



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, 2009, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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, 2009, and the changes 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 22, 2010, on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the Board's basic financial statements. The Federal Awards Expenditure Schedule 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 Federal Awards Expenditure Schedule 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 22, 2010

**ALCOHOL, DRUG ADDICTION & MENTAL HEALTH SERVICES BOARD  
of ADAMS, LAWRENCE and SCIOTO COUNTIES  
Management's Discussion and Analysis  
Year Ended December 31, 2009**

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, 2009. 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 2009 are as follows:

- Net assets of governmental activities increased by \$875,999 or over 87 percent.
- The Board's major fund had \$18,039,410 in receipts and \$17,163,411 in disbursements. The fund balance increased by \$875,999.
- General receipts accounted for \$6,635,940 in receipts or 37 percent of total receipts. Program specific receipts in the form of operating grants and contributions accounted for \$11,403,470 or 63 percent of the total receipts of \$18,039,410.
- The Board had \$17,163,411 in disbursements related to governmental activities; only \$11,403,470 of these disbursements were offset by program specific operating grants and contributions. General receipts of \$6,635,940 were adequate 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.

**ALCOHOL, DRUG ADDICTION & MENTAL HEALTH SERVICES BOARD  
of ADAMS, LAWRENCE and SCIOTO COUNTIES  
Management's Discussion and Analysis  
Year Ended December 31, 2009**

**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 2009, 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 2009 compared to 2008.



**ALCOHOL, DRUG ADDICTION & MENTAL HEALTH SERVICES BOARD  
of ADAMS, LAWRENCE and SCIOTO COUNTIES  
Management's Discussion and Analysis  
Year Ended December 31, 2009**

**Table 1**

**Net Assets – Cash Basis**

Governmental Activities

	2009	2008
Cash Basis Assets		
Cash Equivalents	<u>\$1,878,101</u>	<u>\$1,002,102</u>
Net Assets		
Unrestricted	<u>\$1,878,101</u>	<u>\$1,002,102</u>
Total Net Assets	<u>\$1,878,101</u>	<u>\$1,002,102</u>

Total net assets increased by \$875,999. This increase 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, 2009, compared to December 31, 2008.

**Table 2**

**Changes in Net Assets**

	2009	2008	Increase (Decrease)
<b>Receipts</b>			
Program Cash Receipts			
Operating Grants & Contributions	<u>\$ 11,403,470</u>	<u>\$ 8,920,246</u>	<u>\$ 2,483,224</u>
<u>Total Program Cash Receipts</u>	<u>11,403,470</u>	<u>8,920,246</u>	<u>2,483,224</u>
General Receipts			
Entitlements – Unrestricted	6,471,954	7,392,041	(920,087)
Other Receipts	<u>163,986</u>	<u>125,908</u>	<u>38,078</u>
<u>Total General Receipts</u>	<u>6,635,940</u>	<u>7,517,949</u>	<u>(882,009)</u>
<u>Total Receipts</u>	<u>18,039,410</u>	<u>16,438,195</u>	<u>1,601,215</u>
Disbursements			
Mental Health and Recovery	17,163,411	17,033,971	129,440
Total Disbursements	<u>17,163,411</u>	<u>17,033,971</u>	<u>129,440</u>
Change in Net Assets	<u>\$ 875,999</u>	<u>\$ (595,776)</u>	<u>\$ 1,471,775</u>

**ALCOHOL, DRUG ADDICTION & MENTAL HEALTH SERVICES BOARD  
of ADAMS, LAWRENCE and SCIOTO COUNTIES  
Management's Discussion and Analysis  
Year Ended December 31, 2009**

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. Decrease in Entitlements due to reduced ODADAS state funds and ODMH state 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 2009</u>	<u>Total Cost of Services 2008</u>	<u>Net Cost of Services 2009</u>	<u>Net Cost of Services 2008</u>
Alcohol, Drug Addiction, & Mental Health Services				
Agency Provider Contracts	\$ 16,180,526	\$ 16,058,573	(\$4,777,056)	(\$7,138,327)
Salaries & Benefits	722,021	732,245	(722,021)	(732,245)
Supplies	18,410	28,076	(18,410)	(28,076)
Contracts – Repairs	3,569	3,526	(3,569)	(3,526)
Advertising and Printing	122	0	( 122)	( 0)
Equipment	3,299	9,452	( 3,299)	(9,452)
Rentals	38,721	41,860	(38,721)	(41,860)
Travel	13,229	17,573	(13,229)	(17,573)
PERS	66,367	70,079	(66,367)	(70,079)
Workers Comp	19,291	6,857	(19,291)	( 6,857)
Other	<u>97,856</u>	<u>65,730</u>	<u>( 97,856)</u>	<u>(65,730)</u>
 Total Disbursements	 <u>\$ 17,163,411</u>	 <u>\$ 17,033,971</u>	 <u>(\$5,759,941)</u>	 <u>(\$8,113,725)</u>

The dependence upon state grants for governmental activities is apparent as 34 percent of alcohol, drug addiction and mental health services costs are supported through these entitlements for 2009. For 2008, the percentage was 48 percent.

