



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 cash-basis 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, 2016, 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 Government'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 Government's internal control. Accordingly, we express no such 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 opinions.

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, 2016, and the respective changes 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 1 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Other Information

We applied no procedures to management's discussion & analysis as listed in the table of contents. Accordingly, 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 November 29, 2017, 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.



Dave Yost
Auditor of State

Columbus, Ohio

November 29, 2017

**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, 2016
(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, 2016, 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 2016 are as follows:

- Net position of governmental activities decreased by \$320,786 or 19.00%.
- The Board's major fund had \$1,941,010 in receipts and \$2,261,796 in disbursements. The fund balance decreased by \$320,786.
- General receipts accounted for \$1,037,257 receipts or 53.43 percent of total receipts. Program specific receipts in the form of operating grants and contributions accounted for \$903,753 or 46.57 percent of the total receipts of \$1,941,010.
- The Board had \$2,261,796 in disbursements related to governmental activities; \$903,753 of the disbursements have been offset by program specific operating grants and contributions. General receipts of 1,037,257 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.

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.

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.

**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, 2016
(Unaudited)**

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 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 2016, 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, 2016
(Unaudited)**

The Board as a Whole

Table 1 reflects the Board's net position in 2016 compared to 2015 on a cash basis.

**Table 1
Net Position– Cash Basis**

Governmental Activities

	<u>2016</u>	<u>2015</u>
Cash Basis Assets		
Cash and Cash Equivalents	<u>\$1,367,282</u>	<u>\$1,688,068</u>
Net Position		
Restricted	\$ 528,818	\$ 363,583
Unrestricted	<u>\$ 838,464</u>	<u>\$1,324,485</u>
Total Net Position	<u>\$1,367,282</u>	<u>\$1,688,068</u>

Total net position decreased by \$320,786. The decrease is primarily due to a timing difference related to funding received by the Board and payments made to providers.

**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, 2016
(Unaudited)**

Table 2 shows the changes in net position on a cash basis for the year ended December 31, 2016, compared to December 31, 2015 for governmental activities:

**Table 2
Changes in Net Position**

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>
<u>Governmental Activities</u>			
Receipts			
Program Cash Receipts			
Operating Grants & Contributions	\$ <u>903,753</u>	\$ <u>967,280</u>	\$(63,527)
Total Program Cash Receipts	\$ <u>903,753</u>	\$ <u>967,280</u>	\$(63,527)
General Receipts			
Entitlements – Unassigned	\$ 1,007,559	\$ 1,061,010	\$(53,450)
Other Receipts	\$ <u>29,698</u>	\$ <u>111,747</u>	\$(82,049)
Total General Receipts	\$ <u>1,037,257</u>	\$ <u>1,172,757</u>	\$(135,499)
Total Receipts	\$ <u>1,941,010</u>	\$ <u>2,140,037</u>	\$(199,026)
Disbursements			
Mental Health and Recovery	\$ 2,261,796	\$2,605,009	\$(340,577)
Total Disbursements	\$ <u>2,261,796</u>	\$ <u>2,605,009</u>	\$(340,577)
Change in Net Position	\$ <u>(320,786)</u>	\$ <u>(464,972)</u>	\$144,186

Table 2 shows a decrease in Operating Grants and Contributions due to a net decrease in All Funds received. During 2016 entitlements decreased by \$53,450 due to the Board's state allocation decreasing. These receipts consist mainly of Federal Grants, State Grants, State Subsidies and entitlements.

The Majority of disbursements were for agency provider contract services accounting for \$1,528,845 or 67.59 percent of the total cash disbursements.

**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, 2016
(Unaudited)**

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 2016</u>	<u>Total Cost of Services 2015</u>	<u>Net Cost of Services 2016</u>	<u>Net Cost of Services 2015</u>
Alcohol, Drug Addiction, & Mental Health Services				
Agency Provider Contracts	\$1,528,845	\$1,941,928	\$ 625,092	\$974,648
Salaries & Benefits	407,590	386,911	407,590	386,911
Supplies	42,822	14,536	42,822	14,536
Contracts – Repairs	584	3	584	3
Equipment	663	11,617	663	11,617
Rentals	55,933	56,586	55,933	56,586
Travel	10,303	14,894	10,303	14,894
PERS	39,739	38,208	39,739	38,208
Workers Comp	8,599	3,206	8,599	3,206
Other	<u>166,718</u>	<u>137,120</u>	<u>166,718</u>	<u>137,120</u>
Total Disbursements	<u>\$2,261,796</u>	<u>\$ 2,605,009</u>	<u>\$1,358,043</u>	<u>\$1,637,729</u>

The dependence upon state and federal funds for governmental activities is apparent as 84.5 percent of alcohol, drug addiction and mental health services costs are supported through these funds for 2016.

