



Mary Taylor, CPA  
Auditor of State



**ALCOHOL, DRUG ADDICTION, AND MENTAL HEALTH SERVICES BOARD OF  
ADAMS, LAWRENCE, AND SCIOTO COUNTIES  
SCIOTO COUNTY**

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Alcohol, Drug Addiction, and Mental Health Services  
Board of Adams, Lawrence, and Scioto Counties  
Scioto County  
802 Chillicothe Street  
Portsmouth, Ohio 45662

To the Members of the Board:

We have audited the accompanying financial statements of the governmental activities and the major fund of the Alcohol, Drug Addiction, and Mental Health Services Board of Adams, Lawrence and Scioto Counties, Scioto County, Ohio (the Board), as of and for the year ended December 31, 2007, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities and the major fund of the Alcohol, Drug Addiction, and Mental Health Services Board of Adams, Lawrence and Scioto Counties, Scioto County, Ohio, as of December 31, 2007, and the change in cash financial position and the budgetary comparison thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2008, on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the Board's basic financial statements. The Schedule of Federal Awards Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

**Mary Taylor, CPA**  
Auditor of State

September 25, 2008

## **ADAMHS Board of Adams, Lawrence and Scioto Counties**

### **Management's Discussion and Analysis For the Year Ended December 31, 2007 Unaudited**

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This discussion and analysis provides key information from management highlighting the overall financial performance of the ADAMHS Board of Adams, Lawrence and Scioto Counties (the Board) for the year ended December 31, 2007. This is meant to be an easily readable summary of the most important financial information regarding the accompanying financial statements. Please read it in conjunction with the Board's financial statements.

#### **Financial Highlights**

Major financial highlights for 2007 are as follows:

- Net assets of governmental activities decreased by \$201,138 or over eleven percent.
- The Board's major fund had \$14,487,850 in receipts and \$14,688,988 in disbursements. The fund balance decreased by \$201,138.
- General receipts accounted for \$6,979,513 in receipts or 48 percent of total receipts. Program specific receipts in the form of operating grants and contributions accounted for \$7,508,337 or 52% of the total receipts of \$14,487,850.
- The Board had \$14,688,988 in disbursements related to governmental activities; only \$7,508,337 of these disbursements were offset by program specific operating grants and contributions. General receipts of \$6,979,513 were inadequate to provide for these programs.

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Board's basic financial statements. The Board's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

#### **Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Board as a whole.

Fund financial statements provide a greater level of detail. The fund is created and maintained on the financial records of the Board, in which its use is restricted to a particular specified purpose. These statements present financial information for the fund.

The notes to the basic financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**ADAMHS Board of Adams, Lawrence and Scioto Counties**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
Unaudited**

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**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Board has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Board's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**Reporting the Board as a Whole**

The statement of net assets and the statement of activities reflect how the Board did financially during 2007, within the limitations of cash basis accounting. The statement of net assets presents the cash balance of the Board at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Board's general receipts.

These statements report the Board's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Board's financial health. Over time, increases or decreases in the Board's cash position is one indicator of whether the Board's financial health is improving or deteriorating.

In the statement of net assets and the statement of activities, the Board has one type of activity:

***Governmental activity*** - All of the Board's basic services are reported here. State and federal grants finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**Reporting the Board's Major Fund**

Fund financial statements provide detailed information about the Board's major fund.

**The Board as a Whole**

Table 1 reflects the Board's net assets in 2007 compared to 2006.

**ADAMHS Board of Adams, Lawrence and Scioto Counties**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
Unaudited**

**Table 1**

**Net Assets – Cash Basis**

Governmental Activities

	2007	2006
Cash Basis Assets		
Cash Equivalents	<u>\$1,597,878</u>	<u>\$1,799,016</u>
Net Assets		
Unrestricted	<u>1,597,878</u>	<u>1,799,016</u>
Total Net Assets	<u>\$1,597,878</u>	<u>\$1,799,016</u>

Total net assets decreased by \$201,138. This decrease is primarily due to a timing difference related to Medicaid Federal Financial Participation (FFP) funding received by the Board and Medicaid payments made to providers.

