



**TRI COUNTY BOARD OF RECOVERY & MENTAL HEALTH SERVICES
MIAMI COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2004



**Auditor of State
Betty Montgomery**

**TRI-COUNTY BOARD OF RECOVERY & MENTAL HEALTH SERVICES
MIAMI COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Tri-County Board of Recovery & Mental Health Services
Miami County
The Stouder Center
1100 Wayne Street
Suite 4000
Troy, Ohio 45373

To Members of the Board:

We have audited the accompanying financial statements of the governmental activities and the major fund of the Tri-County Board of Recovery & Mental Health Services, Miami County, (the Board), as of and for the year ended December 31, 2004, 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 2, the accompanying financial statements and notes follow the modified 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 modified cash financial position of the governmental activities and the major fund of the Tri-County Board of Recovery & Mental Health Services, Miami County, Ohio, as of December 31, 2004, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2004, the Board revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2005, 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.

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 Expenditures Schedule presents additional information and is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. It is not a required part of the basic financial statements. We subjected this schedule to the auditing procedures applied in our audit of the Board's 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.



Betty Montgomery
Auditor of State

September 30, 2005

**TRI-COUNTY BOARD OF RECOVERY AND MENTAL HEALTH SERVICES
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

This discussion and analysis of Tri-County Board of Recovery and Mental Health Services', Miami County, (the Board) financial performance provides an overall review of the Board's financial activities for the year ended December 31, 2004, within the limitations of the Board's cash basis of accounting. The intent of this discussion and analysis is to look at the Board's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the Board's financial performance.

Financial Highlights

Key financial highlights for 2004 are as follows:

- Net assets increased \$231,790.
- General receipts accounted for \$5,255,015 in receipts or 49 percent of all receipts. Program specific receipts in the form of grants and contributions accounted for \$5,519,336 or 51 percent of total receipts of \$10,774,351.
- The Board had \$10,542,561 in disbursements related to governmental activities; only \$5,519,336 of these disbursements were offset by program specific grants and contributions. General receipts of \$5,255,015 were adequate to provide for these programs.
- The Board's major fund had \$10,774,351 in receipts and \$10,542,561 in disbursements. The cash fund balance increased \$231,790.

Using this Annual Financial Report

This annual 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 Board of Recovery and Mental Health Services as a financial whole, an 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. Fund 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 financial transactions and asks the question, "How did we do financially during calendar year 2004?" The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis answer this question. The 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 BOARD OF RECOVERY AND MENTAL HEALTH SERVICES
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

Reporting the Board's Fund Financial Statements

Fund Financial Statements

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

The Board as a Whole

The Statement of Net Assets – Cash Basis provides the perspective of the Board as a whole and Table 1 provides a summary of the Board's net assets for 2004 compared to 2003.

**Table 1
Net Assets - Cash Basis**

	Governmental Activities	
	2004	2003
Cash Basis Assets		
Cash Equivalents	\$2,758,044	\$2,526,254
Net Assets		
Unrestricted	2,758,044	2,526,254
Total Net Assets	\$2,758,044	\$2,526,254

Total assets increased \$231,790. The increase is due primarily to an increase in Federal Medicaid billings and an increase in the Federal Medical Assistance Percentage (FMAP) published by the Department of Health and Human Services in the June 17, 2003 Federal Register. This applied to Medicaid claims paid in the last two calendar quarters of Federal Fiscal Year 2003 and the first three calendar quarters of Federal Fiscal Year 2004. The Board received this increased FMAP from the Ohio Department of Mental Health in October 2004, and in November 2004 from the Ohio Department of Alcohol and Drug Addiction Services.

**TRI-COUNTY BOARD OF RECOVERY AND MENTAL HEALTH SERVICES
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

Table 2 shows the changes in net assets for the year ended December 31, 2004. Since this is the first year the Tri-County Board of Recovery and Mental Health Services Board has prepared financial statements following the format prescribed by GASB Statement 34, receipt and disbursement comparison to year 2003 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

**Table 2
Changes in Net Assets**

	Governmental Activities 2004
Receipts	
Program Cash Receipts	
Operating Grants and Contributions	\$ 5,519,336
Total Program Cash Receipts	5,519,336
General Receipts	
Property Taxes	2,152,476
Shared Revenues	3,071,058
Other Receipts	31,481
Total General Receipts	5,255,015
Total Receipts	10,774,351
Disbursements:	
Mental Health and Recovery Operations	10,542,561
Total Disbursements	10,542,561
 Change in Net Assets	 \$ 231,790

In 2004, 49 percent of the Board's total receipts were from general receipts which consist mainly of property taxes and unrestricted state entitlements. Program cash receipts accounted for 51 percent of the Board's total receipts in year 2004. Medicaid and its matching funds, federal operating grants, and state funds awarded for specific programs or purposes primarily make up these receipts.

