



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, 2013, 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, 2013, and the change in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance 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 position, changes in net position, and governmental activities. The Schedule of Federal Awards Expenditures (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 derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and 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 May 21, 2014 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

May 21, 2014

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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, 2013  
(Unaudited)**

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, 2013, within the limitations of the Board's cash basis of accounting. 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**

Key financial highlights for 2013 are as follows:

- Net position of governmental activities increased by \$806,743 or 45.58%.
- The Board's major fund had \$2,613,015 in receipts and \$1,806,272 in disbursements. The fund balance increased by \$806,743.
- General receipts accounted for \$1,527,634 in receipts or 58.46 percent of total receipts. Program specific receipts in the form of operating grants and contributions accounted for \$1,085,381 or 41.54 percent of the total receipts of \$2,613,015.
- The Board had \$1,806,272 in disbursements related to governmental activities; \$1,085,381 of the disbursements have been offset by program specific operating grants and contributions. General receipts of 1,527,634 were adequate to provide additional monies for these programs.

**Using this Annual Financial Report**

This annual report consists of a series of financial statements presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Board's cash basis of accounting. 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 position and the statement of activities, prepared on a cash basis, 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. 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, 2013  
(Unaudited)**

**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 position and the statement of activities reflect how the Board did financially during 2013, within the limitations of cash basis accounting. The statement of net position 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 operating grants and contributions restricted to meeting the operational 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. There are many factors, some financial and some not financial, that affect the change in the Board's financial health.

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

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

**Reporting the Board's Major Fund**

Fund financial statements provide detailed information about the Board's major fund. The fund is established to manage the Board's activities and to help demonstrate that restricted money is being spent for the intended purpose. All of the Board's activities are reported in governmental funds. The Governmental fund financial statements provide a detailed view of the Board's governmental operations and the basic service it provides. Governmental Fund information helps determine whether there are more or less financial resources that can be spent to finance the Board's programs.

**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, 2013  
(Unaudited)**

**The Board as a Whole**

Table 1 reflects the Board's net position in 2013 compared to 2012 on a cash basis.

**Table 1  
Net Position – Cash Basis**

**Governmental Activities**

	<u>2013</u>	<u>2012</u>
Cash Basis Assets		
Cash Equivalents	\$2,576,583	\$1,769,840
Net Position		
Restricted for Other Purposes	\$ 423,512	277,362
Unrestricted	\$2,153,071	\$1,492,478
Total Net Position	<u>\$2,576,583</u>	<u>\$1,769,840</u>

Total net position increased by \$806,743. The increase is primarily due to a timing difference related to funding received by the Board and payments made to providers.

Table 2 shows the changes in net position on a cash basis for the year ended December 31, 2013, compared to December 31, 2012 for governmental activities:

**Table 2  
Changes in Net Position**

**Governmental Activities**

	<u>2013</u>	<u>2012</u>	Increase (Decrease)
<b>Receipts</b>			
Program Cash Receipts			
Operating Grants & Contributions	\$ 1,085,381	\$ 1,493,669	\$ (408,288)
<u>Total Program Cash Receipts</u>	<u>\$ 1,085,381</u>	<u>\$ 1,493,669</u>	<u>\$ (408,288)</u>
General Receipts			
Entitlements – Unrestricted	\$ 1,426,755	\$12,510,618	\$ (11,083,863)
Other Receipts	\$ 100,879	\$ 65,719	\$ 35,160
<u>Total General Receipts</u>	<u>\$ 1,527,634</u>	<u>\$12,576,337</u>	<u>\$ (11,048,703)</u>
<b><u>Total Receipts</u></b>	<u>\$ 2,613,015</u>	<u>\$14,070,006</u>	<u>\$(11,456,991)</u>
<b>Disbursements</b>			
Mental Health and Recovery	\$ 1,806,272	\$13,457,674	\$ (11,651,402)
<b><u>Total Disbursements</u></b>	<u>\$ 1,806,272</u>	<u>\$13,457,674</u>	<u>\$ (11,651,402)</u>
Change in Net Position	<u>\$ 806,743</u>	<u>\$ 612,332</u>	<u>\$ 194,411</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, 2013  
(Unaudited)**

Table 2 shows a decrease in Operating Grants and Contributions primarily due to a decrease in revenues from Medicaid, as it was elevated to the state.