Table 2 shows the changes in net assets for the year ended December 31, 2007, compared to December 31, 2006.

**Table 2**

**Changes in Net Assets**

	2007	2006	Increase (Decrease)
<b>Receipts</b>			
Program Cash Receipts			
Operating Grants & Contributions	<u>\$ 7,508,337</u>	<u>\$ 6,642,129</u>	<u>\$ 866,208</u>
<u>Total Program Cash Receipts</u>	<u>7,508,337</u>	<u>6,642,129</u>	<u>866,208</u>
General Receipts			
Entitlements – Unrestricted	6,878,833	6,182,548	696,285
Other Receipts	<u>100,680</u>	<u>135,403</u>	<u>( 34,723)</u>
<u>Total General Receipts</u>	<u>6,979,513</u>	<u>6,317,951</u>	<u>661,562</u>
<u>Total Receipts</u>	<u>14,487,850</u>	<u>12,960,080</u>	<u>1,527,770</u>
Disbursements			
Mental Health and Recovery	14,688,988	12,838,240	1,850,748
Total Disbursements	<u>14,688,988</u>	<u>12,838,240</u>	<u>1,850,748</u>
Change in Net Assets	<u>\$ (201,138)</u>	<u>\$ 121,840</u>	<u>\$ (322,978)</u>

**ADAMHS Board of Adams, Lawrence and Scioto Counties**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
Unaudited**

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Table 2 shows an increase in Operating Grants and Contributions primarily due to an increase in Ohio Department of Alcohol, Drug Addiction Services (ODADAS) and Ohio Department of Mental Health (ODMH) Medicaid FFP as well as an increase in Entitlements due to additional ODADAS state matching funds and ODMH Safety Net funds.

The Statement of Activities – Cash Basis shows the cost of program services and the operating grants and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of the services. In other words, it identifies the cost of those services supported by unrestricted state entitlements.

**Table 3**

**Governmental Activities**

	<u>Total Cost of Services 2007</u>	<u>Total Cost of Services 2006</u>	<u>Net Cost of Services 2007</u>	<u>Net Cost of Services 2006</u>
Alcohol, Drug Addiction, & Mental Health Services				
Agency Provider Contracts	\$ 13,734,466	\$ 11,798,065	(\$6,226,129)	(\$5,155,936)
Salaries & Benefits	715,040	768,619	(715,040)	(768,619)
Supplies	9,974	12,620	( 9,974)	(12,620)
Equipment	7,089	5,585	(7,089)	(5,585)
Advertising and Printing	-	1,700	( -)	(1,700)
Travel	18,424	20,015	(18,424)	(20,015)
PERS	70,614	70,926	(70,614)	(70,926)
Workers Comp	16,506	15,476	(16,506)	(15,476)
Other	<u>116,875</u>	<u>145,234</u>	<u>(116,875)</u>	<u>(145,234)</u>
Total Disbursements	<u>\$ 14,688,988</u>	<u>\$ 12,838,240</u>	<u>(\$7,180,651)</u>	<u>(\$6,196,111)</u>

The dependence upon state grants for governmental activities is apparent as 49% of alcohol, drug addiction and mental health services costs are supported through these entitlements for 2007. For 2006, the percentage was 48 percent.

Table 3 shows an increase in Agency Provider Contracts due to greater Medicaid services expenditures; a decrease in Salaries and Benefits due to two staff resigning mid-year and one new hire later in the calendar year; a decrease in Supplies and an increase in Equipment expenses due to purchasing less computer supplies and more computer equipment purchases, respectively; and a decrease in Other expenses due to the resolution of a lawsuit in 2006.

**ADAMHS Board of Adams, Lawrence and Scioto Counties**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
Unaudited**

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**The Board's Fund**

The major fund had revenues of \$14,487,850 and expenditures of \$14,688,988. The fund balance decreased \$201,138 as the result of a timing difference between provider Medicaid payments made and Medicaid FFP reimbursement received.

