

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

Audited Financial Statements

December 31, 2003



**Auditor of State
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the Alcohol, Drug Addiction and Mental Health Services Board, Tuscarawas County, prepared by Rea & Associates, Inc., for the audit period January 1, 2003 to December 31, 2003. 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.

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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

June 24, 2004

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

**AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2003**

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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

Alcohol and Drug Addiction Block Grant Fund

Women's Set-Aside Grant Fund

Community Plan Block Grant Fund

Children/Adolescent Block Grant Special Fund

Drug Free School Grant Fund

Title XX Fund

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

June 3, 2004

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 Services Board of Tuscarawas and Carroll Counties (the "Board"), as of and for the year ended December 31, 2003, 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 audit provides a reasonable basis for our opinion.

As discussed 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 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, cash balances of the Alcohol, Drug Addiction, and Mental Health Services Board of Tuscarawas and Carroll Counties, as of December 31, 2003, and the revenues it received and expenditures it paid and budgeted receipts, appropriations, and encumbrances for the year then ended, on the basis of accounting described in Note 1.

Alcohol, Drug Addiction, and Mental Health
Services Board of Tuscarawas and Carroll Counties
Independent Auditor's Report
June 3, 2004
Page 2

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Board. 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.

In accordance with *Government Auditing Standards*, we also have issued our report dated June 3, 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.

This report is intended solely for the information and use of the audit committee, management, Board, federal awarding agencies and pass-through entities, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code. It is not intended to be and should not be used by anyone other than specified parties.

Hea & Associates, Inc.

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

COMBINED STATEMENT OF CASH, INVESTMENTS, AND
FUND CASH BALANCES - ALL FUND TYPES
AS OF DECEMBER 31, 2003

CASH AND INVESTMENTS HELD BY FISCAL AGENT	<u><u>\$ 1,324,062</u></u>
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CASH BALANCES BY FUND TYPE

GOVERNMENTAL FUND TYPES:

General Fund	\$ 996,916
Special Revenue Funds	<u>327,146</u>

<i>Total all funds</i>	<u><u>\$ 1,324,062</u></u>
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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 CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total (Memorandum Only)</u>
RECEIPTS:			
Property taxes	\$ 425,196	\$ 0	\$ 425,196
Intergovernmental receipts	3,505,550	2,648,503	6,154,053
Other receipts	<u>24,580</u>	<u>0</u>	<u>24,580</u>
<i>Total receipts</i>	3,955,326	2,648,503	6,603,829
DISBURSEMENTS:			
Salaries - employees	245,165	0	245,165
PERS	33,031	0	33,031
Insurance	42,739	0	42,739
Workers' Compensation	3,316	0	3,316
Medicare	3,550	0	3,550
Travel	6,965	0	6,965
Contract services	3,508,536	2,683,982	6,192,518
Supplies	22,813	0	22,813
Equipment	18,267	0	18,267
Repairs	2,373	0	2,373
Advertising	8,743	0	8,743
Return of grant proceeds	39,172	122,686	161,858
Other expenses	<u>12,494</u>	<u>0</u>	<u>12,494</u>
<i>Total disbursements</i>	3,947,164	2,806,668	6,753,832
<i>Excess of receipts under disbursements</i>	8,162	(158,165)	(150,003)
OTHER FINANCING SOURCES (USES):			
Advance In	56,629	190,379	247,008
Advance Out	(190,379)	(56,629)	(247,008)
Transfers In	331	230	561
Transfers Out	<u>(230)</u>	<u>(331)</u>	<u>(561)</u>
<i>Total other financing sources (uses)</i>	<u>(133,649)</u>	<u>133,649</u>	<u>0</u>
<i>Excess of receipts and other financing sources under disbursements</i>	(125,487)	(24,516)	(150,003)
<i>FUND CASH BALANCES, January 1, 2003</i>	<u>1,122,403</u>	<u>351,662</u>	<u>1,474,065</u>
<i>FUND CASH BALANCES, December 31, 2003</i>	<u><u>\$ 996,916</u></u>	<u><u>\$ 327,146</u></u>	<u><u>\$ 1,324,062</u></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 RECEIPTS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2003

