

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

Audited Financial Statements

For the Year Ended
December 31, 2012



Dave Yost • Auditor of State

Board Members

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

We have reviewed the *Independent Auditor's Report* of the Alcohol, Drug Addiction and Mental Health Services Board of Tuscarawas and Carroll Counties, Tuscarawas County, prepared by Rea & Associates, Inc., for the audit period January 1, 2012 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Alcohol, Drug Addiction and Mental Health Services Board of Tuscarawas and Carroll Counties is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

May 29, 2013

**ALCOHOL, DRUG ADDICTION, AND MENTAL
HEALTH SERVICES BOARD OF TUSCARAWAS
AND CARROLL COUNTIES
DECEMBER 31, 2012**

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

INDEX OF FUNDS

GOVERNMENTAL FUND TYPES:

General Fund Type:

General Fund

Special Revenue Fund Types:

Medical Assistance Program; Medicaid, Title XIX Fund

Title XX Fund

Alcohol and Drug Addiction Block Grant Fund

Federal Grants - Miscellaneous

Women's Set-Aside Grant Fund

Community Plan Block Grant Fund

Children/Adolescent Block Grant Special Fund

FAST Grant Fund

SEI Property Management

INDEPENDENT AUDITOR'S REPORT

May 2, 2013

Board of Directors
Alcohol, Drug Addiction, and Mental Health Services Board of
Tuscarawas and Carroll Counties
P.O. Box 6217
New Philadelphia, OH 44663

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Alcohol, Drug Addiction and Mental Health Services Board of Tuscarawas and Carroll Counties, Tuscarawas County, Ohio (the "Board") as of and for the year ended December 31, 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fair presenting financial statements 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.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Board prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

Alcohol, Drug Addiction, and Mental Health
Services Board of Tuscarawas and Carroll Counties
Independent Auditor's Report
May 2, 2013

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Board as of December 31, 2012, or changes in financial position thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Alcohol, Drug Addiction and Mental Health Services Board of Tuscarawas and Carroll Counties as of December 31, 2012, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Other Matters

Our audit was conducted to opine on the financial statements taken as a whole. The Schedule of Expenditures of Federal Awards presents additional analysis required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the financial statements. The schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This schedule was subjected to the auditing procedures we applied to the 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 financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 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.

Rea & Associates, Inc.

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

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2012

	General Fund	Special Revenue Fund	Total (Memorandum Only)
RECEIPTS:			
Property taxes	\$ 719,816	\$ -	\$ 719,816
Intergovernmental receipts	4,558,946	1,042,429	5,601,375
Other receipts	18,299	34,736	53,035
<i>Total receipts</i>	5,297,061	1,077,165	6,374,226
DISBURSEMENTS:			
Salaries - employees	318,153	-	318,153
PERS	44,542	-	44,542
Insurance	69,188	-	69,188
Workers' Compensation	3,583	-	3,583
Medicare	4,564	-	4,564
Travel	3,499	-	3,499
Contract services	4,555,807	1,031,840	5,587,647
Supplies	6,228	42	6,270
Equipment	10,756	206	10,962
Repairs	2,067	-	2,067
Other expenses	32,554	-	32,554
<i>Total disbursements</i>	5,050,941	1,032,088	6,083,029
<i>Excess of receipts over (under) disbursements</i>	246,120	45,077	291,197
OTHER FINANCING SOURCES (USES):			
Advance In	356,165	147,500	503,665
Advance Out	(147,500)	(356,165)	(503,665)
<i>Total other financing sources (uses)</i>	208,665	(208,665)	-
<i>Excess of receipts and other financing sources over (under) disbursements</i>	454,785	(163,588)	291,197
FUND CASH BALANCES, January 1, 2012	89,301	423,741	513,042
Restricted for State and Federal Grants	-	260,153	260,153
Assigned for Contract Services	77,965	-	77,965
Unassigned	466,121	-	466,121
FUND CASH BALANCES, December 31, 2012	\$ 544,086	\$ 260,153	\$ 804,239

The accompanying notes are an integral part of these financial statements.

