



Dave Yost • Auditor of State



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

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Alcohol, Drug Addiction, and Mental Health Services Board  
Of Adams, Lawrence, and Scioto Counties  
Scioto County  
919 Seventh Street  
Portsmouth, Ohio 45662

To the Members of the Board:

### **Report on the Financial Statements**

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, 2012, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 1 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Board's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

***Opinion***

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, 2012, and the change in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the accounting basis described in Note 1.

***Accounting Basis***

We draw attention to Note 1D of the financial statements, which describes the accounting basis, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

***Other Matters***

*Supplemental and Other Information*

We audited to opine on the Board's financial statements that collectively comprise its basic financial statements. Management's Discussion & Analysis includes tables of net assets, changes in net assets, and governmental activities. The Federal Awards Expenditures Schedule (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional analysis and are not a required part of the basic financial statements.

These tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2013 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

July 16, 2013

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2012  
(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, 2012. 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 2012 are as follows:

- Net assets of governmental activities Increased by \$612,332 or 52.9%
- The Board's major fund had \$14,070,006 in receipts and \$13,457,674 in disbursements. The fund balance increased by \$612,332.
- General receipts accounted for \$12,576,337 in receipts or 89.38 percent of total receipts. Program specific receipts in the form of operating grants and contributions accounted for \$1,493,669 or 10.62 percent of the total receipts of \$14,070,006.
- The Board had \$13,457,674 in disbursements related to governmental activities; \$1,493,669 of the disbursements have been offset by program specific operating grants and contributions. General receipts of \$12,576,337 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 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 AND MENTAL HEALTH SERVICES BOARD  
OF ADAMS, LAWRENCE AND SCIOTO COUNTIES  
SCIOTO COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2012  
(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 2012, 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2012  
(Unaudited)**

**The Board as a Whole**

Table 1 reflects the Board's net assets in 2012 compared to 2011.

**Table 1**

**Net Assets – Cash Basis**

Governmental Activities

	2012	2011
Cash Basis Assets		
Cash Equivalents	<u>\$1,769,840</u>	<u>\$1,157,508</u>
Net Assets		
Restricted for Other Purposes	\$ 277,362	\$ 172,044
Unrestricted	<u>\$1,491,840</u>	<u>\$ 985,464</u>
Total Net Assets	<u>\$1,769,840</u>	<u>\$1,157,508</u>

Total net assets increased by \$612,332. 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, 2012, compared to December 31, 2011.

**Table 2**

**Changes in Net Assets**

	2012	2011	Increase (Decrease)
<b>Receipts</b>			
Program Cash Receipts			
Operating Grants & Contributions	\$ 1,493,669	<u>\$ 11,142,132</u>	<u>\$ (9,648,463)</u>
<u>Total Program Cash Receipts</u>	<u>\$ 1,493,669</u>	<u>\$ 11,142,132</u>	<u>\$ (9,648,463)</u>
General Receipts			
Entitlements – Unrestricted	\$ 12,510,618	\$ 8,935,478	\$ 3,575,140
Other Receipts	\$ 65,719	<u>\$ 87,537</u>	<u>\$ ( 21,818)</u>
<u>Total General Receipts</u>	<u>\$ 12,576,337</u>	<u>\$ 9,023,015</u>	<u>\$ 3,553,322</u>
<u>Total Receipts</u>	<u>\$ 14,070,006</u>	<u>\$ 20,165,147</u>	<u>\$ (6,095,141)</u>
Disbursements			
Mental Health and Recovery	\$ 13,457,674	\$ 19,509,446	\$ (6,051,772)
Total Disbursements	<u>13,457,674</u>	<u>19,509,446</u>	<u>\$ (6,051,772)</u>
Change in Net Assets	<u>\$ 612,332</u>	<u>\$ 655,701</u>	<u>\$ (43,369)</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2012  
(Unaudited)**

