

**Alcohol, Drug Addiction,
and Mental Health Services
Board of Tuscarawas and
Carroll Counties**

Audited Financial Statements

December 31, 2010



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.



Dave Yost • Auditor of State

Board Members
Alcohol, Drug Addiction, and Mental Health Services
Board of Tuscarawas and Carroll Counties
1260 Monroe Street Suite 27
New Philadelphia, Ohio 44663

We have reviewed the *Independent Auditor's Report* of the Alcohol, Drug Addiction, and Mental Health Services Board of Tuscarawas and Carroll Counties, prepared by Rea & Associates, Inc., for the audit period January 1, 2010 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Alcohol, Drug Addiction, and Mental Health Services Board of Tuscarawas and Carroll Counties is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

June 29, 2011

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**ALCOHOL, DRUG ADDICTION AND MENTAL
HEALTH SERVICES BOARD OF TUSCARAWAS
AND CARROLL COUNTIES**

**AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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ALCOHOL, DRUG ADDICTION, AND MENTAL HEALTH SERVICES
BOARD OF TUSCARAWAS AND CARROLL COUNTIES

INDEX OF FUNDS

GOVERNMENTAL FUND TYPES:

General Fund Type:

General Fund

Special Revenue Fund Types:

Medical Assistance Program; Medicaid, Title XIX Fund

Title XX Fund

Alcohol and Drug Addiction Block Grant Fund

Federal Grants - Miscellaneous

Women's Set-Aside Grant Fund

Community Plan Block Grant Fund

Children/Adolescent Block Grant Special Fund

Drug Free School Grant Fund

FAST Grant Fund



Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

122 4th St. NW | PO Box 1020
New Philadelphia, OH 44663-5120

June 2, 2011

Board Members
Alcohol, Drug Addiction, and Mental Health
Services Board of Tuscarawas and Carroll Counties
New Philadelphia, OH 44663

Independent Auditor's Report

We have audited the accompanying financial statements of the Alcohol, Drug Addiction and Mental Health Board of Tuscarawas and Carroll Counties (the "Board") as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described in Note 1, the Board has prepared its financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Instead of the combined funds the accompanying financial statements present for 2010, generally accepted accounting principles require presenting the entity wide statements and also to present its larger (i.e. major) funds separately for 2010. While the Board does not follow generally accepted accounting principles, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the generally accepted accounting principles presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Board has elected not to reformat its statements. Since the Board does not use generally accepted accounting principles to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-generally accepted accounting principles basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Board as of December 31, 2010, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Alcohol, Drug Addiction and Mental Health Board of Tuscarawas and Carroll Counties, Tuscarawas County, as of December 31, 2010, and its combined cash receipts and disbursements for the year ended, and the respective budgetary comparison for the general fund and combined special revenue funds thereof, for the year then ended in conformity with the basis of accounting described in Note 1.

Generally accepted accounting principles also requires the Board to include Management's Discussion and Analysis for the year ended December 31, 2010. The Board has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of the financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated June 2, 2011 on our consideration of the Government'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. It should be read it in conjunction with this report in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Board's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Rea & Associates, Inc.

ALCOHOL, DRUG ADDICTION, AND MENTAL
HEALTH SERVICES BOARD OF TUSCARAWAS
AND CARROLL COUNTIES

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2010

	General Fund	Special Revenue Fund	Total (Memorandum Only)
RECEIPTS:			
Property taxes	\$ 362,294	\$ 0	\$ 362,294
Intergovernmental receipts	3,342,367	4,021,655	7,364,022
Other receipts	30,480	0	30,480
<i>Total receipts</i>	3,735,141	4,021,655	7,756,796
DISBURSEMENTS:			
Salaries - employees	308,718	0	308,718
PERS	43,220	0	43,220
Insurance	60,423	0	60,423
Workers' Compensation	7,291	0	7,291
Medicare	4,393	0	4,393
Travel	2,096	0	2,096
Contract services	3,222,780	4,340,319	7,563,099
Supplies	6,621	0	6,621
Equipment	13,497	0	13,497
Repairs	1,208	0	1,208
Other expenses	26,325	0	26,325
<i>Total disbursements</i>	3,696,572	4,340,319	8,036,891
<i>Excess of receipts over (under) disbursements</i>	38,569	(318,664)	(280,095)
OTHER FINANCING SOURCES (USES):			
Advance In	147,500	147,500	295,000
Advance Out	(147,500)	(147,500)	(295,000)
<i>Total other financing sources (uses)</i>	0	0	0
<i>Excess of receipts and other financing sources over (under) disbursements</i>	38,569	(318,664)	(280,095)
<i>FUND CASH BALANCES, January 1, 2010</i>	723,295	518,872	1,242,167
<i>FUND CASH BALANCES, December 31, 2010</i>	\$ 761,864	\$ 200,208	\$ 962,072

