

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

Audited Financial Statements

December 31, 2005



**Auditor of State
Betty Montgomery**

Board Members

Alcohol, Drug Addiction and Mental Health Services

Board of Tuscarawas and Carroll Counties

1260 Monroe St NW, Suite 27N

PO Box 6217

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, Tuscarawas County, prepared by Rea & Associates, Inc., for the audit period January 1, 2005 through December 31, 2005. 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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

May 30, 2006

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

**AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2005**

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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

FAST Grant Fund

Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

March 29, 2006

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, 2005, 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 prepares its financial statements using accounting practices prescribed or permitted by the Auditor of State. 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.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Board as December 31, 2005, 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, 2005, 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.

Alcohol, Drug Addiction, and Mental Health
Services Board of Tuscarawas and Carroll Counties
Independent Auditor's Report
March 29, 2006
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In accordance with *Government Auditing Standards*, we also have issued our report dated March 29, 2006 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 describes the scope of our testing internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

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, 2005

CASH AND INVESTMENTS HELD BY FISCAL AGENT	<u>\$ 1,611,069</u>
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CASH BALANCES BY FUND TYPE

GOVERNMENTAL FUND TYPES:

General Fund	\$ 1,132,045
Special Revenue Funds	<u>479,024</u>

<i>Total all funds</i>	<u>\$ 1,611,069</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, 2005

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total (Memorandum Only)</u>
RECEIPTS:			
Property taxes	\$ 439,960	\$ 0	\$ 439,960
Intergovernmental receipts	3,999,290	3,501,383	7,500,673
Other receipts	39,810	0	39,810
<i>Total receipts</i>	4,479,060	3,501,383	7,980,443
DISBURSEMENTS:			
Salaries - employees	248,995	0	248,995
PERS	33,670	0	33,670
Insurance	45,357	0	45,357
Workers' Compensation	3,697	0	3,697
Medicare	3,603	0	3,603
Travel	3,975	0	3,975
Contract services	3,929,396	3,590,204	7,519,600
Supplies	21,270	0	21,270
Equipment	16,119	0	16,119
Repairs	5,816	0	5,816
Advertising	2,410	0	2,410
Other expenses	12,069	0	12,069
<i>Total disbursements</i>	4,326,377	3,590,204	7,916,581
<i>Excess of receipts under disbursements</i>	152,683	(88,821)	63,862
OTHER FINANCING SOURCES (USES):			
Advance In	133,750	147,500	281,250
Advance Out	(147,500)	(133,750)	(281,250)
<i>Total other financing sources (uses)</i>	(13,750)	13,750	0
<i>Excess of receipts and other financing sources under disbursements</i>	138,933	(75,071)	63,862
<i>FUND CASH BALANCES, January 1, 2005</i>	993,112	554,095	1,547,207
<i>FUND CASH BALANCES, December 31, 2005</i>	<u>\$ 1,132,045</u>	<u>\$ 479,024</u>	<u>\$ 1,611,069</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, 2005

<u>Fund Types/Funds</u>	<u>Estimated Receipts</u>	<u>Actual Receipts</u>	<u>Variance (Unfavorable)</u>
GOVERNMENTAL:			
General Fund	\$ 4,649,690	\$ 4,612,810	\$ (36,880)
Special Revenue Funds	3,899,640	3,648,883	(250,757)
	<u> </u>	<u> </u>	<u> </u>
<i>Total (Memorandum Only)</i>	<u><u>\$ 8,549,330</u></u>	<u><u>\$ 8,261,693</u></u>	<u><u>\$ (287,637)</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 DISBURSEMENTS AND ENCUMBRANCES
COMPARED WITH EXPENDITURE AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2005

<u>Fund Types/Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>2005 Appropriations</u>	<u>Total</u>	<u>Actual 2005 Disbursements</u>	<u>Encumbrances Outstanding at 12/31/2005</u>	<u>Total</u>	<u>Variance Favorable</u>
GOVERNMENTAL FUNDS:							
General Fund	\$ 139,000	\$ 4,745,087	\$ 4,884,087	\$ 4,473,877	\$ 337,291	\$ 4,811,168	\$ 72,919
Special Revenue Funds	<u>185,027</u>	<u>3,966,438</u>	<u>4,151,465</u>	<u>3,723,954</u>	<u>228,439</u>	<u>3,952,393</u>	<u>199,072</u>
<i>Total (Memorandum Only)</i>	<u>\$ 324,027</u>	<u>\$ 8,711,525</u>	<u>\$ 9,035,552</u>	<u>\$ 8,197,831</u>	<u>\$ 565,730</u>	<u>\$ 8,763,561</u>	<u>\$ 271,991</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, 2005

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

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, 2005

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 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, 2005, 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, 2005

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 2005.

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 2005 was \$.50 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$.222 per \$1,000 of assessed valuation for real property classified as residential/agricultural, and \$.330 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, 2005

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, 2005 was \$.50 per \$1,000 of assessed valuation.

Real property – 2004 valuation:

Residential/Agricultural	\$ 1,106,947,440
Commercial/Industrial/Minerals	288,344,820
Public Utilities	653,780

Tangible personal property - 2005 valuation:

General	202,463,379
Public Utilities	<u>71,154,330</u>

Total valuation \$ 1,669,563,749

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, 2005” 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, 2005

4. INTERFUND CASH ADVANCES OUTSTANDING

As of December 31, 2005, 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>27,500</u>
	<u>\$ 617,500</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, 2005, 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, 2005

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 family, \$292 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.