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Table 2 shows a decrease in Operating Grants and Contributions primarily due to a decrease in Ohio Department of Alcohol, Drug Addiction Services (ODADAS) and Ohio Department of Mental Health (ODMH) funds. Increase in Entitlements due to an increase in 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 2012</u>	<u>Total Cost of Services 2011</u>	<u>Net Cost of Services 2012</u>	<u>Net Cost of Services 2011</u>
Alcohol, Drug Addiction, & Mental Health Services				
Agency Provider Contracts	\$12,508,917	\$ 18,464,767	11,015,248	7,322,635
Salaries & Benefits	663,169	671,455	663,169	671,455
Supplies	9,981	12,601	9,981	12,601
Contracts – Repairs	3,088	6,366	3,088	6,366
Equipment	255	8,459	255	8,459
Rentals	77,200	83,030	77,200	83,030
Travel	12,636	13,487	12,636	13,487
PERS	57,429	63,327	57,429	63,327
Workers Comp	5,086	6,330	5,086	6,330
Other	<u>119,913</u>	<u>179,624</u>	<u>119,913</u>	<u>179,624</u>
 Total Disbursements	 <u>\$13,457,674</u>	 <u>\$ 19,509,446</u>	 <u>\$11,964,005</u>	 <u>\$8,367,314</u>

The dependence upon state grants for governmental activities is apparent as 92 percent of alcohol, drug addiction and mental health services costs are supported through these entitlements for 2012. For 2011, the percentage was 46 percent.

Table 3 shows a decrease in Agency Provider Contracts due to a reduction of Non Medicaid services expenditures; a decrease in salaries & Benefits due to reduction in staff.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2012  
(Unaudited)**

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**The Board's Fund**

The major fund had revenues of \$14,070,006 and expenditures of \$13,457,674. The fund balance increased \$612,332 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 upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

During 2012, the Board amended its budget several times to reflect changing circumstances.

**Economic Factors**

The Board contracts with four 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 Susan Shultz, Interim Executive Director, ADAMHS Board of Adams, Lawrence, and Scioto Counties, 919 7<sup>th</sup> Street, Portsmouth, Ohio 45662.

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

**STATEMENT OF NET POSITION - CASH BASIS  
December 31, 2012**

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	<u>Governmental Activities</u>
<b>Assets</b>	
Cash Equivalents	<u>\$1,769,840</u>
<i>Total Assets</i>	<u><u>\$1,769,840</u></u>
<b>Net Position</b>	
Restricted for:	
Other Purposes	\$277,362
Unrestricted	<u>1,492,478</u>
<i>Total Net Position</i>	<u><u>\$1,769,840</u></u>

See accompanying notes to the basic financial statements

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

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Cash Disbursements</u>	<u>Program Cash Receipts Operating Grants and Contributions</u>	<u>Net (Disbursements) Receipts and Changes in Net Assets Governmental Activities</u>
<b>Governmental Activities:</b>			
Salaries and Benefits	\$663,169		(\$663,169)
Supplies	9,981		(9,981)
Equipment	255		(255)
Contracts - Repair	3,088		(3,088)
Agency provider contracts	12,508,917	\$1,493,669	(11,015,248)
Rentals	77,200		(77,200)
Travel	12,636		(12,636)
Public Employee's Retirement	57,429		(57,429)
Worker's Compensation	5,086		(5,086)
Other	119,913		(119,913)
<i>Total Governmental Activities</i>	<u>\$13,457,674</u>	<u>\$1,493,669</u>	<u>(11,964,005)</u>
<b>General Receipts:</b>			
Entitlements - Unrestricted			12,510,618
Other Receipts			65,719
<i>Total General Receipts</i>			<u>12,576,337</u>
<i>Changes in Net Position</i>			612,332
<i>Net Position Beginning of Year</i>			<u>1,157,508</u>
<i>Net Position End of Year</i>			<u>\$1,769,840</u>

See accompanying notes to the basic financial statements

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

STATEMENT OF ASSETS AND FUND BALANCES- CASH BASIS  
GOVERNMENTAL FUND  
DECEMBER 31, 2012

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	<u>General</u>
<b>Assets</b>	
Cash Equivalents	\$1,769,840
<i>Total Assets</i>	<u>\$1,769,840</u>
<b>Fund Balances</b>	
Restricted	\$277,362
Assigned	8,100
Unassigned	1,484,378
<i>Total Fund Balances</i>	<u>\$1,769,840</u>

See accompanying notes to the basic financial statements

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE- CASH BASIS  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General
<b>RECEIPTS</b>	
Grants	\$14,004,287
Other Receipts	65,719
Total Receipts	14,070,006
<b>DISBURSEMENTS</b>	
Current:	
Salaries and Benefits	663,169
Supplies	9,981
Equipment	255
Contracts - Repair	3,088
Agency provider contracts	12,508,917
Rentals	77,200
Travel	12,636
Public Employee's Retirement	57,429
Worker's Compensation	5,086
Other	119,913
Total Disbursements	13,457,674
Excess of Receipts Over (Under) Disbursements	612,332
Fund Balances Beginning of Year	1,157,508
Fund Balances End of Year	\$1,769,840