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

COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2012

<u>Fund Types/Funds</u>	<u>Estimated Receipts</u>	<u>Actual Receipts</u>	<u>Variance (Unfavorable)</u>
GOVERNMENTAL:			
General Fund	\$ 5,912,997	\$ 5,653,226	\$ (259,771)
Special Revenue Funds	1,242,618	1,224,665	(17,953)
<i>Total (Memorandum Only)</i>	<u>\$ 7,155,615</u>	<u>\$ 6,877,891</u>	<u>\$ (277,724)</u>

The accompanying notes are an integral part of these financial statements.

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

COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES
COMPARED WITH EXPENDITURE AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2012

<u>Fund Types/Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>2012 Appropriations</u>	<u>Total</u>	<u>Actual 2012 Disbursements</u>	<u>Encumbrances Outstanding at 12/31/2012</u>	<u>Total</u>	<u>Variance Favorable</u>
GOVERNMENTAL FUNDS:							
General Fund	\$ 66,518	\$ 5,599,497	\$ 5,666,015	\$ 5,198,441	\$ 77,965	\$ 5,276,406	\$ 389,609
Special Revenue Funds	140,653	1,307,942	1,448,595	1,388,253	1,346	1,389,599	58,996
<i>Total (Memorandum Only)</i>	<u>\$ 207,171</u>	<u>\$ 6,907,439</u>	<u>\$ 7,114,610</u>	<u>\$ 6,586,694</u>	<u>\$ 79,311</u>	<u>\$ 6,666,005</u>	<u>\$ 448,605</u>

The accompanying notes are an integral part of these financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Alcohol, Drug Addiction, and Mental Health Services Board of Tuscarawas and Carroll Counties (the Board) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Board operates under the direction of an eighteen-member appointed board. The Tuscarawas County Auditor and Tuscarawas County Treasurer are responsible for fiscal control of the resources of the Board which are maintained in the funds described below. Services provided by the Board include services to persons who are mentally ill, drug and alcohol services to residents, services to victims of domestic violence, and services to children as well as students having trouble in school.

Management believes the financial statements included in this report represent all of the funds of the Board over which the Board has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. FUND ACCOUNTING

The Board maintains its accounting records in accordance with the principles of fund accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of funds are as follows:

Governmental Fund Types

General Fund

The General Fund is the general operating fund of the Board. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Special Revenue Funds

Special revenue funds are to account for proceeds of specific revenue sources that are legally restricted to disbursements for specified purposes. The Board had the following significant special revenue fund.

Alcohol and Drug Addiction Block Grant Fund - This fund receives reimbursements from the Ohio Department of Alcohol and Drug Addiction Services for substance abuse treatment and prevention.

D. BUDGETARY PROCESS

1. Budget

A budget of estimated cash receipts and disbursements is submitted to the county auditor, as secretary of the county budget commission, by October 28 of each year, for the period January 1 to December 31 of the following year.

2. Estimated Resources

The county budget commission certifies its actions to the Board by December 1. As part of this certification, the Board receives the official certificate of estimated resources which states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31, the Board must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include January 1, 2012, unencumbered fund balances. However, those fund balances are available for appropriations.

3. Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about November 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Budgetary expenditures may not exceed appropriations at the object level of control and appropriations may not exceed estimated resources.

4. Encumbrances

The Board is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each year, the unencumbered balance

ALCOHOL, DRUG ADDICTION, AND MENTAL
HEALTH SERVICES BOARD OF TUSCARAWAS
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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding year and need not be reappropriated.

E. FUND BALANCE

In accordance with Governmental Accounting Standards Board Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*," the Board classifies its fund balances based on the purpose for which the resources were received and the level of constraint placed on the 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 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 loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

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.

3. Committed

The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. 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.

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 policies of the Board. The Board has by resolution authorized the Fiscal Manager to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

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.

F. PROPERTY, PLANT AND EQUIPMENT

Fixed assets acquired or constructed for general governmental service are recorded as expenditures. Depreciation is not recorded for these fixed assets.

G. TOTAL COLUMN ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "(Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Such data is not comparable to a consolidation.

2. PROPERTY TAX

Tuscarawas County

Real property taxes are levied on assessed values which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2007 and the last reappraisal was completed for tax year 2010.

