,583)</u>  | <u>(19,129)</u>   |
| <b>Other Financing Sources (Uses)</b>         |                         |                  |                  |   |
| Advances In                                   |                         |                  | 175,000          | 175,000   |
| Advances Out                                  |                         |                  | (175,000)        | (175,000)   |
| Total Other Financing Sources (Uses)          |                         |                  |                  |   |
| Changes in Fund Balance                       | (28,454)                | (28,454)         | (47,583)         | (19,129)  |
| Fund Balance Beginning of Year                | 63,735                  | 63,735           | 63,735           |   |
| Prior Year Encumbrances Appropriated          | <u>28,454</u>           | <u>28,454</u>    | <u>28,454</u>    |   |
| Fund Balance End of Year                      | <u>\$63,735</u>         | <u>\$63,735</u>  | <u>\$44,606</u>  | <u>(\$19,129)</u>   |

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

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BASIS) AND ACTUAL  
ALCOHOL AND DRUG FEDERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2006**

|   | <u>Budgeted Amounts</u> |                 | <u>Actual</u>   | <u>Variance with<br/>Final Budget<br/>Favorable<br/>(Unfavorable)</u> |
|---|-------------------------|-----------------|-----------------|---|
|   | <u>Original</u>         | <u>Final</u>    |                 |   |
| <b>Receipts</b>                               |                         |                 |                 |   |
| Grants  | \$664,462               | \$761,062       | \$734,646       | (\$26,416)  |
| Total Receipts                                | <u>664,462</u>          | <u>761,062</u>  | <u>734,646</u>  | <u>(26,416)</u>   |
| <b>Disbursements</b>                          |                         |                 |                 |   |
| Supplies                                      | 2,700                   | 2,700           | 2,700           |   |
| Grants  | <u>661,762</u>          | <u>758,362</u>  | <u>747,856</u>  | <u>10,506</u>   |
| Total Cash Disbursements                      | <u>664,462</u>          | <u>761,062</u>  | <u>750,556</u>  | <u>10,506</u>   |
| Excess of Receipts Over (Under) Disbursements |                         |                 | <u>(15,910)</u> | <u>(15,910)</u>   |
| <b>Other Financing Sources (Uses)</b>         |                         |                 |                 |   |
| Advances In                                   |                         |                 | 75,000          | 75,000  |
| Advances Out                                  |                         |                 | <u>(75,000)</u> | <u>(75,000)</u>   |
| Total Other Financing Sources (Uses)          |                         |                 |                 |   |
| Changes in Fund Balance                       |                         |                 | (15,910)        | (15,910)  |
| Fund Balance Beginning of Year                | 68,002                  | 68,002          | 68,002          |   |
| Prior Year Encumbrances Appropriated          |                         |                 |                 |   |
| Fund Balance End of Year                      | <u>\$68,002</u>         | <u>\$68,002</u> | <u>\$52,092</u> | <u>(\$15,910)</u>   |

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

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

**B. Basis of Accounting**

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

**1. Basis of Presentation**

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

**2. Government-Wide Financial Statements**

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

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

**3. Fund Financial Statements**

During the year, the Board segregates transactions related to certain Board functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Board at this more detailed level. The focus of governmental financial statements is on major funds. The Board's General Fund, Mental Health – State Fund, Mental Health - Federal Fund, and Alcohol and Drug - Federal Fund are considered to be major funds and are presented in a separate column.

**C. Fund Accounting**

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

**1. Governmental Funds**

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

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

**D. Basis of Accounting**

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

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

**E. Cash**

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

**F. 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 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 County Budget Commission must also approve estimated resources.

**3. Encumbrances**

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

**G. Restricted Assets**

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

**H. Inventory and Prepaid Items**

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

**I. Capital Assets**

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

**J. Interfund Receivables/Payables**

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

**K. Accumulated Leave**

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

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

The Board recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 3 and 4, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**M. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. There were no funds restricted by enabling legislation at June 30, 2006.

**N. Fund Balance Reserves**

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

**O. Total Columns on Financial Statements**

Total columns on the financial statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, or results of operations in conformity with the basis of accounting described above. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.



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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**2. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual 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 Board.

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

**3. DEFINED BENEFIT PENSION PLAN**

**Ohio Public Employees Retirement System**

The Board participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For July 1, 2005 to December 31, 2005, the members participated in the traditional plan, and were required to contribute 8.5 percent of their annual covered salaries and the Board's contribution rate for pension benefits was 13.55 percent. For January 1, 2006 to June 30, 2006, the members participated in the traditional plan, and were required to contribute 9 percent of their annual covered salaries and the Board's contribution rate for pension benefits was 13.7 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**3. DEFINED BENEFIT PENSION PLAN (Continued)**

The Board's required contributions for pension obligations to the traditional and combined plans for the years ended June 30, 2006, 2005, and 2004 were \$29,011, \$29,085, and \$27,281 respectively; 92 percent has been contributed for fiscal year 2006, and 100% for fiscal years 2005, and 2004. OPERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. OPERS also provides survivor and disability benefits to vested employees.