The Statement of Activities – Cash Basis shows the cost of program services and the operating grants and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services. This "net cost" amount represents the cost of those services supported by property tax receipts and unrestricted state entitlements. Comparisons to 2003 have not been made since they are not available.

**TRI-COUNTY BOARD OF RECOVERY AND MENTAL HEALTH SERVICES
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

**Table 3
Governmental Activities**

	<u>Total Cost of Services 2004</u>	<u>Net Cost of Services 2004</u>
Mental Health and Recovery		
Operations:		
Current:		
Salaries	\$ 543,344	\$ 539,663
Supplies	103,835	103,535
Materials	2,253	2,253
Equipment	15,205	15,205
Contracts - Repair	1,527	1,527
Contracts - Services	9,321,157	4,064,164
Rentals	72,128	72,128
Advertising and Printing	11,022	11,022
Travel	4,491	3,593
Public Employee's Retirement	72,114	72,114
Insurance & Medicare	61,340	61,340
Property Purchase	211,880	(45,584)
Other	122,265	122,265
	<u>122,265</u>	<u>122,265</u>
Total Disbursements	<u><u>\$10,542,561</u></u>	<u><u>\$5,023,225</u></u>

The dependence upon state entitlements for government activities is apparent as 48 percent of mental health and recovery costs are supported through unrestricted state entitlements and other general receipts.

The Board's Fund Financial Statements

The Board's fund financial statements are accounted for using the cash basis of accounting. The fund financial statements had total receipts of \$10,774,351 and disbursements of \$10,542,561. The financial statements had an increase in the cash balance of \$231,790, mainly due to an increased FMAP and an increase in Federal Medicaid billings.

Budgeting Highlights

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

During the course of 2004, 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 budget.

**TRI-COUNTY BOARD OF RECOVERY AND MENTAL HEALTH SERVICES
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

Economic Factors

The receipts of the Board remain stagnant. The Board contracts with 14 contract agencies to deliver mental health and substance abuse services to the residents of Miami, Darke, and Shelby Counties.

With stagnant receipts, the Board will be challenged to maintain the current levels of services and programs. The Board and its administration must maintain careful financial planning and fiscal management in order to balance the budget annually.

Property Purchase

The Board has received Capital funding in the form of two grants directly from the Ohio Department of Mental Health for property purchases in the Tri-County area. See note 8 for additional details.

Contacting the Board's Financial Management

This financial report is designed to provide citizens, taxpayers, and providers with a general overview of the Board's finances and the Board's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Terri Becker, Director of Finance and Administration, at Tri-County Board of Recovery and Mental Health Services, 1100 Wayne Street, Suite 4000, Troy, Ohio 45373.

**TRI-COUNTY BOARD OF RECOVERY & MENTAL HEALTH SERVICES
MIAMI COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Activities</u>
Assets	
Cash Equivalents	<u>\$2,758,044</u>
<i>Total Assets</i>	<u>2,758,044</u>
Net Assets	
Unrestricted	<u>2,758,044</u>
<i>Total Net Assets</i>	<u><u>\$2,758,044</u></u>

See accompanying notes to the basic financial statements.

**TRI-COUNTY BOARD OF RECOVERY & MENTAL HEALTH SERVICES
MIAMI COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND CASH BASIS FUND BALANCE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

Cash Basis Assets

Cash Equivalents	<u>\$2,758,044</u>
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<i>Total Cash Basis Assets</i>	<u><u>2,758,044</u></u>
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Cash Basis Fund Balance

Reserved for Encumbrances	224,644
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Unreserved, Undesignated	<u>2,533,400</u>
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Total Cash Basis Fund Balance	<u><u>\$2,758,044</u></u>
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See accompanying notes to the basic financial statements.

**TRI-COUNTY BOARD OF RECOVERY & MENTAL HEALTH SERVICES
MIAMI COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BASIS FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

Cash Receipts:

Taxes	\$2,152,476
Intergovernmental	8,275,630
Rental/Lease Income	8,100
Contract Services	306,663
	10,742,869
Total Cash Receipts	10,742,869

Cash Disbursements:

Current:	
Salaries	543,344
Supplies	103,835
Materials	2,253
Equipment	15,205
Contracts - Repair	1,527
Contracts - Services	9,321,157
Rentals	72,128
Advertising and Printing	11,022
Travel	4,491
Public Employee's Retirement	72,114
Insurance & Medicare	61,340
Property Purchase	211,880
Other	122,265
	10,542,561
Total Disbursements	10,542,561

Total Receipts Over Disbursements	200,308
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Other Financing Receipts:

Refunds	1,968
Reimbursements	29,514
	31,482
Total Other Financing Receipts	31,482

Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	231,790
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Cash Basis Fund Balance, January 1	2,526,254
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Cash Basis Fund Balance, December 31	\$2,758,044
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Reserves for Encumbrances, December 31	\$224,644
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See accompanying notes to the basic financial statements.