During 2013, 96 percent of the Board's total receipts were from Program receipts and entitlements. These receipts consist mainly of Federal Grants, State Grants, State Subsidies and entitlements.

The Majority of disbursements were for contract services accounting for \$1,118,364 or 61.92 percent of the total cash disbursements.

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 compared to the net cost of the services. The Net cost of services represents the cost of the program service which must be paid from the general receipts which consist of unrestricted grants, state entitlements, and other receipts.

**Table 3**

**Governmental Activities**

	<u>Total Cost of Services 2013</u>	<u>Total Cost of Services 2012</u>	<u>Net Cost of Services 2013</u>	<u>Net Cost of Services 2012</u>
Alcohol, Drug Addiction, & Mental Health Services				
Agency Provider Contracts	\$1,118,364	\$ 12,508,917	32,983	11,015,248
Salaries & Benefits	393,514	663,169	393,514	663,169
Supplies	7,406	9,981	7,406	9,981
Contracts – Repairs	73	3,088	73	3,088
Equipment	1,392	255	1,392	255
Rentals	56,878	77,200	56,878	77,200
Travel	14,257	12,636	14,257	12,636
PERS	35,421	57,429	35,421	57,429
Workers Comp	5,070	5,086	5,070	5,086
Other	<u>173,897</u>	<u>119,913</u>	<u>173,897</u>	<u>119,913</u>
 Total Disbursements	 <u>\$ 1,806,272</u>	 <u>\$ 13,457,674</u>	 <u>\$720,891</u>	 <u>\$11,964,005</u>

The dependence upon state funds for governmental activities is apparent as 79 percent of alcohol, drug addiction and mental health services costs are supported through these funds for 2013.

Table 3 shows a decrease in Agency Provider Contracts due to a reduction Medicaid expenditures due to Medicaid being elevated to the state; a decrease in salaries & benefits due to reduction in staff.

**The Board's Fund**

The major fund had revenues of \$2,613,015 and expenditures of \$1,806,272. The fund balance increased \$806,743 as the result of a timing difference between provider Non Medicaid payments made and Federal and State Funds received.

**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, 2013  
(Unaudited)**

**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 2013, the Board amended its budget several times to reflect changing circumstances.

**Economic Factors**

The Board contracts with five provider agencies to deliver mental health and addiction 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 decreasing 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 Marcy Kristian, Fiscal Manager, 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, 2013**

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash Equivalents	<u>\$2,576,583</u>
<i>Total Assets</i>	<u><u>\$2,576,583</u></u>
<b>Net Position</b>	
Restricted for:	
Other Purposes	\$423,512
Unrestricted	<u>2,153,071</u>
<i>Total Net Position</i>	<u><u>\$2,576,583</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, 2013**

	<u>Cash Disbursements</u>	<u>Program Cash Receipts</u>	<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
		<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>			
Salaries and Benefits	\$393,514		(\$393,514)
Supplies	7,406		(7,406)
Equipment	1,392		(1,392)
Contracts - Repair	73		(73)
Agency provider contracts	1,118,364	\$1,085,381	(32,983)
Rentals	56,878		(56,878)
Travel	14,257		(14,257)
Public Employee's Retirement	35,421		(35,421)
Worker's Compensation	5,070		(5,070)
Other	173,897		(173,897)
<i>Total Governmental Activities</i>	<u>\$1,806,272</u>	<u>\$1,085,381</u>	<u>(720,891)</u>
 <b>General Receipts:</b>			
Entitlements			1,426,755
Other Receipts			100,879
<i>Total General Receipts</i>			<u>1,527,634</u>
<i>Changes in Net Position</i>			806,743
<i>Net Position Beginning of Year</i>			<u>1,769,840</u>
<i>Net Position End of Year</i>			<u>\$2,576,583</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, 2013

