



Mary Taylor, CPA
Auditor of State

**GALLIA-JACKSON-MEIGS BOARD OF ALCOHOL,
DRUG ADDICTION AND MENTAL HEALTH SERVICES
GALLIA COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Gallia-Jackson-Meigs Board of Alcohol,
Drug Addiction and Mental Health Services
Gallia County
53 Shawnee Lane
P.O. Box 514
Gallipolis, Ohio 45631

To the Members of the Board:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Gallia-Jackson-Meigs Board of Alcohol, Drug Addiction and Mental Health Services, Gallia County, Ohio (the Board), as of and for the year ended December 31, 2006, 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, the major fund, and the aggregate remaining fund information of the Gallia-Jackson-Meigs Board of Alcohol, Drug Addiction, and Mental Health Services, Gallia County, Ohio, as of December 31, 2006, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2007, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the Board's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Mary Taylor, CPA
Auditor of State

May 24, 2007

**Gallia-Jackson-Meigs Board of Alcohol,
Drug Addiction, and Mental Health Services**
*Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited*

The discussion and analysis of the Gallia-Jackson-Meigs Board of Alcohol, Drug Addiction and Mental Health Services' (the Board) financial performance provides an overall review of the Board's financial activities for the year ended December 31, 2006, within the limitations of the Board's cash basis of accounting. The intent of this discussion and analysis is to look at the Board's financial performance as a whole. Readers should also review the notes to the basic financial statements and the basic financial statements to enhance their understanding of the Board's financial performance.

Financial Highlights

Key financial highlights for the year 2006 are as follows:

- Net assets decreased \$155,764.
- General receipts accounted for \$23,059 in receipts or 0.3 percent of all receipts. Program specific receipts in the form of operating grants and contributions accounted for \$7,105,388 or 99.7 percent of total receipts of \$7,128,447.
- The Board had \$7,284,211 in disbursements related to governmental activities; all of these disbursements were offset by program specific operating grants and contributions. General receipts of \$23,059 plus the cash balance from December 31, 2005 of \$849,907 were adequate to provide for these programs.
- The Board's major fund had \$672,002 in available cash and \$6,746,542 in receipts, \$6,913,182 in disbursements and \$363,225 in encumbrances. The fund balance at year-end equaled \$672,002.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Board as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions on a cash basis of accounting.

The Statement of Net Assets – Cash Basis and Statement of Activities – Cash Basis provide information about the activities of the whole Board, presenting both an aggregate view of the Board's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending.

Report the Board as a Whole

Statement of Net Assets – Cash Basis and Statement of Activities – Cash Basis

While this document contains information used by the Board to provide programs and services for its service area, the view of the Board as a whole looks at all financial transactions and asks the question, "How did we do financially during calendar year 2006?" The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis answer this question. These two statements report the Board's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Board as a whole, the financial position of the Board has improved or diminished on a cash basis. The causes of this change may be the result of many factors, some financial, some not.

**Gallia-Jackson-Meigs Board of Alcohol,
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In the Statement of Net Assets and the Statement of Activities, all of the Board's activities are considered to be Governmental Activities.

- Governmental Activities – The Board's only program and associated services are reported here.

Reporting the Board's Fund Financial Statements

Fund Financial Statements

The Board's activities are reported in the fund financial statements, which focus on how money flows and the balance left at year-end available for spending in future periods. These fund financial statements are reported on a cash basis of accounting. The fund financial statements provide a detailed short-term view of the Board's mental health and dependency rehabilitation operations and the services they provide. Governmental Fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance mental health and dependency rehabilitation programs.

Fund financial statements provide detailed information about the Board's major fund – not the Board as a whole. The Board establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used and 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 services 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. The Board's significant governmental fund is presented on the financial statements in a separate column. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Board's only major governmental fund is the General 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.

As a result of using the cash basis of accounting, certain assets and their related revenue (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.

The Board as a Whole

Recall that the Statement of Net Assets provides the perspective of the Board as a whole. Table 1 provides a summary of the Board's net assets for 2006 and compared to 2005.

**Gallia-Jackson-Meigs Board of Alcohol,
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*Management's Discussion and Analysis
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**Table 1
Net Assets**

	Governmental Activities	
	2006	2005
Assets:		
Cash on Deposit with Gallia County	\$ 694,143	\$ 849,907
Net Assets:		
Unrestricted	\$ 694,143	\$ 849,907

Total assets decreased \$155,764. The decrease is due primarily to an increase in revenues of 12.9 percent off set by an increase in disbursements of 16.3 percent.