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.

Ohio Department of Mental Health Loan

The Board obtained a loan from the Ohio Department of Mental Health (ODMA) 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, 2005 is \$107,972.

Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

March 29, 2006

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, 2005, and have issued our report thereon dated March 29, 2006, 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

March 29, 2006

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 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 are applicable to its major federal programs for the year ended December 31, 2005. The Board's major federal program is 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 program is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States 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 requirements referred to above that are applicable to its major federal program for the year ended December 31, 2005.

Alcohol, Drug Addiction and Mental Health Services Board of Tuscarawas and Carroll Counties
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
March 29, 2006
Page 2

Internal Control Over Compliance

The management of the Board is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Board's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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 caused by error or fraud that would be material in relation to the 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.

Schedule of Expenditures of Federal Awards - Non-GAAP Budgetary Basis

We have audited the financial statements of the Alcohol, Drug Addiction and Mental Health Services Board of Tuscarawas and Carroll Counties as of and for the year ended December 31, 2005, and have issued our report thereon dated March 29, 2006, 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. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards for 2005 is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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.

Hea & Associates, Inc.

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2005

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	FY05	93.667	\$ 63,192
	FY06		21,020
Total (note 2)			<u>84,212</u>
Medical Assistance Program (Medicaid) Title XIX	FY04	93.778	20,824
	FY05		1,474,276
	FY06		826,202
Total (note 2 and 3)			<u>2,321,302</u>
State Children's Insurance Program	FY04	93.767	874
	FY05		81,445
	FY06		30,257
Total (note 2 and 3)			<u>112,576</u>
Composite Block Grants:			
Community Plan Block Grant	FY05	93.958	31,437
	FY06		31,437
Total (note 2)			<u>62,874</u>
Children/Adolescent Block Grant	FY05	93.958	37,150
	FY06		9,568
Total (note 2)			<u>46,718</u>
Family and Systems Team Dollars (FASTS)	FY05	93.556	46,139
	FY06		13,842
Total (note 2)			<u>59,981</u>
<i>Passed through State Department of Alcohol and Drug Addiction Services:</i>			
Alcohol and Drug Abuse Block Grant; ADMS	FY05	93.959	214,019
	FY06		175,766
Total (note 2)			<u>389,785</u>
Women's Set-Aside Grant	79-79763-01-W-T05-9004	93.959	87,310
	79-79763-01-W-T06-9004		89,446
Total (note 2)			<u>176,756</u>
Medical Assistance Program (Medicaid) Title XIX	FY04	93.778	1,302
	FY05		158,303
	FY06		82,408
Total (note 2 and 3)			<u>242,013</u>
State Children's Insurance Program	FY05	93.767	13,041
	FY06		11,256
Total (note 2 and 3)			<u>24,297</u>
<i>Total U.S. Department of Health and Human Services</i>			3,520,514

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2005
(CONTINUED)

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Federal Expenditures
U.S. Department of Education:			
<i>Passed through Ohio Department of Education:</i>			
Drug Free Schools Grant	79-79655-01-DFS-P-05-9108	84.186B	\$ 31,158
	79-79655-01-DFS-P-06-9108		<u>14,463</u>
Total (note 2)			<u>45,621</u>
<i>Total U.S. Department of Education</i>			<u>45,621</u>
Total Expenditures of Federal Awards			<u><u>\$ 3,566,135</u></u>

The accompanying notes to the schedule of expenditures of federal awards 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, 2005

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	\$ 84,212
Community Plan Block Grant	93.958	62,874
Children/Adolescent Block Grant	93.958	46,718
Women's Set-Aside Grant	93.959	176,756
Alcohol and Drug Abuse Block Grant; ADMS	93.959	389,785
Drug Free Schools Grant	84.186B	45,621
Family and Systems Team Dollars (FAST\$)	93.556	59,981
Medical Assistance Program (Medicaid)	93.778	2,563,315
State Children's Insurance Program (SCHIP)	93.767	136,873

NOTE 3: MEDICAID AND SCHIP

The Alcohol, Drug Addiction, and Mental Health Services Board of Tuscarawas and Carroll Counties expended \$2,563,315 from the Medical Assistance Program (Medicaid) Title XIX, CFDA Number 93.778 for fees for service program. During 2005, the Board paid providers the entire bill and was subsequently reimbursed for the Federal Financial Participation rate (FFP) of 59.68% through September 30, 2005 and 59.88% thereafter. Expenditures reported on this schedule reflect only the federal portion of the total Medicaid payments to the Board's providers during 2005.

The Alcohol, Drug Addiction, and Mental Health Services Board of Tuscarawas and Carroll Counties expended \$136,873 from the State Children's Insurance Program (SCHIP), CFDA Number 93.767 for fees for service program. During 2005, the Board paid providers the entire bill and was subsequently reimbursed for the Federal Financial Participation rate (FFP) of 71.78% through September 30, 2005 and 71.92% thereafter. Expenditures reported on this schedule reflect only the federal portion of the total Medicaid payments to the Board's providers during 2005.

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2005

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?	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.



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Betty Montgomery**

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**ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH 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
JUNE 13, 2006**