See accompanying notes to the basic financial statements

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDING DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Receipts</b>				
Grants	\$ 20,863,529	\$ 16,237,303	\$14,004,287	(\$2,233,016)
Other	180,570	75,858	65,719	(10,139)
<i>Total Receipts</i>	<u>21,044,099</u>	<u>16,313,161</u>	<u>14,070,006</u>	<u>(2,243,155)</u>
<b>Disbursements</b>				
Current:				
Salaries and Benefits	686,432	674,100	663,169	10,931
Supplies	16,679	14,534	9,981	4,553
Equipment	10,437	5,000	255	4,745
Contracts - Repair	6,490	3,483	3,088	395
Agency provider contracts	21,033,099	17,019,382	12,508,917	4,510,465
Rentals	83,267	77,355	77,200	155
Travel	14,000	13,000	12,636	364
Public Employee's Retirement	73,632	74,100	57,429	16,671
Worker's Compensation	6,331	5,086	5,086	0
Other	191,439	161,429	119,913	41,516
Total Disbursements	<u>22,121,806</u>	<u>18,047,469</u>	<u>13,457,674</u>	<u>4,589,795</u>
Excess of Receipts Over (Under) Disbursements	<u>(1,077,707)</u>	<u>(1,734,308)</u>	<u>612,332</u>	<u>2,346,640</u>
Fund Balance Beginning of Year	572,608	572,608	572,608	0
Prior Year Encumbrances Appropriated	584,900	584,900	584,900	0
Fund Balance End of Year	<u>\$ 79,801</u>	<u>\$ (576,800)</u>	<u>\$ 1,769,840</u>	<u>\$ 2,346,640</u>

See accompanying notes to the basic financial statements

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended December 31, 2012**

**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'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.

**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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended December 31, 2012  
(Continued)**

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

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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended December 31, 2012  
(Continued)**

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

**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.

**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**

Fund balance is divided into five classifications based primarily on the extent to which the Board is bound to observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

**2. Restricted**

Fund balance is reported as *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended December 31, 2012  
(Continued)**

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

**I. Fund Balance (Continued)**

**3. Committed**

The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specific use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Board separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**4. Assigned**

Amounts in the assigned fund balance classification are intended to be used by the Board for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. In, governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Board or a Board official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Board applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**J. Net Assets**

Net assets represent the difference between assets and liabilities.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended December 31, 2012  
(Continued)**

**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 \$1,769,840. 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**

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description - 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 in nature to, but less than, 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 visiting <https://www.opers.org/investments/cafr.shtml>, writing OPERS, 277 E. Town St., Columbus, OH 43215-

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended December 31, 2012  
(Continued)**

**3. DEFINED BENEFIT PENSION PLAN (Continued)**

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set in the Ohio Revised Code, are not to exceed 10 percent. For the year ended December 31, 2012, members in state and local classifications contributed 10 percent of covered payroll. Members in the state and local divisions may participate in all three plans. For 2012, member and employer contribution rates were consistent across all three plans.

The Board's 2012 contribution rate was 14.0 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 5 percent. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.23. Employer contribution rates are actuarially determined.

The Board's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011, and 2010 were \$57,429, \$63,327, and \$63,321, respectively; 100 percent has been contributed for 2012, 2011, and 2010.

**4. POST-EMPLOYMENT BENEFITS**

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan-a cost sharing, multiple-employer defined benefit pension plan; The Member-Directed Plan-a defined contribution plan; and the Combined Plan-a cost sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment healthcare plan for qualifying members of both the Traditional and Combined Pension Plans. Members of the Member Directed plan do not qualify for ancillary benefits including post-employment healthcare plan which includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for post-employment healthcare coverage, age and service retirees under the Traditional and Combined Plans must have ten years or more of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised code permits, but does not mandate, OPERS to provide healthcare benefits to eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for healthcare plan are provided separately in the OPERS financial report which may be obtained by visiting [https://www.opers.org/investments/cafr\\_shtml](https://www.opers.org/investments/cafr_shtml), writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended December 31, 2012  
(Continued)**

**4. POST-EMPLOYMENT BENEFITS (Continued)**

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

Funding Policy-The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment healthcare.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2012, state and local employers contributed 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the traditional plan was 5 percent during calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.23 percent during calendar year 2012.