**4. POST-EMPLOYMENT BENEFITS**

**Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The local government employer contribution rate was 13.55 percent of covered payroll from July 1 to December 31, 2005 and 13.70 percent of covered payroll from January 1 to June 30, 2006. The portion of employer contributions, for all employers, allocated to health care was 4.00 percent for the period July 1 to December 31, 2005 and 4.50% for the period January 1 to June 30, 2006.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between .5 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

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

The number of active contributing participants in the traditional and combined plans was 369,214. Actual employer contributions for fiscal year 2006 which were used to fund post-employment benefits were \$9,012. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**5. RISK MANAGEMENT**

**Commercial Insurance**

The Board has obtained commercial insurance for the following risks:

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

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

**6. LEASE AGREEMENTS**

The Board entered into a lease agreement, for a four year term that began June 1, 2005, and expires June 30, 2009, for offices space for Board operations. The lease term beginning June 1, 2005, establishes the lease rate at \$21,400 for the year to be paid in monthly installments of \$1,783.33; the lease term beginning June 1, 2006, establishes the lease rate at \$21,828 for the year to be paid in monthly installments of \$1,819; the lease term beginning June 1, 2007, establishes the lease rate at \$22,264 for the year to be paid in monthly installments of \$1,855.33; and the lease term beginning June 1, 2008, establishes the lease rate at \$22,710 for the year to be paid in monthly installments of \$1,892.50. The lease agreement is subject to renewal at the lessee's option.

The Board entered into a lease for a vehicle for the Director on June 15, 2004. The lease term was for 36 months at \$398.43 per month plus \$.12 per mile for any miles over 59,060.

**7. CONTINGENT LIABILITIES**

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

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

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

| <b>Federal Grantor/<br/>Pass Through Grantor<br/>Program Title</b>           | <b>Federal<br/>CFDA<br/>Number</b> | <b>Project<br/>Number</b> | <b>Disbursements</b>      |
|--|------------------------------------|---------------------------|---------------------------|
| <b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>                          |                                    |                           |                           |
| <i>Passed Through Ohio Department of Mental Health</i>                       |                                    |                           |                           |
| Block Grants for Community Mental Health Services                            |                                    |                           |                           |
| Community Block Grant  | 93.958                             | SFY06                     | \$48,923                  |
| Children/Adolescent Block Grant  | 93.958                             | SFY06                     | <u>26,365</u>             |
| Total Block Grants for Community Mental Health Services                      |                                    |                           | 75,288                    |
| Social Services Block Grant  | 93.667                             | SFY06                     | 53,428                    |
| Promoting Safe and Stable Families   | 93.556                             | 49-CS-06-01               | 57,472                    |
| State Children's Insurance Program   | 93.767                             | SFY06                     | 73,055                    |
| <i>Passed Through Ohio Department of Alcohol and Drug Addiction Services</i> |                                    |                           |                           |
| State Children's Insurance Program   | 93.767                             | SFY06                     | <u>33,627</u>             |
| Total State Children's Insurance Program                                     |                                    |                           | 106,682                   |
| Medical Assistance Program   | 93.778                             | SFY06                     | 125,217                   |
| <i>Passed Through Ohio Department of Mental Health</i>                       |                                    |                           |                           |
| Medical Assistance Program   | 93.778                             | SFY06                     | <u>1,188,151</u>          |
| Total Medical Assistance Program   |                                    |                           | 1,313,368                 |
| <i>Passed Through Ohio Department of Alcohol and Drug Addiction Services</i> |                                    |                           |                           |
| Substance Abuse Prevention and Treatment Block Grant                         |                                    |                           |                           |
| Alcohol, Drug and Rehabilitation Block Grant                                 | 93.959                             | SFY05                     | 279,574                   |
| Federal Drug Free Community Grant  | 93.959                             | 54-01507-CMMCO-P-06-0034  | 12,000                    |
| Women's Set Aside Grant  | 93.959                             | 54-10277-WOMEN-T-06-8970  | 82,591                    |
|  |                                    | 54-01387-WOMEN-T-06-8996  | 81,658                    |
|  |                                    | 54-01507-WOMEN-T-06-9932  | <u>68,728</u>             |
| Total Women's Set Aside Grant  |                                    |                           | <u>232,977</u>            |
| Total Substance Abuse Prevention and Treatment Block Grant                   |                                    |                           | <u>524,551</u>            |
| Total U.S. Department of Health and Human Services                           |                                    |                           | 2,130,789                 |
| <b>U.S. DEPARTMENT OF EDUCATION</b>  |                                    |                           |                           |
| <i>Passed Through Ohio Department of Alcohol and Drug Addiction Services</i> |                                    |                           |                           |
| Ohio Safe and Drug Free Schools and Communities Act                          | 84.186A                            | 54-01507-DFSCA-P-06-9107  | <u>51,250</u>             |
| <b>Total Federal Assistance</b>  |                                    |                           | <u><u>\$2,182,039</u></u> |

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

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

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 2006**

**1. SIGNIFICANT ACCOUNTING POLICIES**

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

**2. SUBRECIPIENTS**

The Board obtains grants through the Ohio Department of Mental Health (ODMH) and the Ohio Department of Alcohol and Drug Addiction Services (ODADAS) and contracts with sub-recipient agencies for providing services. As described in Note 1, the Board records expenditures of Federal awards to sub-recipients when paid in cash.