Table 3 shows a decrease in Agency Provider Contracts due to a decrease in funding.

The Board’s Fund

The governmental fund had revenues of \$1,941,010 and expenditures of \$2,261,796. The fund balance decreased by \$320,786 as the result of a timing difference between provider Non Medicaid payments made and Federal and State Funds received as well as utilization of prior period funds.

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 2016, the Board amended its budget several times to reflect changing circumstances.

Economic Factors

The Board contracts with eight 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.

**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, 2016
(Unaudited)**

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, Alcohol, Drug Addiction, and Mental Health Services Board of Adams, Lawrence, and Scioto Counties, 919 7th Street, Portsmouth, Ohio 45662.

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

Statement of Net Position - Cash Basis
December 31, 2016

	Governmental Activities
Assets	
Cash Equivalents	\$1,367,282
<i>Total Assets</i>	<u>\$1,367,282</u>
Net Position	
Restricted for:	
Other Purposes	528,818
Unrestricted	<u>838,464</u>
<i>Total Net Position</i>	<u>\$1,367,282</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, 2016*

	<u>Cash</u> <u>Disbursements</u>	<u>Program Cash Receipts</u> <u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Net (Disbursements)</u> <u>Receipts and Changes</u> <u>in Net Position</u> <u>Governmental</u> <u>Activities</u>
Governmental Activities			
Current:			
Salaries and Benefits	\$407,590		(\$407,590)
Supplies	42,822		(\$42,822)
Equipment	663		(663)
Contract - Repairs	584		(584)
Agency Provider Contracts	1,528,845	903,753	(625,092)
Rentals	55,933		(55,933)
Travel	10,303		(10,303)
Public Employee's Retirement	39,739		(39,739)
Worker's Compensation	8,599		(8,599)
Other	166,718		(166,718)
<i>Total Governmental Activities</i>	<u>\$2,261,796</u>	<u>\$903,753</u>	<u>(1,358,043)</u>
General Receipts:			
Grants/Entitlements not Restricted to Specific Programs			1,007,559
Miscellaneous			29,698
<i>Total General Receipts</i>			<u>1,037,257</u>
Change in Net Position			(320,786)
<i>Net Position Beginning of Year</i>			<u>1,688,068</u>
<i>Net Position End of Year</i>			<u>\$1,367,282</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, 2016

	<u>General</u>
Assets	
Cash Equivalents	<u>\$1,367,282</u>
<i>Total Assets</i>	<u><u>\$1,367,282</u></u>
Fund Balances	
Restricted	\$525,218
Assigned	226,328
Unassigned	<u>615,736</u>
<i>Total Fund Balances</i>	<u><u>\$1,367,282</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 Changes in Fund Balances - Cash Basis
Governmental Fund
For the Year Ended December 31, 2016*

	General
Receipts	
Grants	1,911,312
Other	29,698
	1,941,010
Disbursements	
Current:	
Salaries and Benefits	\$407,590
Supplies	42,822
Equipment	663
Contract - Repairs	584
Agency Provider Contracts	1,528,845
Rentals	55,933
Travel	10,303
Public Employee's Retirement	39,739
Worker's Compensation	8,599
Other	166,718
	2,261,796
<i>Total Disbursements</i>	<i>2,261,796</i>
<i>Excess of Receipts Over (Under) Disbursements</i>	<i>(320,786)</i>
 <i>Fund Balance Beginning of Year</i>	 <i>1,688,068</i>
<i>Fund Balance End of Year</i>	<i>\$1,367,282</i>

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 Ended December 31, 2016*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Grants	2,317,470	1,911,312	1,911,312	0
Other	42,289	32,304	29,698	(2,606)
<i>Total Receipts</i>	<u>2,359,759</u>	<u>1,943,616</u>	<u>1,941,010</u>	<u>(2,606)</u>
Disbursements				
Current:				
Salaries and Benefits	409,322	414,734	\$407,590	7,144
Supplies	31,929	47,850	42,822	5,028
Equipment	20,000	2,885	663	2,222
Contract - Repairs	1,160	1,721	584	1,137
Agency Provider Contracts	1,780,583	2,324,844	1,528,845	795,999
Rentals	56,587	56,527	55,933	594
Travel	20,786	11,490	10,303	1,187
Public Employee's Retirement	40,569	43,304	39,739	3,565
Worker's Compensation	3,206	8,599	8,599	0
Other	215,885	202,916	166,718	36,198
<i>Total Disbursements</i>	<u>2,580,027</u>	<u>3,114,870</u>	<u>2,261,796</u>	<u>853,074</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(220,268)</u>	<u>(1,171,254)</u>	<u>(320,786)</u>	<u>850,468</u>
<i>Fund Balance Beginning of Year</i>	1,688,068	1,688,068	1,688,068	0
<i>Fund Balance End of Year</i>	<u>\$1,467,800</u>	<u>\$516,814</u>	<u>\$1,367,282</u>	<u>\$850,468</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, 2016**

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 fourteen-member Board. Board members are appointed by 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 subdivisions. 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. 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, 2016
(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 those activities of the Board that are governmental and those that are considered type activities. The Board has no business-type activities.