	<u>General</u>
<b>Assets</b>	
Cash Equivalents	<u>\$2,576,583</u>
<i>Total Assets</i>	<u><u>\$2,576,583</u></u>
<b>Fund Balances</b>	
Restricted	\$423,512
Assigned	818,209
Unassigned	<u>1,334,862</u>
<i>Total Fund Balances</i>	<u><u>\$2,576,583</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 RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE - CASH BASIS  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General
<b>RECEIPTS</b>	
Grants	\$2,512,136
Other Receipts	100,879
Total Receipts	2,613,015
<b>DISBURSEMENTS</b>	
Current:	
Salaries and Benefits	393,514
Supplies	7,406
Equipment	1,392
Contracts - Repair	73
Agency provider contracts	1,118,364
Rentals	56,878
Travel	14,257
Public Employee's Retirement	35,421
Worker's Compensation	5,070
Other	173,897
Total Disbursements	1,806,272
Excess of Receipts Over (Under) Disbursements	806,743
Fund Balance Beginning of Year	1,769,840
Fund Balance End of Year	\$2,576,583

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, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Grants	\$ 2,320,963	\$ 2,069,908	\$2,512,136	\$442,228
Other	877,000	50,493	100,879	50,386
<i>Total Receipts</i>	<u>3,197,963</u>	<u>2,120,401</u>	<u>2,613,015</u>	<u>492,614</u>
<b>Disbursements</b>				
Current:				
Salaries and Benefits	446,490	464,922	393,514	71,408
Supplies	7,700	18,800	7,406	11,394
Equipment	1,500	3,000	1,392	1,608
Contracts - Repair	360	160	73	87
Agency provider contracts	2,451,778	3,060,366	1,118,364	1,942,002
Rentals	76,639	57,298	56,878	420
Travel	13,000	16,474	14,257	2,217
Public Employee's Retirement	44,800	44,800	35,421	9,379
Worker's Compensation	5,090	5,070	5,070	0
Other	150,606	201,118	173,897	27,221
Total Disbursements	<u>3,197,963</u>	<u>3,872,008</u>	<u>1,806,272</u>	<u>2,065,736</u>
Excess of Receipts Over (Under) Disbursements	<u>-</u>	<u>(1,751,607)</u>	<u>806,743</u>	<u>2,558,350</u>
Fund Balance Beginning of Year	<u>1,769,840</u>	<u>1,769,840</u>	<u>1,769,840</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 1,769,840</u>	<u>\$ 18,233</u>	<u>\$ 2,576,583</u>	<u>\$ 2,558,350</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, 2013**

**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 and Addictions Services and the Board of County Commissioners 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 Mental Health and Addiction services and programs to citizens of the Board. These services are provided primarily through contracts with private and public agencies. On July 16, 2013 the Board approved changing from an eighteen member board to a fourteen member board. The number of Board members may decline to fourteen by attrition as current member terms expire. The Director of Mental Health and Addiction Services shall appoint six members of the Board and the Board of County Commissioners shall appoint eight members proportionate to the County's population to the population of the whole district with at least one member being appointed from each County.

The Board's management believes this financial statement presents all activities for which the Board is financially accountable.

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

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

**B. Basis of Presentation**

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

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

**ALCOHOL, DRUG ADDICTION 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, 2013  
(Continued)**

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

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

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

**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 Position and Statement of Activities and the Fund Financial Statements are presented using the cash basis of accounting. This basis recognizes assets, liabilities, net position/fund balance, 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.

**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, 2013  
(Continued)**

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

**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.

**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 in 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.

**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, 2013  
(Continued)**

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

**2. Restricted**

Fund balance is reported as *restricted* when constraints placed on the use of resources is 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 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 Position**

Net position 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, 2013  
(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 \$2,576,583. 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.

**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, 2013  
(Continued)**

**3. DEFINED BENEFIT PENSION PLAN**

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description-The Board participates in the Ohio Public Employees Retirement System (OPERS). OPERS administer 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 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions 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, 2013, members in the state and local classifications contributed 10 percent of covered payroll. Members in the state and local divisions may participate in all three plans. For 2013, member and employer contribution rates were consistent across all three plans.

The Board's 2013 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 1 percent. The portion of employer contributions allocated to health care for members in the Combined Plan was 1. Employer contribution rates are actuarially determined. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2 percent for both plans, as recommended by the OPERS Actuary.