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

2. PROPERTY TAX (Continued)

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property for the tax (calendar) year 2011 was \$.50 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$.50 per \$1,000 of assessed valuation for real property classified as residential/agricultural, and \$.50 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the Board by the State of Ohio.

Public utility real property is assessed at 35 percent of true value. 2012 public utility property taxes which became a lien December 31, 2011, are levied after October 1, 2012, and are collected in 2012 with real property taxes.

Tangible personal property tax revenue received during calendar 2012 represents the collection of delinquent taxes levied in previous years. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures and local and inter-exchange telephone companies is no longer levied and collected.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated by calendar year 2009, and the tax on telephone and telecommunications property was eliminated by calendar year 2012. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the taxing districts due to the phasing out of the tax. In calendar years 2006-2010, the taxing districts were fully reimbursed for the lost revenue. In calendar years 2012-2017, the reimbursements will be phased out. On June 30, 2012, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

Real property – 2010 valuation:

Residential/Agricultural	\$ 1,242,753,180
Commercial/Industrial	285,719,430
Public Utilities	1,461,790
Minerals	10,088,380

Tangible personal property - 2012 valuation:

Public Utilities	<u>76,705,110</u>
Total valuation	<u>\$ 1,616,727,890</u>

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

2. PROPERTY TAX (Continued)

The Tuscarawas County Treasurer collects property tax on behalf of all taxing districts within the county. The Tuscarawas County Auditor periodically remits to the taxing districts their portion of the taxes collected.

3. EQUITY IN POOLED INVESTMENTS

The County Auditor serves as statutory fiscal officer of the Board. At December 31, 2012 the Board's cash balances were commingled with the County's cash and investments for investment purposes and were not separately identified as to risk.

4. INTERFUND CASH ADVANCES OUTSTANDING

As of December 31, 2012, the following interfund cash advances from the Board's General Fund were not repaid as follows:

Special Revenue Funds:	
Alcohol & Drug Abuse Fund	\$87,500
Women's Set Aside Fund	<u>60,000</u>
	<u>\$ 147,500</u>

5. RETIREMENT COMMITMENTS

Employees of the Board were covered by the Ohio Public Employees Retirement System. The State of Ohio accounts for the activity of the retirement system and, accordingly, the amount of that fund is not reflected in the accompanying financial statements. As of December 31, 2012, Board employees contributed 10.00 percent of their gross wages to the fund, while the Board contributed 14.00 percent of its employees' gross wages.

6. LEASE AGREEMENT

The Board has amended the original lease agreement for the premises located at 1260 Monroe Street, Suite 27N, New Philadelphia, OH for an additional term of three years beginning October 2012. The rental fees are \$2,200 per month, plus common area maintenance (CAM) charges-adjustments made annually in February. The Board paid total rent of \$33,475 during 2012; of this amount \$32,908 was for this lease agreement.

7. RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters.

ALCOHOL, DRUG ADDICTION, AND MENTAL
HEALTH SERVICES BOARD OF TUSCARAWAS
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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

7. RISK MANAGEMENT (Continued)

Public officials' liability insurance is provided by Old Republic Insurance Company with limits of \$1,000,000. This policy has a \$3,000 deductible.

The Board maintains position bonds on the Executive Director, Fiscal Manager and Special Projects Manager in the amount of \$50,000 each through Westfield Insurance Company.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

The Board pays the State Workers' Compensation System a premium based on a rate of 1.1623% of salaries. This rate is calculated based on accident history and administrative costs.

The Board has elected to provide employees' major medical, vision and hospitalization through the Tuscarawas County self-insured program. The predominant participant is the County. The

County maintains a Self-Insurance Internal Service Fund to account for and finance its uninsured risks of loss in this program. This plan provides a major medical plan with a \$250 single and \$500 family deductible. A third party administrator, AultCare, located in Canton, Ohio, reviews all claims which are then paid by the County. The County purchases stop-loss coverage of \$100,000 per employee per year and an aggregate limit of \$1,000,000. The County pays coverage into the Self-Insurance Internal Service Fund for County employees of \$1,036 family and \$1,006.11 employee and children per employee per month, which represents the entire premium required. These premiums are paid by the fund that pays the salary for the employee and is based on historic cost information. Claims liability information is disclosed in the Tuscarawas County Comprehensive Annual Financial Report.

