



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 ACCOUNTANTS' 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:

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, 2011, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

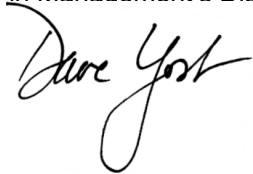
As discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities and the major fund of the Alcohol, Drug Addiction, and Mental Health Services Board of Adams, Lawrence, and Scioto Counties, Scioto County, Ohio, as of December 31, 2011, and the respective changes in cash financial position, thereof and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the accounting basis Note 1 describes.

As described in Note 6, during 2011 the Board adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2012, on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the Board's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, and governmental activities. The Federal Awards Expenditures Schedule (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the Schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is 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.



Dave Yost
Auditor of State

June 27, 2012

**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, 2011
(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, 2011. This is meant to be an easily readable summary of the most important financial information regarding the accompanying financial statements. Please read it in conjunction with the Board's financial statements.

Financial Highlights

Major financial highlights for 2011 are as follows:

- Net assets of governmental activities increased by \$655,701 or 131 percent.
- The Board's major fund had \$20,165,147 in receipts and \$19,509,446 in disbursements. The fund balance increased by \$655,701.
- General receipts accounted for \$9,023,015 in receipts or 44.75 percent of total receipts. Program specific receipts in the form of operating grants and contributions accounted for \$11,142,132 or 55.25 percent of the total receipts of \$20,165,147.
- The Board had \$19,509,446 in disbursements related to governmental activities; \$11,142,132 of the disbursements have been offset by program specific operating grants and contributions. General receipts of \$9,023,015 were adequate to provide for these programs.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Board's basic financial statements. The Board's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Board as a whole.

Fund financial statements provide a greater level of detail. The fund is created and maintained on the financial records of the Board, in which its use is restricted to a particular specified purpose. These statements present financial information for the fund.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2011
(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 cash basis of accounting.

Reporting the Board as a Whole

The statement of net assets and the statement of activities reflect how the Board did financially during 2011, within the limitations of cash basis accounting. The statement of net assets presents the cash balance of the Board at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Board's general receipts.

These statements report the Board's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Board's financial health. Over time, increases or decreases in the Board's cash position is one indicator of whether the Board's financial health is improving or deteriorating.

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

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

Reporting the Board's Major Fund

Fund financial statements provide detailed information about the Board's major fund.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2011
(Unaudited)**

The Board as a Whole

Table 1 reflects the Board's net assets in 2011 compared to 2010.

Table 1

**Net Assets – Cash Basis
Governmental Activities**

	2011	2010
Cash Basis Assets		
Cash Equivalents	<u>\$1,157,508</u>	<u>\$501,807</u>
Net Assets		
Restricted for Other Purposes	\$ 172,044	\$0
Unrestricted	<u>\$ 985,464</u>	<u>\$501,807</u>
Total Net Assets	<u>\$1,157,508</u>	<u>\$501,807</u>

Total net assets increased by \$655,701. This increase is primarily due to a timing difference related to Medicaid Federal Financial Participation (FFP) funding received by the Board and Medicaid payments made to providers.

Table 2 shows the changes in net assets for the year ended December 31, 2011, compared to December 31, 2010.

Table 2

Changes in Net Assets

	2011	2010	Increase (Decrease)
Receipts			
Program Cash Receipts			
Operating Grants & Contributions	<u>\$ 11,142,132</u>	<u>\$ 14,329,012</u>	<u>\$ (3,186,880)</u>
<u>Total Program Cash Receipts</u>	<u>\$ 11,142,132</u>	<u>\$ 14,329,012</u>	<u>\$ (3,186,880)</u>
General Receipts			
Entitlements – Unrestricted	\$ 8,935,478	\$ 8,086,574	\$ 848,904
Other Receipts	<u>\$ 87,537</u>	<u>\$ 110,365</u>	<u>\$ (22,828)</u>
<u>Total General Receipts</u>	<u>\$ 9,023,015</u>	<u>\$ 8,196,939</u>	<u>\$ 826,076</u>
<u>Total Receipts</u>	<u>\$ 20,165,147</u>	<u>\$ 22,525,951</u>	<u>\$ (2,360,804)</u>
Disbursements			
Mental Health and Recovery	<u>\$ 19,509,446</u>	<u>\$ 23,902,245</u>	<u>\$ (4,392,799)</u>
Total Disbursements	<u>\$19,509,446</u>	<u>\$23,902,245</u>	<u>\$ (4,392,799)</u>
Change in Net Assets	<u>\$ 655,701</u>	<u>\$ (1,376,294)</u>	<u>\$ 2,031,995</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, 2011
(Unaudited)**