**TRI-COUNTY BOARD OF RECOVERY & MENTAL HEALTH SERVICES
MIAMI COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN CASH BASIS FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Taxes	\$2,229,173	\$2,229,173	\$2,152,476	(\$76,697)
Intergovernmental	7,340,975	7,340,975	8,275,630	934,655
Rental/Lease Income	14,000	14,000	8,100	(5,900)
Contract Services	80,000	80,000	306,663	226,663
<i>Total Cash Receipts</i>	<u>9,664,148</u>	<u>9,664,148</u>	<u>10,742,869</u>	<u>1,078,721</u>
Disbursements:				
Current:				
Salaries	560,000	560,000	543,344	16,656
Supplies	113,535	120,266	104,620	15,646
Materials	4,519	4,519	2,498	2,021
Equipment	26,000	31,000	15,205	15,795
Contracts - Repair	7,755	7,755	1,527	6,228
Contracts - Services	10,435,360	10,677,343	9,543,145	1,134,198
Rentals	76,768	76,768	72,128	4,640
Advertising and Printing	16,509	16,509	11,311	5,198
Travel	5,000	6,000	4,561	1,439
Public Employee's Retirement	75,880	75,880	72,114	3,766
Insurance & Medicare	96,039	96,039	61,340	34,699
Property Purchase	350,600	350,600	211,880	138,720
Other Expenses	178,773	193,823	123,532	70,291
<i>Total Cash Disbursements</i>	<u>11,946,738</u>	<u>12,216,502</u>	<u>10,767,205</u>	<u>1,449,297</u>
Excess of Cash Receipts Over/(Under) Disbursements	<u>(2,282,590)</u>	<u>(2,552,354)</u>	<u>(24,336)</u>	<u>2,528,018</u>
Other Financing Receipts:				
Refunds	500	500	1,967	1,467
Reimbursements	25,600	25,600	29,514	3,914
<i>Total Other Financing Receipts</i>	<u>26,100</u>	<u>26,100</u>	<u>31,481</u>	<u>5,381</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	<u>(2,256,490)</u>	<u>(2,526,254)</u>	<u>7,145</u>	<u>2,533,399</u>
Cash Basis Fund Balance, January 1	2,379,117	2,379,117	2,379,117	
Prior Year Encumbrances Appropriated	<u>147,138</u>	<u>147,138</u>	<u>147,138</u>	
Cash Basis Fund Balance, December 31	<u><u>\$269,765</u></u>	<u><u>\$1</u></u>	<u><u>\$2,533,400</u></u>	<u><u>\$2,533,399</u></u>

See accompanying notes to the basic financial statements.

**TRI-COUNTY BOARD OF RECOVERY AND MENTAL HEALTH SERVICES
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

1. DESCRIPTION OF THE REPORTING ENTITY

The Tri-County Board of Recovery and Mental Health Services Board, Miami-Darke-Shelby (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 of Directors. Board members are appointed by the Ohio Department of Mental Health, the Ohio Department of Alcohol and Drug Addiction Services, and the legislative authorities of the political subdivisions making up the Board. The Board includes members from those appointing authorities who are citizens of the Board area. Those subdivisions are Darke County, Miami County, and Shelby County. The Board provides alcohol, drug addiction and mental health services and programs to citizens of these counties. These services are provided primarily through contracts with private and public agencies.

A. Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations included ensuring that the basic financial statements are not misleading. The primary government of the Board consists of all funds, departments, boards and agencies that are not legally separate from the Board.

Component units are legally separate organizations for which the Board is financially accountable. Component units may also include organizations that are fiscally dependent on the Board in that the Board approves their budget, the issuance of their debt or the levying of their taxes. The Board has no component units.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements and notes are presented on a cash basis of accounting. The Board recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements.

Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the fund and entity wide statements versus budgetary expenditures are due to encumbrances outstanding at the beginning and end of the fiscal year.

A. 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 type:

General Fund: The General Fund is the general operating fund. It is used to account for all financial resources.

B. Basis of Presentation

The Board's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, and Governmental Fund financial statements providing more detailed financial information.

