



**Auditor of State
Betty Montgomery**

**MENTAL HEALTH AND RECOVERY SERVICES
ALLEN, AUGLAIZE AND HARDIN COUNTIES
ALLEN COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Mental Health and Recovery Services
Allen, Auglaize and Hardin Counties
1541 Allentown Road, Suite B
Lima, Ohio 45805

To the Members of the Board:

We have audited the accompanying financial statements of the Mental Health and Recovery Services of Allen, Auglaize and Hardin Counties, (the Board), as of and for the year ended December 31, 2003. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described in Note 1, the Board prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Mental Health and Recovery Services Board as of December 31, 2003, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2004, on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule of federal awards expenditures is presented for 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. We subjected this information to the auditing procedures applied in the audit of the financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, the Members of the Board, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

May 26, 2004

**MENTAL HEALTH AND RECOVERY SERVICES
ALLEN, AUGLAIZE, AND HARDIN COUNTIES**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Taxes	\$1,040,692		\$1,040,692
Grants		\$7,064,652	7,064,652
Intergovernmental Revenue	110,132		110,132
Contract Services	56,023		56,023
Total Cash Receipts	<u>1,206,847</u>	<u>7,064,652</u>	<u>8,271,499</u>
Cash Disbursements:			
Current:			
Salaries		244,447	244,447
Supplies		7,792	7,792
Equipment		9,464	9,464
Contracts - Repair		1,243	1,243
Contracts - Services	1,377,273	145,522	1,522,795
Grants		6,729,631	6,729,631
Rentals		31,747	31,747
Advertising and Printing	8,481	8,555	17,036
Travel		11,201	11,201
Public Employee's Retirement		52,232	52,232
Workers Compensation		646	646
Project Fund Disbursements		46,256	46,256
Other	7,893	17,371	25,264
Total Cash Disbursements	<u>1,393,647</u>	<u>7,306,107</u>	<u>8,699,754</u>
Total Receipts Over/(Under) Disbursements	(186,800)	(241,455)	(428,255)
Other Financing Receipts/(Disbursements):			
Refunds	80,346		80,346
Reimbursements		(156,516)	(156,516)
Total Other Financing Receipts/(Disbursements)	<u>80,346</u>	<u>(156,516)</u>	<u>(76,170)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(106,454)	(397,971)	(504,425)
Fund Cash Balances, January 1, 2003	<u>4,043,570</u>	<u>(56,297)</u>	<u>3,987,273</u>
Fund Cash Balances, December 31, 2003	<u>3,937,116</u>	<u>(454,268)</u>	<u>3,482,848</u>
Reserves for Encumbrances, December 31, 2003	<u>\$335,870</u>	<u>\$27,544</u>	<u>\$363,414</u>

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

**MENTAL HEALTH AND RECOVERY SERVICES
ALLEN, AUGLAIZE, AND HARDIN COUNTIES**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Agency Fund</u>
Fund Cash Balance, January 1, 2003	<u>11,558</u>
Fund Cash Balance, December 31, 2003	<u><u>11,558</u></u>

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

**MENTAL HEALTH AND RECOVERY SERVICES
ALLEN, AUGLAIZE AND HARDIN COUNTIES**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Mental Health and Recovery Services of Allen, Auglaize and Hardin 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 a fifteen-member Board. Board members are appointed by 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 subdivisions served. Those subdivisions are Allen, Auglaize and Hardin Counties, the Ohio Department of Mental Health and the Ohio Department of Alcohol and Drug Addiction Services.

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 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 in cash 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).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash

As required by Ohio Revised Code, the Allen County Treasurer is custodian for the Board's cash. The Board's cash is held in the County's cash and investment pool, and is valued at the County Treasurer's carrying amount.

D. 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:

1. General Fund

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

**MENTAL HEALTH AND RECOVERY SERVICES
ALLEN, AUGLAIZE AND HARDIN COUNTIES**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Funds

These funds are used to account for proceeds that are restricted to expenditure for specific purposes. The Board had the following significant Special Revenue Funds:

408 State Fund – This fund receives money from the Ohio Department of Mental Health to provide specific eligible services to severely mentally ill individuals.

Ohio Department of Mental Health (ODMH) Medicaid Fund – This fund receives monies from the federal government (passed through ODMH) to provide specific eligible services to Medicaid eligible individuals.