<u>Fund Types/Funds</u>	<u>Estimated Receipts</u>	<u>Actual Receipts</u>	<u>Variance (Unfavorable)</u>
GOVERNMENTAL:			
General Fund	\$ 4,027,783	\$ 4,012,286	\$ (15,497)
Special Revenue Funds	2,786,037	2,839,112	53,075
<i>Total (Memorandum Only)</i>	<u>\$ 6,813,820</u>	<u>\$ 6,851,398</u>	<u>\$ 37,578</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, 2003

<u>Fund Types/Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>2003 Appropriations</u>	<u>Total</u>	<u>Actual 2003 Disbursements</u>	<u>Encumbrances Outstanding at 12/31/03</u>	<u>Total</u>	<u>Variance Favorable</u>
GOVERNMENTAL FUNDS:							
General Fund	\$ 445,250	\$ 4,395,639	\$ 4,840,889	\$ 4,137,773	\$ 318,129	\$ 4,455,902	\$ 384,987
Special Revenue Funds	<u>232,965</u>	<u>2,886,746</u>	<u>3,119,711</u>	<u>2,863,628</u>	<u>171,630</u>	<u>3,035,258</u>	<u>84,453</u>
<i>Total (Memorandum Only)</i>	<u>\$ 678,215</u>	<u>\$ 7,282,385</u>	<u>\$ 7,960,600</u>	<u>\$ 7,001,401</u>	<u>\$ 489,759</u>	<u>\$ 7,491,160</u>	<u>\$ 469,440</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, 2003

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 fifteen-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

The Board prepares its financial statements on a basis of cash receipts and disbursements; consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred. A general fixed asset group and long-term debt group of accounts are not recorded on the financial statements by the Board under the basis of accounting used. By virtue of Ohio Law, the Board is required to maintain the encumbrance method of accounting and to make appropriations.

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, 2003

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.

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 July 20 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 September 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, 2003, 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. Appropriations may not exceed estimated resources.

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.

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2002.

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 2002 was \$.50 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$.245 per \$1,000 of assessed valuation for real property classified as residential/agricultural, and \$.343 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, 2003

2. PROPERTY TAX (Continued)

Owners of tangible personal property are required to file a list of such property, including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the fiscal year ended December 31, 2003 was \$.50 per \$1,000 of assessed valuation.

Real property – 2002 valuation:

Residential/Agricultural	\$ 961,671,770
Commercial/Industrial/Minerals	271,093,790
Public Utilities	576,590

Tangible personal property - 2003 valuation:

General	202,689,724
Public Utilities	<u>70,163,550</u>

Total valuation \$ 1,506,195,424

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.

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 Investments and Fund Cash Balance at December 31, 2003” were commingled with the County’s cash and investments for investment purposes and were not separately identified as to risk.

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

4. INTERFUND CASH ADVANCES OUTSTANDING

As of December 31, 2003, the following interfund cash advances from the Board's General Fund were not repaid as follows:

Special Revenue Funds:

Title XIX Medicaid Fund	\$ 470,000
Alcohol & Drug Abuse Fund	70,000
Women's Set Aside Fund	50,000
Drug Free Schools Fund	<u>13,750</u>
	<u>\$ 603,750</u>

5. RETIREMENT COMMITMENTS

Employees of the Board were covered by the Public Employees Retirement System of Ohio. 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, 2003, Board employees contributed 8.5 percent of their gross wages to the fund, while the Board contributed 13.55 percent of its employees' gross wages.

6. 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 Fireman's Fund Insurance Company with limits of \$1,000,000. This policy has a \$2,500 deductible.

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.

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

6. RISK MANAGEMENT (Continued)

The Board has elected to provide employees' major medical, vision and hospitalization through the Tuscarawas County self-insured program. The predominate 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 \$100 single and \$200 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 \$685.00 family, \$293.00 individual per employee per month, which represents the entire premium required. The County also pays a \$4.31 monthly premium per employee for death benefit. 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.

7. 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.