The OPERS retirement board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or retiree's beneficiaries. Payment amounts vary depending on the number of covered dependents and selected coverage. Active members do not make contributions to the post-employment health care plan.

The Board's contributions allocated to fund post-employment healthcare benefits for the years ended December 31, 2012, 2011 and 2010 were \$20,510, \$18,093, and \$22,614, respectively; 100% has been contributed for 2012, 2011, and 2010.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective for January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. These rate increases allowed additional funds to be allocated to the health care plan.

**5. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended December 31, 2012  
(Continued)**

**6. 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 in one legal proceeding; however, the Board feels it is unlikely there will be any type of financial liability involved.

**7. FUND BALANCES**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Board is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the General Fund are presented below:

Fund Balances	General Fund
<b>Restricted for</b>	
Federal Grants	\$277,362
<i>Total Restricted</i>	277,362
<b>Assigned to</b>	
Encumbrances	8,100
<i>Total Assigned</i>	8,100
Unassigned (deficits):	1,484,378
<i>Total Fund Balances</i>	\$1,769,840

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

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2012**

<b>FEDERAL GRANTOR</b> <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass-Through Entity Number	Disbursements
<b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<i>Pass-Through Ohio Department of Mental Health:</i>			
Social Services Block Grant	93.667	N/A	\$98,781
Children's Health Insurance Plan	93.767	N/A	10,032
Medical Assistance Program	93.778	N/A	77,762
Block Grants for Community Mental Health Services			
Mental Health Block Grant Base	93.958	N/A	173,542
Mental Health Block Grant Forensic	93.958		<u>2,682</u>
Total Block Grants for Community Mental Health Services			<u>176,224</u>
Total Passed Through the Ohio Department of Mental Health:			362,799
<i>Pass-Through Ohio Department of Alcohol and Drug Addiction Services:</i>			
Substance Abuse and Mental Health Services_ Projects of Regional and National Significance Strategic Prevention Framework State Incentive Grant (SPF-SIG)	93.243	N/A	8,142
Medical Assistance Program	93.778	N/A	43,455
Block Grants for the Prevention and Treatment of Substance Abuse	93.959		
Women's Residential		73-6846-WOMEN-T-12-8973	305,925
Women's Residential		73-6846-WOMEN-T-13-8973	129,752
Women's Residential		73-9425-WOMEN-T-12-0238	15,978
Women's Residential		73-9425-WOMEN-T-13-0238	6,774
Per Capita / Youth LED Prevention		N/A	<u>399,339</u>
Total Block Grants for the Prevention and Treatment of Substance Abuse			<u>857,768</u>
Total Passed Through the Ohio Department of Alcohol and Drug Addiction Services:			<u>909,365</u>
Total United States Department of Health and Human Services			<u>1,272,164</u>
<b>Total Federal Awards Expenditures</b>			<b><u>\$1,272,164</u></b>

*The accompanying Notes to the Federal Awards Expenditures Schedule are an integral part of this Schedule.*

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

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE A. SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Alcohol, Drug Addiction, and Mental Health Services Board of Adams, Lawrence and Scioto Counties' (the Board's) federal award programs' disbursements. 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.

As a subrecipient, the Board has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

**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.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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  
919 Seventh Street  
Portsmouth, Ohio 45662

To the Members of the Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, 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, 2012, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated July 16, 2013, wherein we noted the Board uses a special purpose framework other than generally accepted accounting principles.

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

As part of our financial statement audit, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Board's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Board's financial statements. We consider finding 2012-01 described in the accompanying Schedule of Findings to be a material weakness.

***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, opining 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2012-01.

***Entity's Response to Findings***

The Board's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Board's response and, accordingly, we express no opinion on it.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Board's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

July 16, 2013



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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  
919 Seventh Street  
Portsmouth, Ohio 45662

To the Members of the Board:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Alcohol, Drug Addiction, and Mental Health Services Board of Adams, Lawrence, and Scioto Counties', Scioto County, Ohio (the Board), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Board's major federal program for the year ended December 31, 2012. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the Board's major federal program.

### ***Management's Responsibility***

The Board's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the Board's compliance for each of the Board's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Board's major program. However, our audit does not provide a legal determination of the Board's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, the Alcohol, Drug Addiction, and Mental Health Services Board of Adams, Lawrence, and Scioto Counties complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2012.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying Schedule of Findings as item 2012-02. This finding did not require us to modify our compliance opinion on the major federal program.