**TRI-COUNTY BOARD OF RECOVERY AND MENTAL HEALTH SERVICES
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Government-wide Financial Statements

The statement of Net Assets presents the financial condition of the governmental activities of the Board at year-end. The Statement of Activities compares the disbursements with program receipts for each function or program of the Board. 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. The Board only has one function, Mental Health and Recovery with associated objects. Program receipts include grants and contributions restricted to meeting the operational requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of disbursements with program receipts identifies the extent to which the function is self-financing on the cash basis or draws from the Board's general receipts.

2. Fund Financial Statements

Fund financial statements report more detailed information about the Board. The focus of governmental fund financial statements is on major funds. Fund statements present each major fund in a separate column.

C. Basis of Accounting

The Government-wide Statement of Net Assets and Statement of Activities and the Fund Financial Statements are presented using the cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, receipts, and disbursement when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of the cash basis of accounting, certain assets and their related receipts and certain liabilities and their disbursements are not recorded in these financial statements. If the Board utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting.

D. Cash, Cash Equivalents and Investments

As required by Ohio Revised Code, the Miami 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.

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposits or short-term investments with an original maturity of three months or less. The Board values investments and cash equivalents at cost.

E. Fund Balance Reserves

The Board reserves those portions of fund balance which are legally segregated for a specific future use or which are not available for appropriation or expenditure. Fund reserves have been established for encumbrances.

**TRI-COUNTY BOARD OF RECOVERY AND MENTAL HEALTH SERVICES
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Data

Ohio law requires all funds, other than agency funds, to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations and the certificate of estimated resources, which use the budgetary basis of accounting.

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. The County Budget Commission must also approve the annual appropriation measure. Appropriations may be amended throughout the year within the restriction that appropriations may not exceed estimated resources. 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. The certificate of estimated resources may be amended during the year if the Board fiscal officer projects increases or decreases in receipts.

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. 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.

H. 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.

3. CHANGE IN FORMAT

The Board has adopted a new financial statement format prescribed by GASB Statement No. 34 and the related disclosures.

**TRI-COUNTY BOARD OF RECOVERY AND MENTAL HEALTH SERVICES
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

4. PROPERTY TAXES

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 pay semiannually, 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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.

5. DEPOSITS AND INVESTMENTS

Ohio law restricts deposits and investments to the following:

1. Commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts;
2. Money market deposits;
3. Savings accounts or certificates of deposit;
4. United States Treasury securities, or securities of its agencies or instrumentalities the federal government guarantees;
5. No-load money market mutual funds consisting exclusively of obligations described in (4) above and repurchase agreements secured by such obligations;
6. Bonds and obligations of the State of Ohio or Ohio local governments;
7. The State Treasurer's investment pool (STAROhio, a Rule 2-a7-like pool);
8. Certain bankers' acceptances and commercial paper notes; and
9. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

An investment must mature within five years from the purchase date unless matched to a specific obligation or debt of the Board and must be purchased with the expectation it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits The Miami County Auditor serves as the fiscal agent for the Board. The Miami County Treasurer invests all County funds, as well as funds of those entities for which the County Auditor serves as fiscal agent. The Board maintains no control over the investment of its cash. At year-end, the Carrying amount of the Board's deposits was \$2,758,044.

The Board's deposits maintained by the Miami County Treasurer are either insured by the Federal Deposit Insurance Corporation or were considered collateralized by securities held by the pledging institutions' trust departments in Miami County's name and all State statutory requirements for the deposit of money had been followed.

**TRI-COUNTY BOARD OF RECOVERY AND MENTAL HEALTH SERVICES
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

6. RISK MANAGEMENT

A. Commercial Insurance

The Board has obtained commercial insurance for the following risks:

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

B. Self Insurance

The Board's employees are covered under the Miami County Health Plan which is a self-funded plan. Miami County also carries stop-loss coverage to cover catastrophic illness. The financial risk for any such catastrophic illness lies with Miami County.

7. DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

The Board's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer defined benefit pension plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For the year ended December 31, 2004, OPERS members contributed 8.5% of their gross salaries. The Board contributed an amount equal to 13.55 percent of participant's gross salaries through December 31, 2004. The Board has paid all contributions required through December 31, 2004.

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 E. Town St., Columbus, Ohio 45315-4642 or by calling (614) 222-6701 or 800-222-7377.

8. CONTINGENCIES

A. Grants

The Board receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund. However, in the opinion of management, any such disallowed claims would not have a material adverse effect on the overall financial position of the Board at December 31, 2004.