**General Fund Budgeting Highlights**

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

During the course of 2007, the Board amended its budget several times, and the budgetary statement reflects both the original and final appropriated amounts. There were no significant changes between the original and the final estimated receipts. Appropriations for Agency Provider Contracts increased based on an increase in Medicaid mental health and recovery services.

**Economic Factors**

The receipts of the Board remain stagnant. The Board contracts with eight provider agencies to deliver alcohol, drug addiction and mental health services to the residents of Adams, Lawrence, and Scioto Counties. The Board will be challenged to maintain the current level of services and programs due to a stagnant receipts base and ordinary inflation. The Board and its administration must maintain careful financial planning and prudent fiscal management in order to balance the budget annually.

**Contacting the Board's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Board's finances and to reflect the Board's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Melissa D. Sites, MBA, Director of Business Operations/Chief Fiscal Officer, ADAMHS Board of Adams, Lawrence, and Scioto Counties, 802 Chillicothe Street, Portsmouth, Ohio 45662.

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**ADAMHS BOARD OF ADAMS, LAWRENCE AND SCIOTO COUNTIES**

**STATEMENT OF NET ASSETS - CASH BASIS**  
**December 31, 2007**

<b>ASSETS:</b>	
Cash Equivalents	<u>\$ 1,597,878</u>
Total assets	<u><u>\$ 1,597,878</u></u>
<b>NET ASSETS:</b>	
Unrestricted	<u>\$ 1,597,878</u>
Total Net Assets	<u><u>\$ 1,597,878</u></u>

See accompanying notes to the basic financial statements.

**ADAMHS BOARD OF ADAMS, LAWRENCE AND SCIOTO COUNTIES**

**STATEMENT OF ACTIVITIES - CASH BASIS**  
**Year ended December 31, 2007**

	<u>Cash</u>	<u>Program Cash Receipts</u>	<u>Net (Disbursements) Receipts</u> <u>and Changes in Net Assets</u>
	<u>Disbursements</u>	<u>Operating Grants</u> <u>and Contributions</u>	<u>Governmental</u> <u>Activities</u>
<b>Governmental Activities</b>			
Mental Health and Recovery Services:			
Salaries and Benefits	\$ 715,040		\$ (715,040)
Supplies	9,974		(9,974)
Equipment	7,089		(7,089)
Agency provider contracts	13,734,466	\$ 7,508,337	(6,226,129)
Travel	18,424		(18,424)
Public Employee's Retirement	70,614		(70,614)
Worker's Compensation	16,506		(16,506)
Other	116,875		(116,875)
Total Governmental Activities	<u>\$ 14,688,988</u>	<u>\$ 7,508,337</u>	<u>(7,180,651)</u>
Program revenues:			
		<b>General Receipts</b>	
			6,878,833
			100,680
			<u>6,979,513</u>
			(201,138)
			<u>1,799,016</u>
			<u>\$ 1,597,878</u>

See accompanying notes to the basic financial statements.

ADAMHS BOARD OF ADAMS, LAWRENCE AND SCIOTO COUNTIES

STATEMENT OF CASH BASIS ASSETS AND CASH BASIS FUND BALANCE - GOVERNMENTAL FUNDS  
December 31, 2007

**CASH BASIS ASSETS:**

Cash Equivalents \$ 1,597,878

Total Cash Basis Assets \$ 1,597,878

**CASH BASIS FUND BALANCE:**

Reserved for Encumbrances \$ 22,155

Unreserved, Undesignated 1,575,723

Total Cash Basis Fund Balance \$ 1,597,878

See accompanying notes to the basic financial statements.

**ADAMHS BOARD OF ADAMS, LAWRENCE AND SCIOTO COUNTIES**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH  
BASIS FUND BALANCE -  
GOVERNMENTAL FUND  
Year ended December 31, 2007**

<b>Receipts</b>	
Grants	\$ 14,387,170
Other Revenues:	<u>100,680</u>
Total Revenues	<u>14,487,850</u>
<b>Disbursements</b>	
Salaries and Benefits	715,040
Supplies	9,974
Equipment	7,089
Agency provider contracts	13,734,466
Travel	18,424
Public Employee's Retirement	70,614
Worker's Compensation	16,506
Other	<u>116,875</u>
Total Expenditures	<u>14,688,988</u>
Excess of Receipts Over(Under) Disbursements	<u>(201,138)</u>
Fund Balance Beginning of Year	<u>1,799,016</u>
Fund Balance End of Year	<u><u>\$ 1,597,878</u></u>

See accompanying notes to the basic financial statements.