Disallowances totaling \$154,415 for the federal Substance Abuse Prevention and Treatment Block Grant were determined in the prior year audit. On June 23, 2003 the Board received a letter from ODADAS, indicating a repayment of the SFY 2000 and 2001 carry-over funds in the amount of \$122,686 must be made within 45 days. The Agency returned these funds on July 24, 2003. The SFY 2002 carryover has been calculated to be \$58,403. The Board has maintained adequate amounts in the Block Grant Fund to make the repayment.

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2003

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	FY03	93.667	\$ 65,485
	FY04		21,347
Total (note 2)			86,832
Medical Assistance Program (Medicaid) Title XIX	FY02	93.778	6,509
	FY03		1,153,354
	FY04		615,315
Total (note 2)			1,775,178
Composite Block Grants:			
Community Plan Block Grant	FY03	93.958	47,156
	FY04		31,437
Total (note 2)			78,593
Children/Adolescent Block Grant	FY03	93.958	50,329
	FY04		9,568
Total (note 2)			59,897
<i>Passed through State Department of Alcohol and Drug Addiction Services:</i>			
Alcohol and Drug Abuse Block Grant; ADMS	FY03	93.959	210,506
	FY04		125,489
Total (note 2)			335,995
Women's Set-Aside Grant	79-79763-01-W-T03-9004	93.959	103,323
	79-79763-01-W-T04-9004		71,249
Total (note 2)			174,572
Medical Assistance Program (Medicaid) Title XIX	FY02	93.778	2,223
	FY03		106,393
	FY04		36,799
Total (note 2)			145,415
<i>Total U.S. Department of Health and Human Services</i>			2,656,482
U.S. Department of Education:			
<i>Passed through Ohio Department of Education:</i>			
Drug Free Schools Grant	79-79655-01-DFS-P-03-9108	84.186B	27,500
Total (note 2)			27,500
<i>Total U.S. Department of Education</i>			27,500
Total Expenditures of Federal Awards			\$ 2,683,982

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, 2003

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

Of the federal expenditures presented in the schedule, the Alcohol, Drug Addiction and Mental Health Services Board of Tuscarawas and Carroll Counties provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Social Services Block Grant; Social Services	93.667	\$ 86,832
Community Plan Block Grant	93.958	78,593
Children/Adolescent Block Grant	93.958	59,897
Women's Set-Aside Grant	93.959	174,572
Alcohol and Drug Abuse Block Grant; ADMS	93.959	335,995
Drug Free Schools Grant	84.186B	27,500
Medical Assistance Program (Medicaid)	93.778	1,920,593

NOTE 3: MEDICAID

The Alcohol, Drug Addiction, and Mental Health Services Board of Tuscarawas and Carroll Counties expended \$1,920,593 from the Medical Assistance Program (Medicaid) Title XIX, CFDA Number 93.778 for fees for service program. During 2003, the Board paid providers the entire bill and was subsequently reimbursed for the Federal Financial Participation rate (FFP) of 58.83% through September 30, 2003 and 59.23% thereafter. Expenditures reported on this schedule reflect only the federal portion of the total Medicaid payments to the Board's providers during 2003.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

June 3, 2004

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 and Internal Control
Over Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

We have audited the accompanying financial statements of Alcohol, Drug Addiction, and Mental Health Services Board of Tuscarawas and Carroll Counties (the "Board"), as of and for the year ended December 31, 2003, and have issued our report thereon dated June 3, 2004. 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.

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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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 structure 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 operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the Board in a separate letter dated June 3, 2004.

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.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

June 3, 2004

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

Compliance

We have audited the compliance of the Board with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2003. 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 its major federal programs is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

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

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 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 FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2003

1. SUMMARY OF AUDITOR'S RESULTS

A-133 Ref.
.505(d)

(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 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 programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified CFDA # 93.778
(d) (1) (vi)	Are there any reportable findings under Section .510(a) of Circular A-133?	No
(d) (1) (vii)	Major Programs (list):	Title XIX: Medicaid CFDA # 93.778
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	No

**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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ADAMHS 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 8, 2004**