8. CONTINGENCIES AND SIGNIFICANT COMMITMENTS

Grants

The Board received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds.

Ohio Department of Mental Health Loan

This mortgage was transferred to Gateway Housing Cooperative in November 2012, and is no longer a potential liability of the Board.

ALCOHOL, DRUG ADDICTION, AND MENTAL
HEALTH SERVICES BOARD OF TUSCARAWAS
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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

8. CONTINGENCIES AND SIGNIFICANT COMMITMENTS (Continued)

Encumbrance Commitments

Outstanding encumbrances reported as of December 31, 2012 for the general fund is \$77,965 and \$1,346 is reported for the special revenue funds.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

May 2, 2013

Board of Directors
Alcohol, Drug Addiction, and Mental Health Services Board of
Tuscarawas and Carroll Counties
P.O. Box 6217
New Philadelphia, OH 44663

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 Alcohol, Drug Addiction and Mental Health Services Board of Tuscarawas and Carroll Counties, Tuscarawas County, Ohio (the Board) as of and for the year ended December 31, 2012, and the related notes to the financial statements, and have issued our report thereon dated May 2, 2013 wherein we noted the Board followed accounting financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1.

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.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Board's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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.

Rea & Associates, Inc.

**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**

May 2, 2013

Board of Directors
Alcohol, Drug Addiction, and Mental Health Services Board of
Tuscarawas and Carroll Counties
P.O. Box 6217
New Philadelphia, OH 44663

Report on Compliance for Each Major Federal Program

We have audited the Alcohol, Drug Addiction and Mental Health Services Board of Tuscarawas and Carroll Counties, Tuscarawas 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 Audit Results* in the accompanying schedule of findings and questioned costs 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 program.

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 Major Federal Program

In our opinion, the Board 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.

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.

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 compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Rea & Associates, Inc.

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2012

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Federal Expenditures
U.S. Department of Health and Human Services:			
<i>Passed through State Department of Mental Health:</i>			
Social Services Block Grant; Social Services Title XX	FY12	93.667	\$ 62,508
	FY13		<u>20,325</u>
Total			<u>82,833</u>
Medical Assistance Program (Medicaid) Title XIX	FY10	93.778	17,933
	FY11		<u>3,432</u>
Total			<u>21,365</u>
Block Grants for Community Mental Health Services:			
Children/Adolescent Block Grant	FY12	93.958	43,552
	FY13		4,998
OSU Suicide Prevention	FY11		350
	FY12		340
High Quality Supportive Housing for Consumers Community Plan Block Grant	BG-11-100-20-001		30
	FY12		30,836
	FY13		<u>32,134</u>
Total			<u>112,240</u>
<i>Passed through State Department of Alcohol and Drug Addiction Services:</i>			
Substance Abuse Block Grant:			
Alcohol and Drug Abuse Block Grant; ADMS	FY12	93.959	218,147
	FY13		118,803
Women's Set-Aside Grant	79-8310-WOMENT-T-12-9004		39,905
	79-8310-WOMENT-T-13-9004		<u>53,242</u>
Total			<u>430,097</u>
Strategic Prevention Framework State Incentive Grant	FY11	93.243	2,000
	FY12		<u>19,780</u>
Total			<u>21,780</u>
State Children's Insurance Program	FY10	93.767	194
	FY11		<u>1,766</u>
Total			<u>1,960</u>
Medical Assistance Program (Medicaid) Title XIX	FY10	93.778	2,510
	FY11		<u>7,572</u>
Total			<u>10,082</u>
<i>Total - Medical Assistance Program (Medicaid) Title XIX (Passed through ODMH and ODADAS)</i>		93.778	<u>31,447</u>
<i>Total U.S. Department of Health and Human Services</i>			<u>680,357</u>
U.S. Department of Housing and Urban Development:			
<i>Direct Award</i>			
Shelter Plus Care	FY12	14.238	70,614
	FY13		<u>48,776</u>
Total			<u>119,390</u>
<i>Total U.S. Department of Housing and Urban Development</i>			<u>119,390</u>
U.S. Department of Education:			
<i>Passed through State Department of Alcohol and Drug Addiction Services:</i>			
Rehabilitation Services - Vocational Rehabilitation	FY12	84.126	109,464
	FY13		<u>2,727</u>
Total			<u>112,191</u>
<i>Total U.S. Department of Education</i>			<u>112,191</u>
U.S. Department of Justice Bureau of Justice Assistance			
<i>Passed through Ohio Office of Criminal Justice Services</i>			
Edward Byrne Memorial Justice Assistance Grant Formula Program - ARRA 2010-JG-01-C01-6847		16.803	949
Total			<u>949</u>
<i>Total U.S. Department of Justice Bureau of Justice Assistance</i>			<u>949</u>
Total Expenditures of Federal Awards			<u>\$ 912,887</u>