Table 2 shows a decrease in Operating Grants and Contributions primarily due to a decrease in Ohio Department of Alcohol, Drug Addiction Services (ODADAS) and Ohio Department of Mental Health (ODMH) funds. Increase in entitlements due to an increase in ODADAS state funds and ODMH state funds.

The Statement of Activities – Cash Basis shows the cost of program services and the operating grants and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of the services. In other words, it identifies the cost of those services supported by unrestricted state entitlements.

Table 3

Governmental Activities

	<u>Total Cost of Services 2011</u>	<u>Total Cost of Services 2010</u>	<u>Net Cost of Services 2011</u>	<u>Net Cost of Services 2010</u>
Alcohol, Drug Addiction, & Mental Health Services				
Agency Provider Contracts	\$18,464,767	\$ 22,885,456	\$ 7,322,635	\$ 8,556,444
Salaries & Benefits	671,455	707,096	671,455	707,096
Supplies	12,601	13,009	12,601	13,009
Contracts – Repairs	6,366	6,293	6,366	6,293
Equipment	8,459	5,247	8,459	5,247
Rentals	83,030	37,231	83,030	37,231
Travel	13,487	12,320	13,487	12,320
PERS	63,327	63,321	63,327	63,321
Workers Comp	6,330	16,429	6,330	16,429
Other	<u>179,624</u>	<u>155,843</u>	<u>179,624</u>	<u>155,843</u>
 Total Disbursements	 <u>\$19,509,446</u>	 <u>\$ 23,902,245</u>	 <u>\$8,367,314</u>	 <u>\$9,573,233</u>

The dependence upon state grants for governmental activities is apparent as 46 percent of alcohol, drug addiction and mental health services costs are supported through these entitlements for 2011. For 2010, the percentage was 36 percent.

Table 3 shows a decrease in Agency Provider Contracts due to a reduction of Non Medicaid services expenditures; and a decrease in salaries & benefits due to reduction in insurance premiums.

The Board's Fund

The major fund had revenues of \$20,165,147 and expenditures of \$19,509,446. The fund balance increased \$655,701 as the result of a timing difference between provider Medicaid payments made and Medicaid FFP reimbursement 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, 2011
(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 2011, the Board amended its budget several times to reflect changing circumstances.

Economic Factors

The Board contracts with eight provider agencies to deliver alcohol, drug addiction and mental health services to the residents of Adams, Lawrence, and Scioto Counties. The Board will be challenged to maintain the current level of services and programs due to a stagnant receipts base and ordinary inflation. The Board and its administration must maintain careful financial planning and prudent fiscal management in order to balance the budget annually.

Contacting the Board's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Board's finances and to reflect the Board's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Anthony Pollard, Executive Director, ADAMHS Board of Adams, Lawrence, and Scioto Counties, 919 7th Street, Portsmouth, Ohio 45662.

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

**STATEMENT OF NET ASSETS - CASH BASIS
December 31, 2011**

	<u>Governmental Activities</u>
Assets	
Cash Equivalents	<u>\$1,157,508</u>
<i>Total Assets</i>	<u><u>\$1,157,508</u></u>
Net Assets	
Restricted for:	
Other Purposes	\$172,044
Unrestricted	<u>985,464</u>
<i>Total Net Assets</i>	<u><u>\$1,157,508</u></u>