**ADAMHS BOARD OF ADAMS, LAWRENCE AND SCIOTO COUNTIES**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH BASIS FUND BALANCE -  
BUDGET AND ACTUAL (BUDGET BASIS)  
Year ended December 31, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Grants	\$ 12,650,000	\$ 14,393,442	\$ 14,387,170	\$ (6,272)
Other Revenues:	137,000	88,072	100,680	12,608
Total Receipts	<u>12,787,000</u>	<u>14,481,514</u>	<u>14,487,850</u>	<u>6,336</u>
<b>Disbursements</b>				-
Salaries and Benefits	835,500	749,960	715,040	34,920
Supplies	16,168	10,668	9,974	694
Equipment	17,920	11,920	7,089	4,831
Agency provider contracts	11,634,100	15,250,566	13,750,621	1,499,945
Advertising and Printing	3,000	500	-	500
Travel	25,000	21,000	18,424	2,576
Public Employee's Retirement	83,541	76,615	76,614	1
Worker's Compensation	16,000	16,506	16,506	-
Other Expenses	164,495	142,795	116,875	25,920
Total Disbursements	<u>12,795,724</u>	<u>16,280,530</u>	<u>14,711,143</u>	<u>1,569,387</u>
Excess of Receipts Over (Under) Disbursements	<u>(8,724)</u>	<u>(1,799,016)</u>	<u>(223,293)</u>	<u>1,575,723</u>
Fund Balance Beginning of Year	1,790,292	1,790,292	1,790,292	-
Prior Year Encumbrances Appropriated	<u>8,724</u>	<u>8,724</u>	<u>8,724</u>	-
Fund Balance End of Year	<u>\$ 1,790,292</u>	<u>\$ -</u>	<u>\$ 1,575,723</u>	<u>\$ 1,575,723</u>

See accompanying notes to the basic financial statements

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Notes to the Basic Financial Statements  
Year Ended December 31, 2007

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Adams, Lawrence and Scioto Counties Alcohol, Drug Addiction and Mental Health Services Board (the Board) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Board is required to be directed by an eighteen-member Board. Board members are appointed by the Director of Mental Health, the Director of Alcohol and Drug Addiction Services and the legislative authorities of the political subdivisions making up the Board. The Board includes members from those legislative authorities as well as citizens of the Board. Those subdivisions are Adams County, Lawrence County and Scioto County. The Board provides alcohol, drug addiction and mental health services and programs to citizens of the Board. These services are provided primarily through contracts with private and public agencies. The Board is associated with the Southern Consortium for Children, which is defined as a jointly governed organization. This organization is described in Note 6.

The Board's management believes these financial statements present all activities for which the Board is financially accountable.

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

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

**B. Basis of Presentation**

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

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

Notes to the Basic Financial Statements  
Year Ended December 31, 2007

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation (Continued)**

*Government-wide Financial Statements* - The statement of net assets and the statement of activities display information about the Board as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Board that are governmental and those that are considered business-type activities. The Board has no business-type activities.

The Statement of Net Assets presents the financial condition of the governmental activities of the Board at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function of the Board's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Board with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Board.

*Fund Financial Statements* - Fund financial statements report detailed information about the Board. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

**C. Fund Accounting**

The Board uses a general revenue fund to report its financial position and results of operations. The general revenue fund is an independent fiscal and accounting entity with a self-balancing set of accounts. The general revenue fund is established to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

**D. Basis of Accounting**

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

Notes to the Basic Financial Statements  
Year Ended December 31, 2007

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Basis of Accounting (Continued)**

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

**E. Budgetary Basis Fund Balances**

Ohio law requires all funds, other than agency funds, to be budgeted and appropriated. The major documents prepared are the appropriation resolution and the certificate of estimated resources, which use the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amounts that the Board may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The Board uses the function as its legal level of control.