Table 2 shows the changes in net assets for the year ended December 31, 2006 and comparison to 2005.

**Table 2
Changes in Net Assets**

	Governmental Activities	
	2006	2005
Receipts:		
<i>Program Cash Receipts</i>		
Operating Grants and Contributions	\$ 7,105,388	\$ 6,302,888
<i>General Receipts</i>		
Other Receipts	23,059	10,603
Total Cash Receipts	7,128,447	6,313,491
Disbursements:		
<i>Current</i>		
Alcohol, Drug Addiction and Mental Health Services	7,284,211	6,263,247
Total Disbursements	7,284,211	6,263,247
Change in Net Assets	(155,764)	50,244
Net Assets, January 1	849,907	799,663
Net Assets, December 31	\$ 694,143	\$ 849,907

In 2006, 41.2 percent of the Board's total receipts were from Federal Funds, 58.5 percent were from State and other grant sources and 0.3 percent were miscellaneous receipts. Program cash receipts accounted for 99.7 percent of the Board's total receipts in year 2006. These receipts consist primarily of Medicaid and its matching funds, and federal operating grants.

**Gallia-Jackson-Meigs Board of Alcohol,
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Contract services make up the vast majority of disbursements for the Board comprising 88.9% of total disbursements. Salaries and benefits comprise 9.6% of the total disbursements and other types of disbursements make up the remaining portion of disbursements.

The Statement of Activities 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 services. In other words, it identifies the cost of those services supported by miscellaneous receipts and prior year cash balance carryovers.

**Table 3
Governmental Activities**

	<u>Total Cost of Services</u> <u>2006</u>	<u>Total Cost of Services</u> <u>2005</u>	<u>Net Cost of Services</u> <u>2006</u>	<u>Net Cost of Services</u> <u>2005</u>
Alcohol, Drug Addiction and Mental Health Services:				
Salaries	\$ 494,501	\$ 481,177	\$ 494,501	\$ 481,177
Supplies	2,227	2,619	2,227	2,619
Equipment	442	10,832	442	10,832
Contracts - Repairs	11,703	14,518	11,703	14,518
Contracts - Services	6,471,732	5,481,396	(633,656)	(821,492)
Travel and Expenses	22,457	19,738	22,457	19,738
Public Employees' Retirement	78,622	75,203	78,622	75,203
Unemployment Compensation	8,419	9,096	8,419	9,096
Medicare	7,170	6,977	7,170	6,977
Hospitalization	105,548	101,454	105,548	101,454
Other Expenses	81,390	60,237	81,390	60,237
Total Disbursements	<u>\$ 7,284,211</u>	<u>\$ 6,263,247</u>	<u>\$ 178,823</u>	<u>\$ (39,641)</u>

The dependence upon state and federal funds for governmental activities is apparent as the Board has no local monies or levy monies.

The Board's Fund Financial Statements

The Board's fund financial statements are accounted for using the cash basis of accounting. The fund financial statements had total receipts of \$7,128,447 and disbursements of \$7,284,211. The financial statements had a decrease in the cash balance of \$155,764 from the 2005 year-end cash balance. This decrease is mainly due to an increase in Contract Services.

Budgeting Highlights

The Board's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

During the course of 2006, the Board amended its appropriations, and the budgetary statement reflects both the original and final appropriated amounts. There were significant changes between the original and the final budget. For the General Fund, budget basis revenues were \$6,746,542, \$626,780 above original estimates of \$6,119,762. In addition, budget basis expenditures were \$7,230,799, \$1,407,147 above original estimates of \$5,823,652.

**Gallia-Jackson-Meigs Board of Alcohol,
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The variances that did occur were mainly due to the fact that the Board is funded on the State's Fiscal Year (July through June) and thus projecting an exact budget is difficult at best. The ending budgetary basis fund balance was \$45,608 under the final budgeted amount.