Table 3 shows an increase in Agency Provider Contracts due to greater Medicaid services expenditures; a decrease in Salaries & Benefits due to staffing changes which decreased salary expenses; and an increase in Other expenses due to increased costs of Consulting and Legal expenses due to pending lawsuit.

**The Board's Fund**

The major fund had revenues of \$18,039,410 and expenditures of \$17,163,411. The fund balance increased \$875,999 as the result of a timing difference between provider Medicaid payments made and Medicaid FFP reimbursement received.

**ALCOHOL, DRUG ADDICTION & MENTAL HEALTH SERVICES BOARD  
of ADAMS, LAWRENCE and SCIOTO COUNTIES  
Management's Discussion and Analysis  
Year Ended December 31, 2009**

**General Fund Budgeting Highlights**

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

During 2009, the Board amended its budget several times to reflect changing circumstances.

**Economic Factors**

The receipts of the Board remain stagnant. The Board contracts with seven 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 Anthony Pollard, Executive Director, 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 ACTIVITIES-CASH BASIS  
Year ended December 31, 2009

	Program Cash Receipts		Net (Disbursements)/Receipts and Changes in Net Assets
	Cash Disbursements	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>			
Mental Health and Recovery Services:			
Salaries and Benefits	\$ 722,021	\$ -	\$ (722,021)
Supplies	18,410	-	(18,410)
Equipment	3,299	-	(3,299)
Contracts - Repair	3,569	-	(3,569)
Agency provider contracts	16,180,526	11,403,470	(4,777,056)
Advertising and Printing	122	-	(122)
Rentals	38,721	-	(38,721)
Travel	13,229	-	(13,229)
Public Employee's Retirement	66,367	-	(66,367)
Worker's Compensation	19,291	-	(19,291)
Other	97,856	-	(97,856)
Total Governmental Activities	\$ 17,163,411	\$ 11,403,470	(5,759,941)
Program revenues:			
	<b>General Receipts</b>		
			6,471,954
			163,986
			<u>6,635,940</u>
			875,999
			<u>1,002,102</u>
			<u>\$ 1,878,101</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, 2009

**CASH BASIS ASSETS:**

Cash Equivalents \$ 1,878,101

Total Cash Basis Assets \$ 1,878,101

**CASH BASIS FUND BALANCE:**

Reserved for Encumbrances \$ 7,012

Unreserved, Undesignated 1,871,089

Total Cash Basis Fund Balance \$ 1,878,101

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, 2009**

**Receipts**

Grants	\$ 17,875,424
Other Revenues:	<u>163,986</u>
Total Revenues	<u>18,039,410</u>

**Disbursements**

Salaries and Benefits	722,021
Supplies	18,410
Equipment	3,299
Contracts Repairs	3,569
Agency provider contracts	16,180,526
Advertising and Printing	122
Rentals	38,721
Travel	13,229
Public Employee's Retirement	66,367
Worker's Compensation	19,291
Other	<u>97,856</u>
Total Expenditures	<u>17,163,411</u>
Excess of Receipts Over(Under) Disbursements	875,999
Fund Balance Beginning of Year	<u>1,002,102</u>
Fund Balance End of Year	<u><u>\$ 1,878,101</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, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Grants	\$ 15,537,359	\$ 17,433,916	\$ 17,875,424	\$ 441,508
Other Revenues:	114,342	119,742	163,986	44,244
<b>Total Receipts</b>	<b>15,651,701</b>	<b>17,553,658</b>	<b>18,039,410</b>	<b>485,752</b>
<b>Disbursements</b>				
Salaries and Benefits	753,800	740,550	722,021	18,529
Supplies	35,500	24,816	18,410	6,406
Equipment	13,500	5,859	3,299	2,560
Contracts Repairs	5,500	-	3,569	(3,569)
Agency provider contracts	14,601,044	17,399,814	16,180,526	1,219,288
Advertising and Printing	500	200	122	78
Rentals	42,600	118,340	38,721	79,619
Travel	21,000	24,427	13,229	11,198
Public Employee's Retirement	75,400	76,900	71,367	5,533
Worker's Compensation	6,857	19,291	19,291	-
Other Expenses	101,400	145,563	99,868	45,695
<b>Total Disbursements</b>	<b>15,657,101</b>	<b>18,555,760</b>	<b>17,170,423</b>	<b>1,385,337</b>
<b>Excess of Receipts Over (Under) Disbursements</b>	<b>(5,400)</b>	<b>(1,002,102)</b>	<b>868,987</b>	<b>1,871,089</b>
Fund Balance Beginning of Year	996,702	996,702	996,702	-
Prior Year Encumbrances Appropriated	5,400	5,400	5,400	-
<b>Fund Balance End of Year</b>	<b>\$ 996,702</b>	<b>\$ -</b>	<b>\$ 1,871,089</b>	<b>\$ 1,871,089</b>