The accompanying notes are an integral part of this schedule.

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

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2012

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Alcohol, Drug Addiction, and Mental Health Services Board of Tuscarawas and Carroll Counties and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE 2: SUBRECIPIENTS

The ADAMH Board passes-through certain Federal assistance received from Ohio Department of Mental Health (ODMH), Ohio Alcohol and Drug Addition Services (ODADAS), U.S. Department of Housing and Urban Development (HUD), and Ohio Rehabilitation Services Commission to not-for-profit agencies (sub-recipients). As described in Note 1, the ADAMH Board records expenditures of Federal awards to sub-recipients when paid in cash.

The sub-recipient agencies have certain compliance responsibilities related to administering these Federal programs. Under Federal Circular A-133, the ADAMH Board is responsible for monitoring sub-recipients to help assure that Federal awards are expended for authorized purposes in compliance with law, regulations and the provisions of contracts or grant agreements, and that performance goals are achieved.

NOTE 3: MEDICAID AND SCHIP

The Alcohol, Drug Addiction, and Mental Health Services Board of Tuscarawas and Carroll Counties expended \$31,447 (services through 6/30/11) from the Medical Assistance Program (Medicaid) Title XIX, CFDA No. 93.778 for fees for service programs. In SFY 2012, a funding change took place and the state started issuing Medicaid Advances to the Board. These advances are no longer considered federal revenues therefore their expenses will not be listed above or on the Federal Schedule. The Federal Medical Assistance Percentage (FMAP) as of December 31, 2012 was as follows:

FFY	FMAP	Matching %	ARRA ADJUSTMENTS	
			FMAP	Matching %
2008 (10/1/07 – 9/30/08)	60.79%	39.21%		
2009 (10/1/08 – 3/30/09)	62.14%	37.86%	70.25%	29.75%
2009 (4/1/09 – 9/30/09)	62.14%	37.86%	72.34%	27.66%
2010 (10/1/09 – 9/30/10)	63.42%	36.58%	73.47%	26.53%
2010 (10/1/10-12/31/10)	63.69%	36.31%	73.71%	26.29%
2012 (1/1/11-9/30/11)	63.69%	36.31%	74.58%	25.42%
2012 (10/1/11-12/31/11)	63.58%	36.42%	74.51%	25.49%
2012 (12/31/11-9/30/12)	64.15%	35.85%		

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

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2012

NOTE 3: MEDICAID AND SCHIP (continued)

The Alcohol, Drug Addiction, and Mental Health Services Board of Tuscarawas and Carroll Counties expended \$1,960 from the State Children's Insurance Program (SCHIP), CFDA Number 93.767 for fees for service program. Expenditures reported on this schedule reflect only the federal portion of the total Medicaid payments to the Board's providers during 2012 for SFY 2010 and 2011 services.

NOTE 4: MATCHING

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.

Expenditures reported on this schedule reflect only the federal portion of the total Medicaid payments to the Board's providers during 2012.

**ALCOHOL, DRUG ADDICTION, AND MENTAL HEALTH SERVICES
BOARD OF TUSCARAWUS AND CARROLL COUNTIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 , Section .505
DECEMBER 31, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any significant deficiencies or material weaknesses reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list): Substance Abuse Block Grant	CFDA # 93.959
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

None were noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None were noted



Dave Yost • Auditor of State

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

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 11, 2013**