The Board may amend appropriations throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation for that fund covering the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budget represent the final appropriation the Board passed during the year.

Differences between the budgetary basis fund balances and fund cash balances are due to encumbrances. The table below present those difference for the Board's Major Fund:

	<u>General Fund</u>
Budgetary Basis Fund Balance	\$ 1,575,723
Encumbrances	<u>22,155</u>
Fund Cash Balance	<u>\$ 1,597,878</u>

**F. Cash and Cash Equivalents**

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

Notes to the Basic Financial Statements  
Year Ended December 31, 2007

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Property, Plant, and Equipment**

The Board records disbursement for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**H. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**I. Fund Balance Reserves**

The Board records reservations for portions of fund balance that are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance that is available for appropriation in future periods. A fund balance reserve has been established for encumbrances.

**J. Net Assets**

Net assets represent the difference between assets and liabilities.

**2. DEPOSITS AND INVESTMENTS**

Ohio law restricts deposits and investments to the following:

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

Notes to the Basic Financial Statements  
Year Ended December 31, 2007

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**2. DEPOSITS AND INVESTMENTS (Continued)**

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

*Deposits* - The Scioto County Treasurer serves as the fiscal agent for the Board and the investments of the County funds, including the Board's cash. The Board maintains no control over the investment of its cash. At year-end, the carrying amount of the Board's deposits was \$1,597,878.

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

**3. DEFINED BENEFIT PENSION PLAN AND POST EMPLOYEMENT BENEFITS**

**A. Defined Benefit Pension Plan**

The Board participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional pension plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Notes to the Basic Financial Statements  
Year Ended December 31, 2007

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**3. DEFINED BENEFIT PENSION PLAN AND POST EMPLOYEMENT BENEFITS  
(Continued)**

**A. Defined Benefit Pension Plan (Continued)**

For the year ended December 31, 2007, the members of all three plans were required to contribute 9.5% of their annual covered salaries. The Board's contribution rate for pension benefits for 2007 was 13.85%. The Ohio Revised Code provides statutory authority for member and employer contributions.

**B. Post Employment Benefits**

The Ohio Public Employees Retirement System (OPERS) provides post retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional pension or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for post retirement health care coverage. The health care coverage provided by OPERS is considered an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post retirement health care based on authority granted by State statute. The 2007 local government employer contribution rate was 13.85 percent of covered payroll; 5 percent for January 1, 2007 through June 30, 2007 and 6 percent for July 1, 2007 through December 31, 2007 was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .5 to 5 percent annually for the next eight years and health care costs were assumed to increase 4 percent annually after 8 years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional pension and combined plans was 374,979. OPERS' net assets available for payment of benefits at December 31, 2006, (the latest information available) were \$12 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively. The Board has paid all contributions required through December 31, 2007.

Notes to the Basic Financial Statements  
Year Ended December 31, 2007

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**4. RISK MANAGEMENT**

**Commercial Insurance**

The Board has obtained commercial insurance for the following risks:

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

The Board also provides health, life, and disability insurances, and dental and vision coverage to full-time employees through a private carrier.

**5. CONTINGENCIES**

**Grants**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

**Litigation**

The Board was a co-defendant in a lawsuit, which was resolved January 2007. The resolution of this matter did not materially adversely affect the Board's financial condition.

**6. JOINTLY GOVERNED ORGANIZATIONS**

Adams, Lawrence and Scioto Counties Alcohol, Drug Addiction and Mental Health Services Board is currently a member of the Southern Consortium for Children (SCC). SCC is a regional council of governments, authorized by Chapter 167 of the Ohio Revised Code. The SCC serves as a program planner, developer and coordinator for services for youth who are severely emotionally disturbed within the members' service area. The members include the Alcohol, Drug Addiction and Mental Health Services Boards of Gallia, Jackson and Meigs Counties; Athens Hocking and Vinton Counties; and Adams, Lawrence and Scioto Counties; and the Washington County Mental Health and Addiction Recovery Board.