The Board's response to our noncompliance finding is described in the accompanying schedule of findings. We did not audit the Board's response and, accordingly, we express no opinion on it.

### ***Report on Internal Control over Compliance***

The Board's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Board's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Board's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

*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's applicable 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's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as item 2012-02 to be a material weakness.

The Board's response to our internal control compliance finding is described in the accompanying Schedule of Findings. We did not audit the Board's response and, accordingly, we express no opinion on it.

Alcohol, Drug Addiction, and Mental Health Services Board  
Of Adams, Lawrence, and Scioto Counties  
Scioto County  
Independent Auditor's Report on Compliance With Requirements  
Applicable to Each Major Federal Program and on Internal Control Over  
Compliance in Accordance With OMB Circular A-133  
Page 3

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State

Columbus, Ohio

July 16, 2013

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**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, 2012**

**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 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>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<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>	Block Grants for Prevention and Treatment of Substance Abuse (SAPT)– 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

**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, 2012  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2012-01**

**Noncompliance Finding/Material Weakness**

Ohio Admin. Code Section (OAC) 117-2-02 requires governments to establish internal controls and report financial information properly.

During testing of the Federal Schedule of Expenditures, numerous adjustments were noted to the Federal and non-federal funds. In addition, the SSI reports produced from the ADAMHS computer system did not agree to the SSI reports provided by the County Auditor as the fiscal agent until additional adjustments were completed. Although the County Auditor provided revenue and expenditure reports to the ADAMHS Board monthly, and these reports were marked to indicate review, it appeared that the reports were not fully reconciled each month. This resulted in additional audit time to assure federal expenditures recorded on the Federal Awards Expenditures Schedule were accurately reported.

In addition, the Ohio Department of Alcohol and Drug Addiction Services (ODADAS) Stakeholder Assistance Review (SAR) report dated March 1, 2013 also indicated problems with reconciliation of reports and inadequately supported adjustments for SFY 2009 through SFY 2011.

It was also noted that approved budgetary receipts and expenditures were not posted to the ADAMHS' SSI system. Although the fiscal manager maintained a separate spreadsheet documenting these amounts and comparing budgeted to actual for the Board, this spreadsheet was not reconciled to the County Auditor's reports to determine accuracy.

We recommend the Board take the following steps to assure accurate financial reporting:

- The Board should establish a procedure/process for posting adjustment entries and ensure that adequate supporting documentation is maintained for an audit trail.
- The Board should establish a procedure/process to reconcile its money on deposit with its County Auditor's office to each funding source.
- The Board should establish a procedure/process to ensure they are able to properly account for funds under management and able to report them accordingly.

**Officials' Response:**

The Board did reconcile on a monthly basis with the County Auditor. Our total receipts, total expenditures and available balance matched each month. We did not reconcile line by line accounts until the end of the Calendar year, resulting in some adjustments being made at the Board. The Year-to-Date Receipts and Expenditures did reconcile.

Fund used to pay expenditures are not recorded by fund source at the County Auditor; these records are kept in house at the Board. In other words, when we make a payment for administration, we pay per the account provided we have fund appropriated. We do not tell the Auditor we are using Drug Addiction Federal Funds to pay. As of January 1, 2013 we reconcile each account on a monthly basis. (i.e. salary, Medicare, supplies, contract services, etc.). We do not reconcile what funds were used to make payments with the County.

**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, 2012  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2012-01 (Continued)**

**Officials' Response: (Continued)**

When receipts are deposited with the County Auditor they are recorded as one of the following: Drug Addiction State, Drug Addiction Federal, Mental Health State, Mental Health Federal, Mental Health Other Revenue, Drug Addiction Other Revenue, and Refunds/Reimbursements. Year to Date total Receipts with the County Auditor were the same as with the Board. There was a difference in two fund sources, but the actual total did match.

In reference to the Stakeholder Assistance Review, this report was not received until Calendar Year 2013. Prior to receiving this report steps had been made to prepare less adjustments and provide better supporting documentation. The last half of the calendar year had significantly less adjustments than the beginning of the year.

To address the comment regarding budgeted receipts and disbursements, the fiscal manager will contact the County Auditor at the beginning of the State Fiscal Year 2014 to see if someone from the office can assist in entering the estimated revenues and the budget in the SSI software program, since they have the same software. The Revenues, expenditures and available cash balances were reconciled with the County Auditor on a monthly basis using the spreadsheet. The County Auditor does not record payments showing the funds source used to make the payment.