**TRI-COUNTY BOARD OF RECOVERY AND MENTAL HEALTH SERVICES
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

8. CONTINGENCIES (Continued)

B. Liabilities

The Board assumed the obligations for several renovation grants from Miami and Shelby Counties and a Capital Grant from the Ohio Department of Mental Health on properties purchased from Eastway Corporation in November, 2003. There is no liability to the Board for these obligations as long as these properties continue to be used for their intended purpose and are not sold prior to maturity of the obligations. The maturities of the obligations are 1/22/2007, 6/12/2008, 11/1/2009, 12/10/2009, and 9/1/2041.

The Board has also received Capital funding in the form of two grants directly from the Ohio Department of Mental Health for property purchases in the Tri-County area. There is, similarly, no liability to the Board for these obligations as long as these properties continue to be used for their intended purpose and are not sold prior to maturity of the obligations. The maturities of these obligations are 11/1/2043 and 6/1/2044.

**TRI-COUNTY BOARD OF RECOVERY & MENTAL HEALTH SERVICES
MIAMI COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2004**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES <i>Passed Through Ohio Department of Mental Health</i>			
Social Services Block Grant	N/A	93.667	\$123,012
Block Grants For Community Mental Health Services Special Project - Children and Adolescent	N/A	93.958	26,387
Special Project - Rapid Response (BG#3)	34-AD-BG-04-01	93.958	8,000
Special Project - Suicide Prevention (BG#47)	34-CS-04-01	93.958	5,000
Special Project - Crisis Center	N/A	93.958	<u>79,333</u>
Total Block Grants for Community Mental Health Services			<u>118,720</u>
Projects for Assistance in Transition from Homelessness (PATH)	N/A	93.150	16,208
Promoting Safe and Stable Families	34-CS-05-02	93.556	15,214
Passed Through Ohio Department of Alcohol & Drug Addiction Services			
Block Grants For Prevention and Treatment of Substance Abuse Women's Block Grant	55-13900-00-WOMEN-T-04-8971	93.959	103,938
Alcohol, Drug & Mental Health Block Grant	N/A	93.959	<u>618,383</u>
Total Block Grants For Prevention and Treatment of Substance Abuse			<u>722,321</u>
Medical Assistance Program (Medicaid: Title XIX)	N/A	93.778	248,674
Passed Through Ohio Department of Mental Health			
Medical Assistance Program (Medicaid: Title XIX)	N/A	93.778	<u>2,152,993</u>
Total Medical Assistance Program			<u>2,401,667</u>
Total U.S. Department of Health and Human Services			<u>3,397,142</u>
Total			<u>\$3,397,142</u>

The accompanying notes are an integral part of this schedule.

**TRI-COUNTY BOARD OF RECOVERY & MENTAL HEALTH SERVICES
MIAMI COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
DECEMBER 31, 2004**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SUBRECIPIENTS

The Board Passes-through certain Federal assistance received from the Ohio Department of Mental Health and the Ohio Department of Alcohol and Drug Addiction Services to not-for-profit agencies (sub-recipients). As described in Note A, 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 provision 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.



Auditor of State Betty Montgomery

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

Tri-County Board of Recovery & Mental Health Services
Miami County
The Stouder Center
1100 Wayne Street
Suite 4000
Troy, Ohio 45373

To Members of the Board:

We have audited the financial statements of the governmental activities and the major fund of the Tri-County Board of Recovery & Mental Health Services, Miami County, (the Board), as of and for the year ended December 31, 2004, which collectively comprise the Board's basic financial statements and have issued our report thereon dated September 30, 2005, wherein we noted that the Board revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34. 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 opinion 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 September 30, 2005, we reported a matter involving internal control over financial reporting we did not deem to be a reportable condition.

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*.

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Tri-County Board of Recovery & Mental Health Services
Miami County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*

We intend this report solely for the information and use of the audit committee, management, 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 "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

September 30, 2005



Auditor of State Betty Montgomery

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 Board of Recovery & Mental Health Services
Miami County
The Stouder Center
1100 Wayne Street
Suite 4000
Troy, Ohio 45373

To Members of the Board:

Compliance

We have audited the compliance of the Tri-County Board of Recovery & Mental Health Services, Miami County, (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 each of its major federal programs for the year ended December 31, 2004. 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 each major federal program. 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 Board complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2004.

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.

**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. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the Board's management in a separate letter dated September 30, 2005.

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



Betty Montgomery
Auditor of State

September 30, 2005

**TRI-COUNTY BOARD OF RECOVERY & MENTAL HEALTH SERVICES
MIAMI COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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TRI-COUNTY BOARD OF RECOVERY AND MENTAL HEALTH SERVICES

MIAMI 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
NOVEMBER 15, 2005**