The SCC operates under an appointed four member board, consisting of the Executive Director of each of the above named Alcohol, Drug Addiction and Mental Health Services Boards.

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**ADAMHS Board of Adams, Lawrence, Scioto Counties**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
For the year ended December 31, 2007**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
<i>Passed Through the Ohio Department of Mental Health:</i>			
Social Services Block Grant - Title XX	N/A	93.667	\$ 160,461
Promoting Safe and Stable Families - FAST 06	N/A	93.556	100,802
Block Grants for Community Mental Health Services		93.958	
Community Plan	N/A		231,248
Suicide Prevention Coalition	N/A		70
Total Community Mental Health Services Grants			231,318
Substance Abuse and Mental Health Services			
Projects of Regional and National Significance	N/A	93.243	9,107
Total Ohio Department of Mental Health			501,689
<i>Passed Through Ohio Department of Alcohol and Drug Addiction Services and the Ohio Department of Mental Health:</i>			
State Children's Insurance Program	N/A	93.767	
ODADAS			97,889
ODMH			239,708
Total State Children's Insurance Program			337,597
Medical Assistance Program	N/A	93.778	
ODADAS			1,181,394
ODMH			4,644,057
PASARR	N/A		18,486
Total Medical Assistance Program			5,843,937
Total Ohio Department of Alcohol and Drug Addiction Services and Ohio Department of Mental Health			6,181,534
<i>Passed Through the Ohio Department of Alcohol, Drug Addiction Services:</i>			
Block Grants for Prevention and Treatment of Substance Abuse		93.959	
Women's Residential	73-06846-WOMEN-T-07-8973		474,341
	73-09425-WOMEN-T-07-0238		484,256
Per Capita	N/A		484,256
Total Block Grants for Prevention and Treatment of Substance Abuse Grants			484,256
Total Ohio Department of Alcohol and Drug Addiction Services			958,597
Total U.S. Department of Health and Human Services			7,641,819
<b>Total Federal Awards Expenditures</b>			<b>\$ 7,641,819</b>

*The Notes to the Schedule of Federal Awards Expenditures is an integral part of the Schedule.*

**ADAMHS Board of Adams, Lawrence and Scioto Counties**

**Notes to the Schedule of Federal Awards Expenditures  
Year Ended December 31, 2007**

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**Note A. SIGNIFICANT ACCOUNTING POLICIES**

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

**Note B. SUBRECIPIENTS**

The Board passes-through certain Federal assistance received from the Ohio Department of Mental Health and the Ohio Department of Alcohol and Drug Addiction Services to not-for-profit and for-profit agencies (subrecipients). As described in Note A, the 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 Board is responsible for monitoring subrecipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements, and that performance goals are achieved.

**Note C. MATCHING REQUIREMENTS**

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



# Mary Taylor, CPA

## Auditor of State

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

Alcohol, Drug Addiction, and Mental Health Services  
Board of Adams, Lawrence and Scioto Counties  
Scioto County  
802 Chillicothe Street  
Portsmouth, Ohio 45662

To the Members of the Board:

We have audited the financial statements of the governmental activities and the major fund of the Alcohol, Drug Addiction, and Mental Health Services Board of Adams, Lawrence and Scioto Counties, Scioto County, Ohio (the Board), as of and for the year ended December 31, 2007, which collectively comprise the Board's basic financial statements and have issued our report thereon dated September 25, 2008, wherein we noted the Board uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Board's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Board's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Board's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Board's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Board's internal control will not prevent or detect a material financial statement misstatement.

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

### **Compliance and Other Matters**

As part of reasonably assuring whether the Board's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2007-001 and 2007-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Board's management in a separate letter dated September 25, 2008.