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

ALCOHOL, DRUG ADDICTION, AND MENTAL
HEALTH SERVICES BOARD OF TUSCARAWAS AND
CARROLL COUNTIES

COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

<u>Fund Types/Funds</u>	<u>Estimated Receipts</u>	<u>Actual Receipts</u>	<u>Variance (Unfavorable)</u>
GOVERNMENTAL:			
General Fund	\$ 3,858,751	\$ 3,882,641	\$ 23,890
Special Revenue Funds	4,728,374	4,169,155	(559,219)
<i>Total (Memorandum Only)</i>	<u>\$ 8,587,125</u>	<u>\$ 8,051,796</u>	<u>\$ (535,329)</u>

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

ALCOHOL, DRUG ADDICTION, AND MENTAL HEALTH
SERVICES BOARD OF TUSCARAWAS AND CARROLL COUNTIES

COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES
COMPARED WITH EXPENDITURE AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2010

<u>Fund Types/Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>2010 Appropriations</u>	<u>Total</u>	<u>Actual 2010 Disbursements</u>	<u>Encumbrances Outstanding at 12/31/2010</u>	<u>Total</u>	<u>Variance Favorable</u>
GOVERNMENTAL FUNDS:							
General Fund	\$ 279,545	\$ 3,851,251	\$ 4,130,796	\$ 3,844,072	\$ 116,879	\$ 3,960,951	\$ 169,845
Special Revenue Funds	<u>290,657</u>	<u>4,728,374</u>	<u>5,019,031</u>	<u>4,487,819</u>	<u>54,157</u>	<u>4,541,976</u>	<u>477,055</u>
<i>Total (Memorandum Only)</i>	<u>\$ 570,202</u>	<u>\$ 8,579,625</u>	<u>\$ 9,149,827</u>	<u>\$ 8,331,891</u>	<u>\$ 171,036</u>	<u>\$ 8,502,927</u>	<u>\$ 646,900</u>

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

ALCOHOL, DRUG ADDICTION, AND MENTAL
HEALTH SERVICES BOARD OF TUSCARAWAS
AND CARROLL COUNTIES

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Alcohol, Drug Addiction, and Mental Health Services Board of Tuscarawas and Carroll Counties (the Board) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Board operates under the direction of a eighteen-member appointed board. The Tuscarawas County Auditor and Tuscarawas County Treasurer are responsible for fiscal control of the resources of the Board which are maintained in the funds described below. Services provided by the Board include services to persons who are mentally ill, drug and alcohol services to residents, services to battered women, and services to students having trouble in school.

Management believes the financial statements included in this report represent all of the funds of the Board over which the Board has the ability to exercise direct operating control.

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.

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

C. FUND ACCOUNTING

The Board maintains its accounting records in accordance with the principles of fund accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of funds are as follows:

Governmental Fund Types

General Fund

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

ALCOHOL, DRUG ADDICTION, AND MENTAL
HEALTH SERVICES BOARD OF TUSCARAWAS
AND CARROLL COUNTIES

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Types

Special Revenue Funds

Special revenue funds are to account for proceeds of specific revenue sources that are legally restricted to disbursements for specified purposes. The Board had the following significant special revenue fund.

Title XIX Fund - This fund receives reimbursements for Medicaid disbursements.

D. BUDGETARY PROCESS

1. Budget

A budget of estimated cash receipts and disbursements is submitted to the county auditor, as secretary of the county budget commission, by October 28 of each year, for the period January 1 to December 31 of the following year.

2. Estimated Resources

The county budget commission certifies its actions to the Board by December 1. As part of this certification, the Board receives the official certificate of estimated resources which states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31, the Board must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include January 1, 2010, unencumbered fund balances. However, those fund balances are available for appropriations.

3. Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Budgetary expenditures may not exceed appropriations at the object level of control and appropriations may not exceed estimated resources.

ALCOHOL, DRUG ADDICTION, AND MENTAL
HEALTH SERVICES BOARD OF TUSCARAWAS
AND CARROLL COUNTIES

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Encumbrances

The Board is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding year and need not be reappropriated.

E. PROPERTY, PLANT AND EQUIPMENT

Fixed assets acquired or constructed for general governmental service are recorded as expenditures. Depreciation is not recorded for these fixed assets.