See accompanying notes to the basic financial statements

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

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	<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>
Governmental Activities:			
Salaries and Benefits	\$671,455		(\$671,455)
Supplies	12,601		(12,601)
Equipment	8,459		(8,459)
Contracts - Repair	6,366		(6,366)
Agency provider contracts	18,464,767	\$11,142,132	(7,322,635)
Rentals	83,030		(83,030)
Travel	13,487		(13,487)
Public Employee's Retirement	63,327		(63,327)
Worker's Compensation	6,330		(6,330)
Other	179,624		(179,624)
<i>Total Governmental Activities</i>	<u>\$19,509,446</u>	<u>\$11,142,132</u>	<u>(8,367,314)</u>
General Receipts:			
Entitlements - Unrestricted			8,935,478
Other Receipts			87,537
<i>Total General Receipts</i>			<u>9,023,015</u>
<i>Changes in Net Assets</i>			655,701
<i>Net Assets Beginning of Year</i>			<u>501,807</u>
<i>Net Assets End of Year</i>			<u>\$1,157,508</u>

See accompanying notes to the basic financial statements

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

STATEMENT OF ASSETS AND FUND BALANCES- CASH BASIS
GOVERNMENTAL FUND
DECEMBER 31, 2011

	<u>General</u>
Assets	
Cash Equivalents	<u>\$1,157,508</u>
<i>Total Assets</i>	<u><u>\$1,157,508</u></u>
Fund Balances	
Restricted	\$172,044
Assigned	\$584,900
Unassigned	<u>\$400,564</u>
<i>Total Fund Balances</i>	<u><u>\$1,157,508</u></u>

See accompanying notes to the basic financial statements

**ALCOHOL, DRUG ADDICTION, AND MENAL 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, 2011**

	General
RECEIPTS	
Grants	\$20,077,610
Other Receipts	87,537
Total Receipts	20,165,147
DISBURSEMENTS	
Current:	
Salaries and Benefits	671,455
Supplies	12,601
Equipment	8,459
Contracts - Repair	6,366
Agency provider contracts	18,464,767
Rentals	83,030
Travel	13,487
Public Employee's Retirement	63,327
Worker's Compensation	6,330
Other	179,624
Total Disbursements	19,509,446
Excess of Receipts Over (Under) Disbursements	655,701
Fund Balances Beginning of Year	501,807
Fund Balances End of Year	\$1,157,508

See accompanying notes to the basic financial statements

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDING DECEMBER 31, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Grants	\$ 18,791,514	\$ 20,863,529	\$20,077,610	(\$785,919)
Other	90,238	180,570	87,537	(93,033)
<i>Total Receipts</i>	<u>18,881,752</u>	<u>21,044,099</u>	<u>20,165,147</u>	<u>(878,952)</u>
Disbursements				
Current:				
Salaries and Benefits	736,224	677,411	671,455	5,956
Supplies	18,000	18,644	12,601	6,043
Equipment	10,000	10,000	8,459	1,541
Contracts - Repair	8,500	6,320	6,366	(46)
Agency provider contracts	18,294,939	20,390,261	19,041,567	1,348,694
Rentals	46,500	83,267	83,030	237
Travel	12,000	14,380	13,487	893
Public Employee's Retirement	69,000	65,532	71,427	(5,895)
Worker's Compensation	19,447	6,330	6,330	0
Other	167,142	264,759	179,624	85,135
Total Disbursements	<u>19,381,752</u>	<u>21,536,904</u>	<u>20,094,346</u>	<u>1,442,558</u>
Excess of Receipts Over (Under) Disbursements	<u>(500,000)</u>	<u>(492,805)</u>	<u>70,801</u>	<u>563,606</u>
Fund Balance Beginning of Year	492,807	492,807	492,807	0
Prior Year Encumbrances Appropriated	9,000	9,000	9,000	0
Fund Balance End of Year	<u>\$ 1,807</u>	<u>\$ 9,002</u>	<u>\$ 572,608</u>	<u>\$ 563,606</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, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Adams, Lawrence and Scioto Counties Alcohol, Drug Addiction and Mental Health Services Board (the Board), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Board is required to be directed by an eighteen-member Board. Board members are appointed by the Director of Mental Health, the Director of Alcohol and Drug Addiction Services and the legislative authorities of the political subdivisions making up the Board. The Board includes members from those legislative authorities as well as citizens of the Board. Those subdivisions are Adams County, Lawrence County and Scioto County. The Board provides alcohol, drug addiction and mental health services and programs to citizens of the Board. These services are provided primarily through contracts with private and public agencies.

The Board's management believes these financial statements present all activities for which the Board is financially accountable.

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

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

B. Basis of Presentation

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

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

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the Board as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Board that are governmental and those that are considered business-type activities. The Board has no business-type activities.