The Board's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Board's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the finance committee, management, the Board, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

September 25, 2008



# Mary Taylor, CPA

## Auditor of State

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

Alcohol, Drug Addiction, and Mental Health Services  
Board of Adams, Lawrence and Scioto Counties  
Scioto County  
802 Chillicothe Street  
Portsmouth, Ohio 45662

To the Members of the Board:

#### Compliance

We have audited the compliance of the Alcohol, Drug Addiction, and Mental Health Services Board of Adams, Lawrence and Scioto Counties, Scioto County, Ohio (the Board), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended December 31, 2007. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the Board's major federal program. The Board's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Board's compliance based on our audit.

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

In our opinion, the Board complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2007.

#### Internal Control Over Compliance

The Board's management 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 requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

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Alcohol, Drug Addiction, and Mental Health Services  
Board of Adams, Lawrence and Scioto Counties  
Scioto County  
Independent Accountants' Report on Compliance Requirements  
Applicable to Each Major Federal Program and Internal Control Over  
Compliance in Accordance with OMB Circular A-133  
Page 2

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Board's ability to administer a federal program such that there is more than a remote likelihood that the Board's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the Board's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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



**Mary Taylor, CPA**  
Auditor of State

September 25, 2008

**ALCOHOL, DRUG ADDICTION, AND MENTAL HEALTH SERVICES BOARD OF  
ADAMS, LAWRENCE, AND SCIOTO COUNTIES  
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2007**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

**FINDING NUMBER 2007-001**

**Finding for Recovery Repaid Under Audit**

The Alcohol, Drug Addiction and Mental Health Services Board cell phone policy stated that "any employee may use the Board's cell phone with proper authorization for Board travel. Personal calls charged to the Board's cell phone must be reimbursed to the Board." A review of 2007 cell phone records revealed that Anthony Pollard, Executive Director, utilized text messaging for personal use, resulting in charges totaling \$212.36 which were not reimbursed to the Board.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Anthony Pollard in the amount of two hundred twelve dollars and thirty-six cents (\$212.36), in favor of the General Fund of the Alcohol, Drug Addiction and Mental Health Services Board of Adams, Lawrence and Scioto Counties.

**ALCOHOL, DRUG ADDICTION, AND MENTAL HEALTH SERVICES BOARD OF  
ADAMS, LAWRENCE, AND SCIOTO COUNTIES  
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2007  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
---

**FINDING NUMBER 2007-001 (Continued)**

**Finding for Recovery Repaid Under Audit (Continued)**

This finding was repaid on September 10, 2008 by check number 208 from Anthony Pollard payable to the Board.

**Officials' Response:**

The Scioto County Auditor's Office brought to the Board's attention in October 2007, that company-owned cell phones must be reported as a taxable fringe benefit. The ADAMHS Board Fiscal Department billed staff for their calendar year 2007 personal cell phone usage charges in November and December, 2007. Cell phone usage charges for calendar year 2008 were billed to staff in January and April 2008. The Board-owned cell phones are no longer utilized for personal calls. The Executive Director's cell phone is business-use only and all other staff turned in their cell phones, effective January 2008.

**FINDING NUMBER 2007-002**

**Noncompliance Citation**

Ohio Rev. Code Section 121.22 provides that the Board must keep a record of proceedings of all meetings of the Board, which are to be promptly prepared, filed, and maintained, and shall be available for public inspection. Additionally, the OACBHA Behavioral Health Handbook, Section V (Administration and Finance), provides that the record of proceedings is an important record for the Board, as it serves as the formal record of action by the Board. Incompleteness or obscurity of the record inevitably creates doubt as to the quality of the Board's work or it's willingness to submit its actions to scrutiny.

The record of proceedings maintained by the Board caused confusion as the Board's actions were not accurately reflected on the following subjects:

- Section 4.01 of the Executive Director's Employment Agreement stated, in part, that the executive Director's "base salary shall be adjusted at the end of each year of employment. The minimum increase each year shall be a cost of living adjustment based on the Consumer Price Index (CPI) unless otherwise determined by the Board." A review of the minutes of the Board reflect that on June 19, 2007, the Board approved a 3.5% increase to the Executive Director's salary. The salary increase was approved retroactively to July 1, 2006. Although the minutes of the Board stated an increase of 3.5% it was the intent of the Board to increase the Executive Director's salary based on the CPI. The Executive Director's salary was increased by the CPI rate of 4.10%; however, this was not accurately reflected in the minutes.