See accompanying notes to the basic financial statements

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**ALCOHOL, DRUG ADDICTION & MENTAL HEALTH SERVICES BOARD  
of ADAMS, LAWRENCE and SCIOTO COUNTIES  
Notes to the Basic Financial Statements  
Year Ended December 31, 2009**

**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.

**ALCOHOL, DRUG ADDICTION & MENTAL HEALTH SERVICES BOARD**  
**of ADAMS, LAWRENCE and SCIOTO COUNTIES**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2009**

**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.

**ALCOHOL, DRUG ADDICTION & MENTAL HEALTH SERVICES BOARD  
of ADAMS, LAWRENCE and SCIOTO COUNTIES  
Notes to the Basic Financial Statements  
Year Ended December 31, 2009**

**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	\$ 1,871,089
Encumbrances	<u>7,012</u>
Fund Cash Balance	<u>\$ 1,878,101</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.

**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.

**ALCOHOL, DRUG ADDICTION & MENTAL HEALTH SERVICES BOARD  
of ADAMS, LAWRENCE and SCIOTO COUNTIES  
Notes to the Basic Financial Statements  
Year Ended December 31, 2009**

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

**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.

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 \$1,878,101.

**ALCOHOL, DRUG ADDICTION & MENTAL HEALTH SERVICES BOARD**  
**of ADAMS, LAWRENCE and SCIOTO COUNTIES**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2009**

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

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 EMPLOYMENT 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.

For the year ended December 31, 2009, the members of all three plans were required to contribute 10.0% of their annual covered salaries. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Board's contribution rate for pension benefits for 2009 was 14.0%. A portion of the Board's contribution was allocated to fund the post-employment healthcare plan. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate of 14%.

**ALCOHOL, DRUG ADDICTION & MENTAL HEALTH SERVICES BOARD**  
**of ADAMS, LAWRENCE and SCIOTO COUNTIES**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2009**

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

**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 2009 state and local government employer contribution rate was 14% of covered payroll.

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, 2008, include a rate of return on investments of 6.5%, an annual increase in active employee total payroll of 4% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.3% 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 3% annually for the next six years and health care costs were assumed to increase 4% annually after six years.

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

The number of active contributing participants in the traditional pension and combined plans was 357,584. OPERS' net assets available for payment of benefits at December 31, 2008, (the latest information available) were \$10.7 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.6 billion and \$18.9 billion, respectively. The Board has paid all contributions required through December 31, 2009.

**4. RISK MANAGEMENT**

**Commercial Insurance**

The Board has obtained commercial insurance for the following risks:

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



**ALCOHOL, DRUG ADDICTION & MENTAL HEALTH SERVICES BOARD  
of ADAMS, LAWRENCE and SCIOTO COUNTIES  
Notes to the Basic Financial Statements  
Year Ended December 31, 2009**

**4. RISK MANAGEMENT (Continued)**

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 is currently involved a lawsuit regarding a former employee. The results of this lawsuit are not anticipated to have a materially adverse effect on the Board.

**6. JOINTLY GOVERNED ORGANIZATIONS**

Adams, Lawrence and Scioto Counties Alcohol, Drug Addiction and Mental Health Services Board was a member of the Southern Consortium for Children (SCC). SCC was a regional council of governments, authorized by Chapter 167 of the Ohio Revised Code. The SCC served as a program planner, developer and coordinator for services for youth who are severely emotionally disturbed within the members' service area. The members included 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 operated 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. The SCC ceased operations effective June 30, 2009.