F. TOTAL COLUMN ON FINANCIAL STATEMENTS

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

2. PROPERTY TAX

Tuscarawas County

Real property taxes are levied on assessed values which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2007.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property for the tax (calendar) year 2009 was \$.50 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$.211 per \$1,000 of assessed valuation for real property classified as residential/agricultural, and \$.326 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the Board by the State of Ohio.

ALCOHOL, DRUG ADDICTION, AND MENTAL
HEALTH SERVICES BOARD OF TUSCARAWAS
AND CARROLL COUNTIES

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

2. PROPERTY TAX (Continued)

Public Utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2010 public utility property taxes which became a lien December 31, 2009, are levied after October 1, 2010, and are collected in 2011 with real property taxes.

2010 tangible personal property taxes are levied after October 1, 2009, on the value as of December 31, 2009. Collections are made in 2010. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory is zero for 2010. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable at September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by taxing districts due to the phasing out of the tax. In calendar years 2006-2010, taxing districts will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

Real property – 2009 valuation:	
Residential/Agricultural	\$ 1,266,776,540
Commercial/Industrial	303,036,160
Public Utilities	1,788,530
Minerals	12,546,300
Tangible personal property - 2010 valuation:	
General	1,655,700
Public Utilities	<u>65,975,430</u>
Total valuation	<u>\$ 1,651,778,660</u>

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

Carroll County

Carroll County did not have a property tax levy in effect for community mental health, alcohol, and drug services.

ALCOHOL, DRUG ADDICTION, AND MENTAL
HEALTH SERVICES BOARD OF TUSCARAWAS
AND CARROLL COUNTIES

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

3. EQUITY IN POOLED INVESTMENTS

The County Auditor serves as statutory fiscal officer of the Board. Board investments, as shown on the "Combined Statement of Cash, Investments and Fund Cash Balances – All Fund Types" at December 31, 2010 were commingled with the County's cash and investments for investment purposes and were not separately identified as to risk.

4. INTERFUND CASH ADVANCES OUTSTANDING

As of December 31, 2010, the following interfund cash advances from the Board's General Fund were not repaid as follows:

Special Revenue Funds:	
Title XIX Medicaid Fund	\$ 570,000
Alcohol & Drug Abuse Fund	157,966
Women's Set Aside Fund	<u>93,610</u>
	<u>\$ 821,576</u>

5. RETIREMENT COMMITMENTS

Employees of the Board were covered by the Ohio Public Employees Retirement System. The State of Ohio accounts for the activity of the retirement system and, accordingly, the amount of that fund is not reflected in the accompanying financial statements. As of December 31, 2010, Board employees contributed 10.00 percent of their gross wages to the fund, while the Board contributed 14.00 percent of its employees' gross wages.

6. LEASE AGREEMENT

The Board has entered into a lease agreement for the premises located at 1260 Monroe Street, Suite 27N, New Philadelphia, OH for a term of five years beginning October 2007. The rental fees for the first year were \$2,000 per month. Monthly rental amounts increase \$50 per month for each succeeding year. The board paid total rent of \$29,474 during 2010; of this amount \$28,907 was for this lease agreement.

7. RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters.

Public officials' liability insurance is provided by Arch Insurance Company with limits of \$1,000,000. This policy has a \$3,000 deductible.

ALCOHOL, DRUG ADDICTION, AND MENTAL
HEALTH SERVICES BOARD OF TUSCARAWAS
AND CARROLL COUNTIES

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

7. RISK MANAGEMENT (Continued)

The Board maintains position bonds on the Executive Director, Fiscal Manager and MIS Manager in the amount of \$50,000 each through Westfield Insurance Company.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

The Board pays the State Workers' Compensation System a premium based on a rate of \$100 of salaries. This rate is calculated based on accident history and administrative costs.

The Board has elected to provide employees' major medical, vision and hospitalization through the Tuscarawas County self-insured program. The predominant participant is the County. The County maintains a Self-Insurance Internal Service Fund to account for and finance its uninsured risks of loss in this program. This plan provides a major medical plan with a \$250 single and \$500 family deductible. A third party administrator, AultCare, located in Canton, Ohio, reviews all claims which are then paid by the County. The County purchases stop-loss coverage of \$100,000 per employee per year and an aggregate limit of \$1,000,000. The County pays coverage into the Self-Insurance Internal Service Fund for County employees of \$968 family, \$947 couple and \$383 individual per employee per month, which represents the entire premium required. These premiums are paid by the fund that pays the salary for the employee and is based on historic cost information. Claims liability information is disclosed in the Tuscarawas County Comprehensive Annual Financial Report.