**ALCOHOL, DRUG ADDICTION, AND MENTAL HEALTH SERVICES BOARD OF  
ADAMS, LAWRENCE, AND SCIOTO COUNTIES  
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2007  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
---

**FINDING NUMBER 2007-002 (Continued)**

**Noncompliance Citation – Ohio Rev. Code Section 121.22 (Continued)**

- A review of the minutes of the Board on November 20, 2007, noted that the Board approved in their minute record “to amend the Executive Director’s employment agreement to allow a one-time “cash out” of a portion of accumulated and unused sick leave not to exceed 240 hours at his current per diem pay rate, with the amendment being effective until the end of FY 2008.” The Executive Director cashed out 80 hours sick leave for pay period ending December 1, 2007. Also, during 2008, the Executive Director received two additional payments for cash out of sick leave: 80 hours during February and another 80 hours during April. In total, he received cash payments for exactly 240 hours of sick leave. The minutes did not accurately state the approval of the Board. The minutes stated the Executive Director was entitled to a “one-time cash out” while the Board’s intent was for the Executive Director to receive payments not to exceed 240 hours. The payments that were made during 2008 were not specifically approved in the minutes.

We recommend all official actions of the Board, such as those indicated above, be included in the minute record and they also should be consistent and clearly documented.

**Officials’ Response:**

The ADAMHS Board of Directors (Board) approved the 3.5% increase for the Executive Director (Director) based upon his annual performance evaluation. The Executive Director’s Employment Agreement (Agreement) and the Consumer Price Index (CPI) percentage were not presented to the Board for consideration at its June 17, 2007 meeting.

On July 25, 2007, Cross Management Consulting, Inc. (Cross), recommended that July 1 of each year the Director is entitled to the CPI increase, as according to the Agreement, and that both the Board and the Director should have someone review the Agreement independently, since it’s a legal document. Cross stated that the Director’s raise should have been calculated on the 4.1% CPI, rather than the 3.5% that the Board approved, and that the adjustment to correct the Director’s salary did not need a Board motion.

The Board Personnel Policies state that upon termination of employment the cash conversion of accumulated sick leave shall not exceed \$5,000. The Director’s Agreement states that upon separation of employment, the Director shall be entitled to full pay at his then current per diem pay rate for thirty-five percent (35%) of his accumulated and unused sick leave accrued. The November 20, 2007, Board motion stated to make an amendment to the Director’s Agreement allowing a one-time “cash out” of a portion of accumulated and unused sick leave not to exceed 240 hours at current per diem pay rate with the amendment being effective until the end of Fiscal Year 2008. The 240 hours of sick leave for the Director at his November 2007 per diem rate totaled \$12,139.20. At the Director’s request, Board staff paid that amount out over three pay periods: \$4,046.40 in December 2007, \$4,046.40 in February 2008, and \$4,046.40 in April 2008.

ALCOHOL, DRUG ADDICTION, AND MENTAL HEALTH SERVICES BOARD OF  
ADAMS, LAWRENCE, AND SCIOTO COUNTIES  
SCIOTO COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2007  
(Continued)

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

**FINDING NUMBER 2007-002 (Continued)**

**Noncompliance Citation – Ohio Rev. Code Section 121.22 (Continued)**

**Officials' Response (Continued):**

The Board will have its attorney review the Agreement, independently and as a legal document, in order to apprise it of the terms and financial obligations of such Agreement, including, but not limited to, the CPI increase entitlement and sick leave conversion.

The Board's official actions will be consistently and clearly documented in its minutes in order to record all proceedings of meetings, and intentions of the Board, completely and without obscurity.

**3. FINDINGS FOR FEDERAL AWARDS**

None



**Mary Taylor, CPA**  
Auditor of State

**ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH SERVICES OF ADAMS,  
LAWRENCE AND SCIOTO COUNTIES**

**SCIOTO 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  
OCTOBER 9, 2008**