The Statement of Net Assets presents the financial condition of the governmental activities of the Board at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function of the Board's governmental activities. Direct

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended December 31, 2011
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

expenses are those that are specifically associated with a service, program or department and are therefore identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Board with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Board.

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

C. Fund Accounting

The Board uses a general revenue fund to report its financial position and results of operations. The general revenue fund is an independent fiscal and accounting entity with a self-balancing set of accounts. The general revenue fund is established to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

D. Basis of Accounting

The Government-wide Statement of Net Assets and Statement of Activities and the Fund Financial Statements are presented using the cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, receipts, and disbursements when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of the cash basis of accounting, certain assets and their related receipts and certain liabilities and their disbursements are not recorded in these financial statements. If the Board utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting.

E. Budgetary Basis Fund Balances

Ohio law requires all funds, other than agency funds, to be budgeted and appropriated. The major documents prepared are the appropriation resolution and the certificate of estimated resources, which use the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amounts that the Board may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The Board uses the function as its legal level of control.

The Board may amend appropriations throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation for that fund covering the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budget represent the final appropriation the Board passed during the year.

**ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH SERVICES BOARD
OF ADAMS, LAWRENCE AND SCIOTO COUNTIES
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended December 31, 2011
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Basis Fund Balances (Continued)

The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounts to \$584,900 for the General Fund.

F. Cash and Cash Equivalents

As required by Ohio Revised Code, the Scioto County Treasurer is custodian for the Board's cash. The Board's cash is held in the County's cash and investment pool, and is valued at the County Treasurer's carrying amount.

G. Property, Plant, and Equipment

The Board records disbursement for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

I. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended December 31, 2011
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

J. Net Assets

Net assets represent the difference between assets and liabilities.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended December 31, 2011
(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 \$1,157,508. The Board's deposits maintained by the Scioto County Treasurer are either insured by the Federal Deposit Insurance Corporation or were considered collateralized by securities held by the pledging institutions' trust departments in Scioto County's name and all State statutory requirements for the deposit of money had been followed.

3. DEFINED BENEFIT PENSION PLAN AND POST EMPLOYMENT BENEFITS

A. Defined Benefit Pension Plan

Plan Description - The Board participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to, but less than, the traditional pension plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

**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, 2011
(Continued)**

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

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. For 2011, member and employer contribution rates were consistent across all three plans. Members in the state and local classifications may participate in all three plans. For the year ended December 31, 2011, members in state and local classifications contributed 10 percent of covered payroll. The Board's 2011 contribution rate was 14.0 percent of covered payroll.

The Board's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009 were \$63,327, \$63,321 and \$66,367, respectively; 100 percent has been contributed for 2011, 2010, and 2009.

B. Post Employment Benefits

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

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment healthcare plan for qualifying members of both the traditional and combined pension plans. Members of the member directed plan do not qualify for ancillary benefits including post-employment healthcare plan which includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for post-employment healthcare coverage, age and service retirees under the traditional and combined plans must have ten years or more of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The healthcare coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. The Ohio Revised code permits, but does not require, OPERS to provide healthcare benefits to eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for healthcare plan are provided separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, 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 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.

**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, 2011
(Continued)**

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2011, 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 4 percent during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2011.

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

The Board's contributions allocated to fund post-employment healthcare benefits for the years ended December 31, 2011, 2010, and 2009 were \$18,093, \$22,614, and \$23,702 respectively; 100% has been contributed for 2011 and 2010.

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

4. RISK MANAGEMENT

Commercial Insurance

The Board has obtained commercial insurance for the following risks:

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended December 31, 2011
(Continued)**

5. CONTINGENCIES

Grants

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

Litigation

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

6. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2011, the Board implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." The implementation of GASB Statement No. 54 had no effect on Fund Balances previously reported.

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
Restricted for	
Federal Grants	\$172,044
<i>Total Restricted</i>	<u>172,044</u>
Assigned to	
Encumbrances	584,900
<i>Total Assigned</i>	<u>584,900</u>
Unassigned (deficits):	400,564
<i>Total Fund Balances</i>	<u><u>\$1,157,508</u></u>

8. MEDICAID ELEVATION

As a result of House Bill 153, Medicaid Elevation was implemented. Boards are responsible for claims with dates of service prior to July 1, 2011. It is assumed that providers will be submitting claims directly to the Ohio Department of Job and Family Services (ODJFS) for claims with dates of service on and after July 1, 2012 and providers will be directly reimbursed by ODJFS. It is uncertain what effect (if any) this will have on the Board's operations.