8. CONTINGENCIES

Grants

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

Ohio Department of Mental Health Loan

The Board obtained a loan from the Ohio Department of Mental Health (ODMH) in March 2000 to purchase property to be used for mental health activities. This loan was in the amount of \$126,099, maturing March 1, 2040 with monthly payments of \$262.71. The ODMH has agreed to forgive the loan as long as the facility is used for mental health activities. Should the purpose of the facility change or the building be sold, the remaining balance would be owed to the ODMH. The balance at December 31, 2010 is \$92,209.



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June 2, 2011

Board Members
Alcohol, Drug Addiction, and Mental Health
Services Board of Tuscarawas and Carroll Counties
New Philadelphia, OH 44663

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

We have audited the financial statements of the Alcohol, Drug Addiction and Mental Health Services Board of Tuscarawas and Carroll Counties (the Board) as of and for the year ended December 31, 2010, and have issued our report thereon dated June 2, 2011, wherein we noted the Board follows accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Alcohol, Drug Addiction, and Mental Health
Services Board of Tuscarawas and Carroll Counties
June 2, 2011
Page 2

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 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Board in a separate letter dated June 2, 2011.

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

Rea & Associates, Inc.



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ACCOUNTANTS AND BUSINESS CONSULTANTS

122 4th St. NW | PO Box 1020
New Philadelphia, OH 44663-5120

June 2, 2011

Board Members
Alcohol, Drug Addiction, and Mental Health
Services Board of Tuscarawas and Carroll Counties
New Philadelphia, OH 44663

Independent Auditor's Report on Compliance with
Requirements that could have a Direct and Material Effect
on Each Major Program and Internal Control over
Compliance in Accordance With OMB Circular A-133

Compliance

We have audited the compliance of the Alcohol, Drug Addiction and Mental Health Services Board of Tuscarawas and Carroll 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 could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. The Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

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

In our opinion, the Alcohol, Drug Addiction and Mental Health Services Board of Tuscarawas and Carroll Counties complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

Independent Auditor's Report on Compliance with
Requirements that could have a Direct and Material Effect
on Each major Program and Internal Control over
Compliance in Accordance With OMB Circular A-133
June 2, 2011
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Internal Control Over Compliance

The management of the Board is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Board's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

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

Rea & Associates, Inc.

ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH SERVICES
BOARD OF TUSCARAWAS AND CARROLL COUNTIES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2010

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Federal Expenditures
U.S. Department of Health and Human Services:			
<i>Passed through State Department of Mental Health:</i>			
Social Services Block Grant; Social Services Title XX	FY10 FY11	93.667	\$ 84,158 <u>20,809</u>
Total			<u>104,967</u>
Medical Assistance Program (Medicaid) Title XIX	FY09 FY10 FY11	93.778	2,188 1,782,109 1,107,942
Medical Assistance Program (Medicaid) Title XIX - ARRA	FY11		<u>91,376</u>
Total			<u>2,983,615</u>
State Children's Insurance Program	FY09 FY10 FY11	93.767	2,869 126,209 34,183
Total			<u>163,261</u>
Early Childhood Mental Health	FY10 FY11	93.590	29,104 <u>7,273</u>
Total			<u>36,377</u>
Block Grants for Community Mental Health Services:			
Children/Adolescent Block Grant	FY10 FY11	93.958	40,809 14,740
OSU Suicide Prevention	FY11		599
High Quality Supportive Housing for Consumers	BG-10-100-20-001		897
Ace Transportation	FY10		11,700
Community Plan Block Grant	FY10 FY11		31,923 <u>30,862</u>
Total			<u>131,530</u>
<i>Passed through State Department of Alcohol and Drug Addiction Services:</i>			
Substance Abuse Block Grant:			
Alcohol and Drug Abuse Block Grant; ADMS	FY10 FY11	93.959	195,125 200,519
Women's Set-Aside Grant	79-8310-WOMENT-T-10-9004 79-8310-WOMENT-T-11-9004		42,010 <u>125,800</u>
Total			<u>563,454</u>
Medical Assistance Program (Medicaid) Title XIX	FY09 FY10 FY11	93.778	(3) 165,693 86,917
Medical Assistance Program (Medicaid) Title XIX - ARRA	FY11		<u>11,660</u>
Total			<u>264,267</u>
State Children's Insurance Program	FY10 FY11	93.767	1,503 395
Total			<u>1,898</u>
<i>Total - Medical Assistance Program (Medicaid) Title XIX (Passed through ODMH and ODADAS)</i>		93.778	3,247,882
<i>Total - State Children's Insurance Program (Passed through ODMH and ODADAS)</i>		93.767	<u>165,159</u>
<i>Total U.S. Department of Health and Human Services</i>			4,249,369
U.S. Department of Education:			
<i>Passed through State Department of Alcohol and Drug Addiction Services:</i>			
Drug Free Schools Grant	79-3079-DFSCA-P-10-0931	84.186	<u>20,417</u>
Total			<u>20,417</u>
<i>Total U.S. Department of Education</i>			<u>20,417</u>
U.S. Department of Justice Bureau of Justice Assistance			
<i>Passed through Ohio Office of Criminal Justice Services</i>			
Edward Byrne Memorial Justice Assistance Grant Formula Program - ARRA	2009-RA-C01-2121	16.803	<u>128,328</u>
Total			<u>128,328</u>
<i>Total U.S. Department of Justice Bureau of Justice Assistance</i>			<u>128,328</u>
Total Expenditures of Federal Awards			<u>\$ 4,398,114</u>