To address the first recommendation in the comment above, when an adjustment is made by the Fiscal manager, the Administrative/Fiscal Assistant checks the adjustment before it is posted to the journal. A note is made on the journal entry stating the reason for the adjustment. At the end of the month, a note is also made on the reports stating any differences between the County Auditors' reports and the Boards reports.

Also, the County Auditor does not record payments by funding source. They only record payments by the account number. The only time the County Auditor records funds by fund source is when receipts are deposited. The fiscal manager will discuss this with the County Auditor to determine if they are able to do this.

And, to address the final recommendation, since January the Board has made some changes to the Month-End reconciliation process which should make accounting for funds more accurate. One area that changes were made was to record administration payments in an account related to the fund sources used to make the payment. Prior to January 1 there was nothing in the SSI system that showed what fund source was used to pay administration, now each fund source that can be used to pay administration has an administration account number associated with it. An adjustment is made at the end of the quarter or month to show what funds were used to pay administration for the quarter or month.

**3. FINDINGS FOR FEDERAL AWARDS**

<b>Finding Number</b>	2012-02
<b>CFDA Title and Number</b>	Block Grants for Prevention and Treatment of Substance Abuse (SAPT)– CFDA #93.959
<b>Federal Award Number / Year</b>	N/A
<b>Federal Agency</b>	United States Department of Health and Human Services
<b>Pass-Through Agency</b>	Ohio Department of Mental Health / Ohio Department of Alcohol and Drug Addiction Services

**FINDING NUMBER 2012-02**

**Noncompliance Finding/Material Weakness**

31 C.F.R. part 205, which implements the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub. L. 101-453; 31 USC 6501 *et seq.*), requires State recipients to enter into agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for selected large programs.

The Board's fiscal manager used the proper method to request a draw down of federal funds for the Substance Abuse Prevention and Treatment (SAPT) Program in the amount of \$262,739 on February 6, 2012. The request was approved by the ODADAS representative on February 9, 2012. The amount was received and posted by the County Auditor as the Board's fiscal agent on February 27, 2012. However, the Board's fiscal manager initially recorded the receipt to the Medicaid Fund in the Board's SSI computer system. She posted an adjustment on June 5, 2012 to move the amount of the draw down into the SAPT funds from the Medicaid fund. However, her posting did not follow the allocation approved by ODADAS in the draw down request as follows:

<u>Fund</u>	<u>Amount Per Draw Down Request</u>	<u>Amount Posted</u>	<u>Variance</u>
SAPT Treatment	\$77,457	\$70,749	(\$6,708)
SAPT Prevention	\$0	\$21,216	\$21,216
SAPT Women's Grants	\$185,282	\$170,774	(\$14,508)

This resulted in noncompliance with Federal cash management rules, adjustments to the Federal Awards Expenditures Schedule, as well as additional costs incurred by the Board for audit costs related to procedures required to test the cash management of the SAPT Program.

We recommend the Board's Interim Director or Director review draw down requests prior to submission. In addition, we recommend the Fiscal Manager record all receipts into the SSI computer system following the allocation approved by ODADAS and that a supervisory review be performed and be documented to ensure monies are posted timely and to the correct fund.

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, 2012  
(Continued)

**3. FINDINGS FOR FEDERAL AWARDS (Continued)**

**FINDING NUMBER 2012-02 (Continued)**

**Noncompliance Finding/Material Weakness (Continued)**

**Officials' Response:**

In the future the fiscal manager will be sure to record SAPT funds as they were requested and approved by ODADAS. In the future the Director will review the draw down process prior to submission.

Starting with State Fiscal Year 2014 allocations, we are going to see if the County Auditor will assist us in entering estimated revenues into the SSI software program at the beginning of the year. SSI does not have a method of recording these funds as they are requested. The funds will be recorded into the SSI system once they are received and deposited with the County Auditor. A step will be added to the month end process to ensure the SAPT funds are deposited to the fund for which they were requested.

**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, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-01	Medical Assistance Program – Cash Management Noncompliance/Material Weakness	No	Finding No Longer Valid. Medicaid Elevation requires Providers to submit payments directly to the State.

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

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
DECEMBER 31, 2012**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2012-01	See Planned Corrective Action steps that are included in the client response.	January 1, 2013	Marcy Kristian, Fiscal Manager
2012-02	See Planned Corrective Action steps that are included in the client response.	January 1, 2013	Marcy Kristian, Fiscal Manager

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# Dave Yost • Auditor of State

**ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH SERVICE 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  
AUGUST 1, 2013**