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

**FEDERAL AWARDS EXPENDITURE SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2009**

<b>FEDERAL GRANTOR/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Disbursements</b>
<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	\$ 164,692
Promoting Safe and Stable Families FAST- 09	N/A	93.556	72,825
Incredible YEARS			10,593
Total Promoting Safe and Stable Families			<u>83,418</u>
Total Ohio Department of Mental Health			248,110
<i>Passed Through the Ohio Department of Mental Health and the Ohio State University</i>			
Block Grants for Community Mental Health Services		93.958	
Community Plan	N/A		176,523
Ohio Suicide Prevention Foundation	BG-10-303-04-001		<u>2,545</u>
Total Block Grants for Community Mental Health Services			179,068
<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			82,396
ODMH			<u>374,360</u>
Total State Children's Insurance Program			456,756
Medical Assistance Program	N/A	93.778	
ODADAS			2,660,855
ODMH			5,332,782
PASARR			19,627
ARRA- ODADAS			73,833
ARRA- ODMH			<u>247,822</u>
Total Medical Assistance Program			8,334,919
Total Ohio Department of Alcohol and Drug Addiction Services and Ohio Department of Mental Health			8,791,675
<i>Passed Through the Ohio Department of Alcohol and Drug Addiction Services:</i>			
Block Grants for Prevention and Treatment of Substance Abuse		93.959	
Women's Residential	73-6846-WOMEN-T-09-8973		269,460
	73-6846-WOMEN-T-10-8973		147,408
	73-9425-WOMEN-T-09-0238		9,297
	73-9425-WOMEN-T-10-0238		14,017
Per Capita	N/A		<u>468,046</u>
Total Block Grants for Prevention and Treatment of Substance Abuse Grants			908,228
Total U.S. Department of Health and Human Services			<u>10,127,081</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
<i>Passed Through the Ohio Department of Alcohol and Drug Addiction Services:</i>			
Student Wellness Advocacy Taskforce	73-9425-DFSCA-P-09-0923	84.186	<u>23,336</u>
Total U.S. Department of Education			<u>23,336</u>
<b>Total Federal Awards Expenditures</b>			<b><u>\$ 10,150,417</u></b>

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

**ALCOHOL, DRUG ADDICTION & MENTAL HEALTH SERVICES BOARD  
of ADAMS, LAWRENCE and SCIOTO COUNTIES  
Notes to the Federal Awards Expenditure Schedule  
Year Ended December 31, 2009**

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**Note A.           SIGNIFICANT ACCOUNTING POLICIES**

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

**Note B.           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, 2009, which collectively comprise the Board's basic financial statements and have issued our report thereon dated September 22, 2010, 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Government's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Board's management in a separate letter dated September 22, 2010.

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

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

September 22, 2010



# 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 REQUIRED BY 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 each of its major federal programs for the year ended December 31, 2009. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the Board's major federal programs. The Board's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; 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 compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Board's compliance with those requirements.

In our opinion, the Board complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying Schedule of Findings lists this instance as Finding 2009-01.

### **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 opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Board's internal control over compliance.

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

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 over compliance that might be deficiencies, 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 noted matters involving internal control over federal compliance not requiring inclusion in this report, that we reported to the Board's management in a separate letter dated September 22, 2010.

We intend this report solely for the information and use of the audit committee, management, the Board, 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 22, 2010



**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, 2009**

**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>	No
<b>(d)(1)(ii)</b>	<b>Were there any 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 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(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Medical Assistance Program CFDA #93.778  State Children's Insurance Program CFDA #93.767  Block Grants for Prevention and Treatment of Substance Abuse CFDA #93.959
<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>	No

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

None

**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, 2009  
(Continued)**

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
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<b>Finding Number</b>	2009-01
<b>CFDA Title and Number</b>	Medical Assistance Program, #93.778
<b>Federal Award Number / Year</b>	N/A
<b>Federal Agency</b>	US Department of Health and Human Services
<b>Pass-Through Agency</b>	Ohio Department of Mental Health

**Noncompliance Finding**

The Community Medicaid Services Agreement between the Ohio Department of Mental Health and the Alcohol, Drug Addiction and Mental Health Services Board of Adams, Lawrence, and Scioto Counties states in Section A(4), that the Board will pay providers within 30 days of issuance of the ASC X12N 835 Healthcare Claim/Payment Advice.

35% of disbursements to providers tested exceeded thirty days.

We recommend the Board pay providers within thirty days of the Remittance Advice date to ensure timely payment and to minimize the time elapsing between drawdown and disbursement.

**Officials' Response:**

We did not receive a response from Officials for the finding reported above.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 § .315(b)  
DECEMBER 31, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2008-001	A material noncompliance citation was issued under OMB Circular Number A-133m, Subpart C which requires the auditee to ensure that the audits required are properly performed and submitted when due (within nine months of the year end). The prior audit was not performed timely due to the Board not having the financial information completed.	Yes	Corrected.

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**Mary Taylor, CPA**  
Auditor of State

**ALCOHOL DRUG ADDICTION AND MENTAL HEALTH SERVICES BOARD 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  
SEPTEMBER 30, 2010**