The Statement of Net Position presents the financial condition of 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 Board's governmental activities. Direct expenses are those that are specifically service, program or department and are therefore identifiable to a particular function. Program revenues include 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, 2016
(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 intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

**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, 2016
(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 represents 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, 2016
(Continued)**

2. DEPOSITS AND INVESTMENTS

Ohio law restricts deposits and investments to the following:

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

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

Deposits - The Scioto County Treasurer serves as the fiscal agent for the Board and the investments of the County funds, including the Board's cash. The Board maintains no control over the investment of its cash. At year-end, the carrying amount of the Board's deposits was \$1,367,282. The Board's deposits maintained by the Scioto County Treasurer are either insured by the Federal Deposit Insurance Corporation or were considered collateralized by securities held by the pledging institutions' trust departments in Scioto County's name and all State statutory requirements for the deposit of money had been followed.

3. DEFINED BENEFIT PENSION PLAN

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - Board employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Board employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension 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, 2016
(Continued)**

3. DEFINED BENEFIT PENSION PLAN (Continued)

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

**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, 2016
(Continued)**

3. DEFINED BENEFIT PENSION PLAN (Continued)

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local	Public Safety	Law Enforcement
2016 Statutory Maximum Contribution Rates			
Employer	14.0%	18.1%	18.1%
Employee	10.0%	*	**
2016 Actual Contribution Rates			
Employer:			
Pension	12.0%	16.1%	16.1%
Post-employment Health Care Benefits	2.0	2.0	2.0
Total Employer	14.0%	18.1%	18.1%
Employee	10.00%	12.0%	13.00%

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This rate is also determined by OPERS' Board, but limited by ORC to not more than 2 percent greater Than the Public Safety rate.

The Boards 2016 contribution rate was 14.0 percent of covered payroll.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

**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, 2016
(Continued)**

3. DEFINED BENEFIT PENSION PLAN (Continued)

The Board's required contributions for pension obligations for the years ended December 31, 2016, 2015 and 2014 were \$39,739, \$38,208, and \$38,041, respectively; 100 percent has been contributed for 2016, 2015, and 2014.

4. POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System (OPERS)

Plan Description - The 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 maintained two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which funded multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

**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, 2016
(Continued)**

4. POST-EMPLOYMENT BENEFITS (Continued)

At the beginning of 2016, OPERS maintained three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust (401(h) Trust) and the 115 Health Care Trust (115 Trust), worked together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both the Traditional Pension and Combined plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a Retiree Medical Account (RMA) for Member-Directed Plan members. The employer contribution as a percentage of covered payroll deposited to the RMAs for 2016 was 4.0 percent.

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statements of Changes in Fiduciary Net Position for the year ended December 31, 2016, will reflect a partial year of activity in the 401(h) Trust and VEBA Trust prior to the termination of these trusts as of end of business day June 30, 2016, and the assets and liabilities, or net position, of these trusts being consolidated into the 115 Trust on July 1, 2016.

Substantially all of the Board's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2016, 2015, and 2014 was \$5,677, \$5,456, and \$5,432, respectively. The full amount has been contributed for all three years.

5. RISK MANAGEMENT

Commercial Insurance

The Board has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Errors and omissions.
- Directors and Officers Liability

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

6. CONTINGENCIES

Grants

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

Litigation

The Board is currently not involved in legal proceedings.

7. FUND BALANCES

Fund Balance is classified as nonspendable, restricted, committed, assigned and/unassigned based primarily on the extent to which the Board is bound to observe constraints imposed 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
Restricted for	
Federal Grants	<u>\$525,218</u>
<i>Total Restricted</i>	<u>525,218</u>
Assigned to	
2017 Appropriations exceeding Estimated Resources	222,728
Encumbrances	<u>3,600</u>
<i>Total Assigned</i>	226,328
Unassigned (deficits):	<u>615,736</u>
<i>Total Fund Balances</i>	<u><u>\$1,367,282</u></u>



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 cash-basis 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, 2016, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated November 29, 2017, wherein we noted the Board uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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*.

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242
Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577

www.ohioauditor.gov

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 report is not suitable for any other purpose.

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

Dave Yost
Auditor of State

Columbus, Ohio

November 29, 2017



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
DECEMBER 19, 2017**