Economic Factors

The receipts of the Board remain stagnant. The Board received a short term grant from Ohio Department of Mental Health that was received in 2006 in the amount of \$502,201. The rest of the increase was due to an increase in Medicaid services. The Board contracts with four provider agencies to deliver mental health and substance abuse services to the residents of Gallia, Jackson and Meigs 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, and providers with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact R. Rosalee Walker, Fiscal Officer, at Gallia-Jackson-Meigs Board of Alcohol, Drug Addiction and Mental Health Services, 53 Shawnee Lane, Gallipolis, Ohio 45631.

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**GALLIA-JACKSON-MEIGS BOARD OF ALCOHOL,
DRUG ADDICTION AND MENTAL HEALTH SERVICES
GALLIA COUNTY**

*Statement of Net Assets - Cash Basis
December 31, 2006*

	<u>Governmental Activities</u>
Assets	
Cash on deposit with Gallia County	<u>\$694,143</u>
<i>Total Assets</i>	<u><u>\$694,143</u></u>
Net Assets	
Unrestricted	<u>\$694,143</u>
<i>Total Net Assets</i>	<u><u>\$694,143</u></u>

See accompanying notes to the basic financial statements

**GALLIA-JACKSON-MEIGS BOARD OF ALCOHOL,
DRUG ADDICTION AND MENTAL HEALTH SERVICES
GALLIA COUNTY**

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2006*

	<u>Program Cash Receipts</u>	<u>Net (Disbursements) and Changes in Net Assets</u>
<u>Cash Disbursements</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities		
Alcohol, Drug Addiction and Mental Health Services:		
Salaries	\$ 494,501	\$ (494,501)
Supplies	2,227	(2,227)
Equipment	442	(442)
Contracts - Repairs	11,703	(11,703)
Contracts - Services	6,471,732	\$ 7,105,388
Travel and Expenses	22,457	(22,457)
Public Employees Retirement	78,622	(78,622)
Unemployment Compensations	8,419	(8,419)
Medicare	7,170	(7,170)
Hospitalization (Health Insurance)	105,548	(105,548)
Other Expenses	81,390	(81,390)
<i>Total Governmental Activities</i>	<u>\$ 7,284,211</u>	<u>\$ 7,105,388</u>
General Receipts		
Other Receipts		23,059
<i>Total General Receipts</i>		23,059
Changes in Net Assets		(155,764)
<i>Net Assets Beginning of Year</i>		849,907
<i>Net Assets End of Year</i>		\$ 694,143

See accompanying notes to the basic financial statements

**GALLIA-JACKSON-MEIGS BOARD OF ALCOHOL,
DRUG ADDICTION AND MENTAL HEALTH SERVICES
GALLIA COUNTY**

*Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006*

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash on deposit with Gallia County	\$ 672,002	\$ 22,141	\$ 694,143
<i>Total Assets</i>	<u>\$ 672,002</u>	<u>\$ 22,141</u>	<u>\$ 694,143</u>
Fund Balances			
Reserved:			
Reserved for Encumbrances	\$ 363,225		\$ 363,225
Unreserved:			
Undesignated, Reported in:			
General Fund	308,777		308,777
Special Revenue Funds Fund		\$ 22,141	22,141
<i>Total Fund Balances</i>	<u>\$ 672,002</u>	<u>\$ 22,141</u>	<u>\$ 694,143</u>

See accompanying notes to the basic financial statements

**GALLIA-JACKSON-MEIGS BOARD OF ALCOHOL,
DRUG ADDICTION AND MENTAL HEALTH SERVICES
GALLIA COUNTY**

*Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2006*

	General	Other Governmental Funds	Total Governmental Funds
Receipts			
Grants	\$ 6,723,483	\$ 381,905	\$ 7,105,388
Other Receipts	23,059		23,059
<i>Total Receipts</i>	<u>6,746,542</u>	<u>381,905</u>	<u>7,128,447</u>
Disbursements			
Current:			
Salaris	430,650	63,851	494,501
Supplies	2,090	137	2,227
Equipment	74	368	442
Contracts- Repair	11,703		11,703
Contracts- Services	6,213,109	258,623	6,471,732
Travel	18,894	3,563	22,457
Public Employee's Retirement	69,875	8,747	78,622
Unemployment Compensaion	6,761	1,658	8,419
Medicare	6,244	926	7,170
Hospitalization	91,280	14,268	105,548
Other	62,502	18,888	81,390
<i>Total Disbursements</i>	<u>6,913,182</u>	<u>371,029</u>	<u>7,284,211</u>
<i>Excess of Cash Receipts over (Under) Disbursements</i>	<u>(166,640)</u>	<u>10,876</u>	<u>(155,764)</u>
<i>Fund Balance Beginning of Year</i>	838,642	11,265	849,907
<i>Fund Balance End of Year</i>	<u>\$ 672,002</u>	<u>\$ 22,141</u>	<u>\$ 694,143</u>