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

**Ohio Department of Mental Health**

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

Total Board Subsidy expenditures to ODMH provider agencies for fiscal year 2006 were:

|  |           |
|--|-----------|
| Foundations Behavioral Health Services                     | \$446,542 |
| Paulding County Comprehensive Mental Health Services, Inc. | 259,590   |
| Westwood Behavioral Health Center                          | 457,488   |

**Ohio Department of Alcohol and Drug Addiction Services**

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

Total Board Subsidy expenditures to ODADAS provider agencies for fiscal year 2006 were:

|   |           |
|---|-----------|
| Mercer County Alcohol and Drug Abuse Center, Inc. | \$257,482 |
| Paulding County Alcohol and Drug Services, Inc.   | 216,851   |
| Westwood Behavioral Health Center                 | 197,947   |



# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Tri-County Alcohol, Drug and Mental Health Services Board  
Mercer, Van Wert and Paulding Counties  
1054 S. Washington Street, Suite A  
P.O. Box 269  
Van Wert, Ohio 45891

To the Members of the Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tri-County Alcohol, Drug and Mental Health Services Board of Mercer, Van Wert and Paulding Counties, (the Board), as of and for the fiscal year ended June 30, 2006, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated March 7, 2007, wherein we noted that the Board uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Board's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Board's management dated March 7, 2007, we reported other matters related to internal control we deemed immaterial.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Board's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Board's management dated March 7, 2007, we reported a matter related to noncompliance we deemed immaterial.

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Tri-County Alcohol, Drug and Mental Health Services Board  
Mercer, Van Wert and Paulding Counties  
Independent Accountants' Report on Internal Control Over Financial Reporting and  
on Compliance and Other Matters Required by *Government Auditing Standards*  
Page 2

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

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

March 7, 2007





# Mary Taylor, CPA

## Auditor of State

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

Tri-County Alcohol, Drug and Mental Health Services Board  
Mercer, Van Wert and Paulding Counties  
1054 S. Washington Street, Suite A  
P.O. Box 269  
Van Wert, Ohio 45891

To the Members of the Board:

#### Compliance

We have audited the compliance of the Tri-County Alcohol, Drug and Mental Health Services Board of Mercer, Van Wert and Paulding Counties, (the Board), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal programs for the year ended June 30, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the Board's major federal programs. The Board's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Board's compliance with those requirements.

In our opinion, the Tri-County Alcohol, Drug and Mental Health Services Board complied, in all material respects, with the requirements referred to above that apply to its major federal programs for the year ended June 30, 2006.

#### Internal Control Over Compliance

The Board's management 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 requirements that could directly and materially affect a major federal program 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.

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**Internal Control Over Compliance  
(Continued)**

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 reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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

**Mary Taylor, CPA**  
Auditor of State

March 7, 2007

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

|                     |   |  |
|---------------------|---|--|
| <b>(d)(1)(i)</b>    | <b>Type of Financial Statement Opinion</b>  | Unqualified  |
| <b>(d)(1)(ii)</b>   | <b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>         | No   |
| <b>(d)(1)(ii)</b>   | <b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b> | No   |
| <b>(d)(1)(iii)</b>  | <b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>                        | No   |
| <b>(d)(1)(iv)</b>   | <b>Were there any material internal control weakness conditions reported for major federal programs?</b>              | No   |
| <b>(d)(1)(iv)</b>   | <b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>      | No   |
| <b>(d)(1)(v)</b>    | <b>Type of Major Programs' Compliance Opinion</b>   | Unqualified  |
| <b>(d)(1)(vi)</b>   | <b>Are there any reportable findings under § .510?</b>  | No   |
| <b>(d)(1)(vii)</b>  | <b>Major Programs (list):</b>   | CFDA # 93.778:<br>Medical Assistance Program<br>CFDA #93.959<br>Substance Abuse Prevention and Treatment Block Grant |
| <b>(d)(1)(viii)</b> | <b>Dollar Threshold: Type A/B Programs</b>  | Type A: > \$300,000<br>Type B: all others  |
| <b>(d)(1)(ix)</b>   | <b>Low Risk Auditee?</b>  | Yes  |

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

None

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

None





**Mary Taylor, CPA**  
Auditor of State

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

**MERCER COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 5, 2007**