3. Fiduciary Fund (Agency Fund)

This fund is used to account for resources for which the Board is acting in an agency capacity. The Board had the following significant Fiduciary Fund:

Council of Governments Fund – This fund represents the remaining cash balance of the Mental Health Board of Western Ohio, and the monthly rental income from the buildings at 797 and 799 South Main Street, Lima, Ohio, if any.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except agency funds) 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 for the General Fund and at the fund level for Special Revenue Funds, 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 January 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.

A summary of 2003 budgetary activity appears in Note 2.

**MENTAL HEALTH AND RECOVERY SERVICES
ALLEN, AUGLAIZE AND HARDIN COUNTIES**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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.

G. Accumulated Leave

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

2. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2003 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,244,533	\$1,287,193	\$42,660
Special Revenue	6,987,226	7,064,652	77,426
Total	<u>\$8,231,759</u>	<u>\$8,351,845</u>	<u>\$120,086</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,544,533	\$1,729,517	\$815,016
Special Revenue	7,223,262	7,490,167	(266,905)
Total	<u>\$9,767,795</u>	<u>\$9,219,684</u>	<u>\$548,111</u>

Contrary to Ohio law, several special revenue funds had deficit fund balances, which indicate that revenues from other funds were used to meet the expenses of those funds.

3. 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. 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.

**MENTAL HEALTH AND RECOVERY SERVICES
ALLEN, AUGLAIZE AND HARDIN COUNTIES**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

4. RETIREMENT SYSTEMS

The Board's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS 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 2003, OPERS members were required to contribute 8.5 percent of their gross salaries which was paid by the Board on behalf of the employees. In addition, the Board contributed an amount equal to 13.55 percent of participants' gross salaries. The Board has paid all contributions required through December 31, 2003.

5. RISK MANAGEMENT

Commercial Insurance

The Board has obtained commercial insurance for comprehensive property and general liability and errors and omissions.

The Board also participates in the County Employee Health Insurance Plan established by Allen County to account for and finance employee health benefits. The employee Health Care Plan is responsible for the first \$90,000 in aggregated claims year. After that, stop-loss covers up to a lifetime maximum of \$2,000,000 per covered person. Further information may be obtained by contacting the Allen County Administrator, 301 North Main Street, Lima, Ohio 45801.

6. GRANTS

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.

7. CONTINGENCIES

The Mental Health and Recovery Services Board serves as the pass-through agent for the Urban Minority Alcohol and Drug Abuse Outreach Program (UMADAOP), the sub-recipient. The latest audit report of UMADAOP, dated June 30, 2002, which is required by the Board, has reported an alleged misuse of funds. The situation was being investigated during the last audit period, and the outcome, or possible contingency is still unknown.

**MENTAL HEALTH AND RECOVERY SERVICES
ALLEN, AUGLAIZE AND HARDIN COUNTIES**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Project Number	Receipts	Disbursements
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Passed Through Ohio Department of Mental Health:</i>				
Community Block Grant	93.958	01-BG01PLAN-03 01-BG01PLAN-04	\$111,210 41,208	\$78,506 50,000
Children/Adolescent Block Grant	93.958	01-CS2-FY03 01-CS2-FY04	29,165 29,164	13,372 40,000
Total Block Grants for Community Mental Health Services			210,747	181,878
Social Services Block Grant	93.667	FY03 FY04	140,869	95,468 66,021
Total Social Services Block Grant			140,869	161,489
Medical Assistance Program	93.778	FY03 FY04	815,553 459,113	702,004 606,118
Subtotal Medical Assistance Program			1,274,666	1,308,122
Total Ohio Department of Mental Health			1,626,282	1,651,489
<i>Passed Through Ohio Department of Alcohol and Drug Addiction Services</i>				
Medical Assistance Program	93.778	FY03 FY04	111,632 64,180	91,923 67,487
Subtotal Medical Assistance Program			175,812	159,410
Total Medical Assistance Program			1,450,478	1,467,532
Alcohol, Drug and Rehabilitation Block Grant	93.959	01-BGD-FY03 01-BGD-FY04	295,489 291,037	276,363 379,345
Urban Minority Alcohol and Drug Addiction Services	93.959	0202930-01UMP03 0202930-01UMP04	91,467 82,466	50,233 123,700
Total Substance Abuse Prevention and Treatment Block Grant			760,459	829,641
Total Ohio Department of Alcohol and Drug Addiction Services			936,271	989,051
Total Federal Assistance - U.S. Department of Health and Human Services			\$2,562,553	\$2,640,540