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

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Disbursements
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Pass-Through Ohio Department of Mental Health:</i>			
Child Care Mandatory and Matching Funds of the Child Care And Development Fund	93.596	N/A	\$ 41,868
Social Services Block Grant	93.667	N/A	175,802
Children's Health Insurance Program	93.767	N/A	357,964
Medical Assistance Program	93.778	N/A	4,570,841
ARRA - Medical Assistance Program	93.778	N/A	<u>325,525</u>
Total Medical Assistance Program			4,896,366
Block Grants for Community Mental Health Services			
Community Plan & Forensic	93.958	N/A	123,550
Ohio Suicide Prevention Foundation	93.958	BG-10-303-04-001	<u>7,094</u>
Total Block Grants for Community Mental Health Services			<u>130,644</u>
Total Passed Through the Ohio Department of Mental Health:			5,602,644
<i>Pass-Through Ohio Department of Alcohol and Drug Addiction Services:</i>			
Substance Abuse and Mental Health Services_Projects of Regional and National Significance Strategic Prevention Framework State Incentive Grant (SPF-SIG)	93.243	N/A	33,263
Children's Health Insurance Program	93.767	N/A	36,621
Medical Assistance Program	93.778	N/A	2,480,737
ARRA - Medical Assistance Program	93.778	N/A	<u>150,091</u>
Total Medical Assistance Program			2,630,828
Block Grants for the Prevention and Treatment of Substance Abuse	93.959		
Women's Residential		73-6846-WOMEN-T-12-8973	97,381
Women's Residential		73-6846-WOMEN-T-11-8973	278,301
Women's Residential		73-9425-WOMEN-T-12-0238	5,084
Women's Residential		73-9425-WOMEN-T-11-0238	14,530
Per Capita / Youth LED		N/A	<u>465,719</u>
Total Block Grants for the Prevention and Treatment of Substance Abuse			<u>861,015</u>
Total Passed Through the Ohio Department of Alcohol and Drug Addiction Services:			<u>3,561,727</u>
Total United States Department of Health and Human Services			<u>9,164,371</u>
UNITED STATES DEPARTMENT OF EDUCATION			
<i>Pass-Through Ohio Department of Alcohol and Drug Addiction Services:</i>			
Rehabilitation Services_Vocational Rehabilitation Grants to States			
RSC VRP3 Second Chance	84.126	73-0073-VOCRHB-T-11-11154	14,144
RSC VRP3 Recovery to Work	84.126	73-0073-VOCRHB-T-11-11138	17,225
RSC VRP3 Recovery to Work	84.126	73-0073-VOCRHB-T-12-11138	<u>64,611</u>
Total Rehabilitation Services_Vocational Rehabilitation Grants to States			<u>95,980</u>
Total Pass-Through Ohio Department of Alcohol and Drug Addiction Services			<u>95,980</u>
Total United States Department of Education			<u>95,980</u>
Total Federal Awards Expenditures			<u>\$ 9,260,351</u>

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

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

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SUBRECIPIENTS

The Board passes certain Federal awards received from the Ohio Department of Mental Health and the Ohio Department of Alcohol and Drug Addiction Services to not-for-profit and for-profit agencies (subrecipients). As Note A describes, the Board reports 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 the Board to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Board has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



Dave Yost • Auditor of State

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

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

To the Members of the Board:

We have audited the financial statements of the governmental activities and the major fund of the Alcohol, Drug Addiction, and Mental Health Services Board of Adams, Lawrence, and Scioto Counties, Scioto County, Ohio (the Board), as of and for the year ended December 31, 2011, which collectively comprise the Board's basic financial statements and have issued our report thereon dated June 27, 2012, wherein we noted the Board uses a comprehensive accounting basis other than generally accepted accounting principles and adopted the provisions of Governmental Auditing Standards Board Statement No. 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Board's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Board's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Board's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the Board's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Board's management in a separate letter dated June 27, 2012.