The accompanying notes are an integral part of this schedule.

ALCOHOL, DRUG ADDICTION, AND MENTAL
HEALTH SERVICES BOARD OF TUSCARAWAS AND
CARROLL COUNTIES

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2010

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Alcohol, Drug Addiction, and Mental Health Services Board of Tuscarawas and Carroll Counties and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE 2: SUBRECIPIENTS

The ADAMH Board passes-through certain Federal assistance received from Ohio Department of Mental Health (ODMH), Ohio Alcohol and Drug Addition Services (ODADAS), and Ohio Office of Criminal Justice Services (OCJS) to not-for-profit agencies (subrecipients). As described in Note 1, the ADAMH Board records expenditures of Federal awards to subrecipients when paid in cash.

The subrecipient agencies have certain compliance responsibilities related to administering these Federal programs. Under Federal Circular A-133, the ADAMH Board is responsible for monitoring subrecipients to help assure that Federal awards are expended for authorized purposes in compliance with law, regulations and the provisions of contracts or grant agreements, and that performance goals are achieved.

NOTE 3: MEDICAID AND SCHIP

The Alcohol, Drug Addiction, and Mental Health Services Board of Tuscarawas and Carroll Counties expended \$3,247,882, from the Medical Assistance Program (Medicaid) Title XIX (which includes ARRA amount), CFDA No. 93.778 for fees for service programs. During 2010, the Board paid providers the entire bill and was subsequently reimbursed for the Federal Financial Participation rate (FFP) of:

FFY	FMAP	Matching %	ARRA ADJUSTMENTS	
			FMAP	Matching %
2008 (10/1/07 – 9/30/08)	60.79%	39.21%		
2009 (10/1/08 – 3/30/09)	62.14%	37.86%	70.25%	29.75%
2009 (4/1/09 – 9/30/09)	62.14%	37.86%	72.34%	27.66%
2010 (10/1/09 – 9/30/10)	63.42%	36.58%	73.47%	26.53%
2010 (10/1/10-12/31/10)	63.69%	36.31%	73.71%	26.29%

ALCOHOL, DRUG ADDICTION, AND MENTAL
HEALTH SERVICES BOARD OF TUSCARAWAS AND
CARROLL COUNTIES

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2010

NOTE 3: MEDICAID AND SCHIP (continued)

The Alcohol, Drug Addiction, and Mental Health Services Board of Tuscarawas and Carroll Counties expended \$165,159 from the State Children's Insurance Program (SCHIP), CFDA Number 93.767 for fees for service program. During 2010, the Board paid providers the entire bill and was subsequently reimbursed for the Federal Financial Participation rate (FFP) of 74.39% through September 30, 2010 and 74.58% thereafter. Expenditures reported on this schedule reflect only the federal portion of the total Medicaid payments to the Board's providers during 2010.

NOTE 4: MATCHING

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.

Expenditures reported on this schedule reflect only the federal portion of the total Medicaid payments to the Board's providers during 2010.

**ALCOHOL, DRUG ADDICTION, AND MENTAL HEALTH SERVICES
BOARD OF TUSCARAWUS AND CARROLL COUNTIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 , Section .505
DECEMBER 31, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any significant deficiencies or material weaknesses reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list): Title XIX: Medicaid - (ARRA Included) Substance Abuse Block Grant	CFDA # 93.778 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 were noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None were noted

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Dave Yost • Auditor of State

**ALCOHOL DRUG ADDICTION AND MENTAL HEALTH SERVICES BOARD OF TUSCARAWAS AND
CARROLL COUNTIES**

TUSCARAWAS 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 12, 2011**