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

**MENTAL HEALTH AND RECOVERY SERVICES
ALLEN, AUGLAIZE AND HARDIN COUNTIES**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Award Expenditures (the Schedule) summarizes activity of the Mental Health and Recovery Service's (the Board) federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B – SUBRECIPIENTS

The Board passes-through certain Federal assistance monies received from the Ohio Department of Mental Health and the Ohio Department of Alcohol and Drug Addiction Services to other governments, or not-for-profit agencies (sub recipients). As described in Note A, the Board records expenditures of Federal awards to sub recipients when cash is paid.

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.

NOTE C – MATCHING REQUIREMENTS

Certain Federal programs require that the Board contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Board has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE D – CONTINGENCIES

See Note 7 in the notes to the financial statements.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Mental Health and Recovery Services
Allen, Auglaize and Hardin Counties
1541 Allentown Road, Suite B
Lima, Ohio 45805

To the Members of the Board:

We have audited the accompanying financial statements of the Mental Health and Recovery Services of Allen, Auglaize and Hardin Counties, (the Board), as of and for the year ended December 31, 2003, and have issued our report thereon dated May 26, 2004. We conducted our audit in accordance with auditing standards generally accepted by 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.

Compliance

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Board in a separate letter dated May 26, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Board in a separate letter dated May 26, 2004.

Mental Health and Recovery Services
Allen, Auglaize and Hardin Counties
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

May 26, 2004



Auditor of State Betty Montgomery

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

Mental Health and Recovery Services
Allen, Auglaize and Hardin Counties
1541 Allentown Road, Suite B
Lima, Ohio 45805

To the Members of the Board:

Compliance

We have audited the compliance of the Mental Health and Recovery Services of Allen, Auglaize and Hardin 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 its major federal programs for the year ended December 31, 2003. The Board's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program 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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Board's compliance with those requirements.

In our opinion, the Board complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2003.

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

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



Betty Montgomery
Auditor of State

May 26, 2004

**MENTAL HEALTH AND RECOVERY SERVICES
ALLEN, AUGLAIZE AND HARDIN COUNTIES**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER - 2003-001

Deficit Fund Balances

Ohio Rev. Code Section 5705.10, states that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose. Money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, deficit fund balances indicate that money from one fund was used to cover the expenses of other funds. The following special revenue funds had deficit fund balances at year end:

State Fund 505	\$290,240
Title XX	66,021
ODMH – Medicaid	331,908
ODADAS – Medicaid	10,870
Alcohol Per Capita	88,307
Community Plan – Mental Health	8,792
Children School Base – Mental Health	10,836
UMADAOP	41,234
Total Special Revenue Funds	<u>\$848,208</u>

FINDING NUMBER - 2003-001
(Continued)

A cash advance could be a desirable method to resolve cash flow problems resulting from grants that are allocated on a reimbursement basis. An advance is intended to temporarily reallocate cash from one fund to another and involves an expectation of repayment. However, advances are subject to the following requirements:

- a) Any advance must be clearly labeled as such, and must be distinguished from a transfer, which is intended to reallocate money permanently from one fund to another;
- b) In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established;
- c) The reimbursement from the debtor fund to the creditor fund must not violate any restrictions on use of the money to be used to make the reimbursement; and
- d) Advances must be approved by a formal resolution of the taxing authority of the subdivision and must include: a specific statement that the transaction is an advance of cash and an indication of the money (fund) from which it is expected that repayment will be made.

Advances from the General Fund to other funds should be considered to prevent deficit fund balances. Guidance for approving and accounting for advances is included in Auditor of State Bulletin 97-003.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

**MENTAL HEALTH AND RECOVERY SERVICES
ALLEN, AUGLAIZE AND HARDIN COUNTIES**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315(b)
DECEMBER 31, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-001	Revised Code 5705.10, Deficit Fund Balances	No	The Executive Director and Chief Financial Officer consulted the Board concerning the possibility of advancing funds to prevent negative fund balances. Their conclusion was that, since the funds with significant negative balances are for reimbursing grants, the negative balances are short term and advancing to cover these negative balances would be cumbersome and confusing.

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**Auditor of State
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

MENTAL HEALTH AND RECOVERY SERVICES

ALLEN 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
JULY 6, 2004**