The Board's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2013, 2012 and 2011 were \$35,421, \$57,429 and \$63,327, respectively; 100 percent has been contributed for 2013, 2012, and 2011.

**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, 2013  
(Continued)**

**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, and service retirees under the Traditional and Combined plans must have ten years or more of qualifying 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 <http://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.

Funding Policy-The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Care code 401(h). State statute requires that public employers fund post-employment healthcare 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 2013, local government 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 1 percent from January 1, 2013 to December 31, 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 1 percent during calendar year 2013. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2 percent for both plans, as recommended by the OPERS Actuary.

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.

**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, 2013  
(Continued)**

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

The Board's contributions allocated to fund post-employment healthcare benefits for the years ended December 31, 2013, 2012 and 2011 were \$2,530, \$20,510, and \$18,093, respectively; 100% has been contributed for 2013, 2012, and 2011.

**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.

**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 legal proceedings. Although the Board cannot presently determine the outcome of these suits, the Board believes that the resolution of these matters will not materially adversely affect the Board's financial condition.

**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, 2013  
(Continued)**

**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	\$423,512
<i>Total Restricted</i>	423,512
<b>Assigned to</b>	
Encumbrances	\$3,000
Appropriations in Excess of Estimated Receipts	815,209
<i>Total Assigned</i>	818,209
Unassigned (deficits):	1,334,862
<i>Total Fund Balances</i>	\$2,576,583

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

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

<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 and Addiction Services:</i>			
Social Services Block Grant	93.667	N/A	\$102,741
Block Grants for Community Mental Health Services			
Community Plan and Forensic	93.958	N/A	151,365
Supportive Housing Block Grant	93.958	G-13-100-20-028	29,025
Total Block Grants for Community Mental Health Services			<u>180,390</u>
Block Grants for the Prevention and Treatment of Substance Abuse	93.959		
Women's Residential		73-6846-WOMEN-T-13-8973	259,503
Women's Residential		73-9425-WOMEN-T-13-0238	13,549
Women's Residential		73-6846-WOMEN-T-14-8973	97,314
Women's Residential		73-9425-WOMEN-T-14-0238	5,081
Per Capita / Youth LED		N/A	997
Per Capita / Prevention-SAPT		N/A	108,319
Per Capita / Treatment-SAPT		N/A	147,121
Per Capita-Opiate Advocacy Funds-SAPT		N/A	17,498
Total Block Grants for the Prevention and Treatment of Substance Abuse			<u>649,382</u>
Total United States Department of Health and Human Services			<u>932,513</u>
<b>Total Federal Awards Expenditures</b>			<b><u><u>\$932,513</u></u></b>

*The accompanying Notes to the Schedule of Federal Awards Expenditures 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 SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (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 certain Federal awards received from the Ohio Department of Mental Health and Addiction Services to not-for-profit and for-profit agencies (subrecipients). As Note A describes, 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.

**NOTE D – PASS THROUGH ENTITIES**

The Schedule of Federal Awards Expenditures reflects all monies being passed through the Ohio Department of Mental Health and Addiction Services. This is a new agency which began existence on July 1, 2013 after the Ohio Department of Mental Health and the Ohio Department of Alcohol and Drug Addiction Services consolidated to create the new agency. Prior to July 1, 2013, the Board was receiving monies from the separate agencies; however, for reporting purposes all monies are being reflected as passed through the newly consolidated agency which was the only existing agency at year end.





# 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, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated May 21, 2014, 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 opinions 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 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. 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 matter 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.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

May 21, 2014



# 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, 2013. 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, 2013.

***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.



**Dave Yost**  
Auditor of State

Columbus, Ohio

May 21, 2014

**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, 2013**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<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

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

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**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, 2013**

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>
2012-01	Noncompliance Finding/Material Weakness relating to the Schedule of Federal Awards Expenditures and financial reporting.	Yes	
2012-02	Noncompliance Finding/Material Weakness relating to Cash Management for Block Grants for Prevention and Treatment of Substance Abuse (SAPT) – CFDA # 93.959	No	Partially Corrected. Management Letter Comment Issued.

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# Dave Yost • Auditor of State

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

**SCIOTO COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 5, 2014**