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



Dave Yost
Auditor of State

June 27, 2012



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INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Members of the Board:

Compliance

We have audited the compliance of the Alcohol, Drug Addiction, and Mental Health Services Board of Adams, Lawrence, and Scioto Counties, Scioto County, Ohio (the Board), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Board's major federal program for the year ended December 31, 2011. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the Board's major federal program. The Board's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Board's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Board's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Board's compliance with these requirements.

As described in finding 2011-01 in the accompanying Schedule of Findings, the Board did not comply with requirements regarding cash management applicable to its Medical Assistance Program major federal program. Compliance with this requirement is necessary, in our opinion, for the Board to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Board complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2011.

Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program 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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as item 2011-01 to be a material weakness.

The Board's response to the finding we identified in the accompanying Schedule of Findings is described in the Corrective Action Plan. We did not audit the Board's response and, accordingly, we express no opinion on it.

We also noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the Board's management in a separate letter dated June 27, 2012.

We intend this report solely for the information and use of the audit committee, management, the Board, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

June 27, 2012

**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, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Medical Assistance Program – CFDA #93.778
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None.

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2011
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2011-01
CFDA Title and Number	Medical Assistance Program – CFDA #93.778
Federal Award Number / Year	N/A
Federal Agency	United States Department of Health and Human Services
Pass-Through Agency	Ohio Department of Mental Health / Ohio Department of Alcohol and Drug Addiction Services

Noncompliance Finding/Material Weakness – Cash Management

45 C.F.R. 92.21(b) indicates methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 C.F.R. Part 205.

Ohio Rev. Code Section 340.04 (I) states that, in addition to such other duties as may be lawfully imposed, the executive director of a board of alcohol, drug addiction, and mental health services shall authorize the county auditor, to issue warrants for the payment of board obligations approved by the board, provided that all payments are in accordance with the comprehensive community mental health plan, as approved by the department of mental health, or with the alcohol and drug addiction services plan as approved by the department of alcohol and drug addiction services.

Pursuant to Ohio Rev. Code Section 340.0 (A)(8)(a) Until July 1, 2012, a contract with a community mental health agency or facility, as defined in section 5111.023 of the Revised Code, to provide services listed in division (B) of that section shall provide for the agency or facility to be paid in accordance with the contract entered into between the departments of job and family services and mental health under section 5111.91 of the Revised Code and any rules adopted under division (A) of section 5119.61 of the Revised Code.

Ohio Rev. Code Section 5111.91 states in part that that the department of job and family services may enter into contracts with one or more other state agencies or political subdivisions to have the state agency or political subdivision administer one or more components of the medicaid program, or one or more aspects of a component, under the department's supervision. A state agency or political subdivision that enters into such a contract shall comply with the terms of the contract...

The Community Medicaid Services Agreement between the Ohio Department of Mental Health and the Alcohol, Drug Addiction and Mental Health Services Board of Adams, Lawrence and Scioto Counties states in Section A(6), that the Board will pay providers within 30 days of issuance of the ASC X12N 835 Healthcare Claim/Payment Advice.

**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, 2011
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2011-01
CFDA Title and Number	Medical Assistance Program – CFDA #93.778
Federal Award Number / Year	N/A
Federal Agency	United States Department of Health and Human Services
Pass-Through Agency	Ohio Department of Mental Health / Ohio Department of Alcohol and Drug Addiction Services

Noncompliance Finding/Material Weakness – Cash Management (Continued)

The Board did not pay providers 100% of the allowed amount immediately upon notification of the 835 electronic remittance advice. This was due mainly to the fact that the Board did not have the matching portion required to be included with the payment at the time the remittance advice was received.

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

Officials’ Response:

The response to the finding is included in the Corrective Action Plan on page 33.

**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, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	Medical Assistance Program – Cash Management Noncompliance/Material Weakness	No	Not Corrected. Repeated as Finding Number 2011-01.

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

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
DECEMBER 31, 2011**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2011-01	As of July 1, 2012, the Board will no longer be responsible for payment to vendors for the Medical Assistance Program, thus, this requirement will no longer be applicable to the Board.	July 1, 2012	Marcy Kristian, Fiscal Manager

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**ALCOHOL, DRUGS, ADDICTION, AND 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
JULY 17, 2012**