See accompanying notes to the basic financial statements

**GALLIA-JACKSON-MEIGS BOARD OF ALCOHOL,
DRUG ADDICTION AND MENTAL HEALTH SERVICES
GALLIA COUNTY**

*Statement of Cash Receipts, Disbursements, and Changes
In Cash Basis Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2006*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
General	\$ 6,119,762	\$ 6,723,483	\$ 6,723,483	\$ 0
Miscellaneous		23,059	23,059	0
<i>Total Receipts</i>	<u>6,119,762</u>	<u>6,746,542</u>	<u>6,746,542</u>	<u>0</u>
Disbursements				
Current:				
Salaried	420,187	430,650	430,650	0
Supplies	2,863	2,423	2,323	100
Equipment	14,632	2,132	1,574	558
Contracts - Repairs	20,000	11,250	12,703	(1,453)
Contracts - Services	5,112,743	6,526,904	6,569,201	(42,297)
Travel and Expenses	23,563	19,437	19,544	(107)
Public Employee's Retirement	69,504	73,592	69,875	3,717
Unemployment Compensation	11,169	6,769	6,761	8
Medicare	6,335	6,250	6,244	6
Hospitalization (Health Insurance)	86,544	91,280	91,280	0
Other Expenses	56,112	60,112	66,252	(6,140)
<i>Total Disbursements</i>	<u>5,823,652</u>	<u>7,230,799</u>	<u>7,276,407</u>	<u>(45,608)</u>
<i>Excess of Receipts Over(Under) Disbursements</i>	<u>296,110</u>	<u>(484,257)</u>	<u>(529,865)</u>	<u>45,608</u>
<i>Fund Balance Beginning of Year</i>	762,814	776,170	776,170	0
Prior Year Encumbrances Appropriated	<u>75,828</u>	<u>62,472</u>	<u>62,472</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 1,134,752</u>	<u>\$ 354,385</u>	<u>\$ 308,777</u>	<u>\$ 45,608</u>

See accompanying notes to the basic financial statements

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**GALLIA-JACKSON-MEIGS BOARD OF ALCOHOL,
DRUG ADDICTION AND MENTAL HEALTH SERVICES
GALLIA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Reporting Entity

The Gallia-Jackson-Meigs Board of Alcohol, Drug Addiction and Mental Health Services, Gallia County (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 directed by an eighteen-member Board. Board members are appointed by the Board's Director and the legislative authorities of area subdivisions, as well as citizens of the Board. Those subdivisions are Gallia, Jackson, and Meigs Counties. The Board provides alcohol, drug addiction and mental health services and programs to citizens of the Board's service area. These services are provided primarily through contracts with private and public agencies. The Board is associated with the Southern Consortium for Children, which is defined as a jointly governed organization. This organization is described in Note 6.

The Board serves as the Administrative Agent for the Gallia County Family and Children First Council (the Council). As Administrative Agent, the Board has appointing authority for the Council's employees and is responsible for determining that disbursements comply with policies prescribed by State departments in rules or interagency agreements. As required by the Revised Code, the Council is governed by a Board that includes the Executive Director of the Gallia-Jackson-Meigs Board of Alcohol, Drug Addiction and Mental Health Services. The activities of the Family and Children First Council are reported as a Special Revenue Fund within the Board's financial statements.

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 Accounting

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

**GALLIA-JACKSON-MEIGS BOARD OF ALCOHOL,
DRUG ADDICTION AND MENTAL HEALTH SERVICES
GALLIA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting (Continued)

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

The Board's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements providing more detailed financial information.

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 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. Cash

As required by Ohio Revised Code, the Gallia County Treasurer is custodian for the Board's cash. The Board's cash is held in Gallia County's cash and investment pool, and is valued at the Gallia County Treasurer's carrying amount. Deposits and investments disclosures for the County as a whole may be obtained from the County by contacting Steve McGhee, Gallia County Treasurer, Gallia County Courthouse 18 Locust Street, Gallipolis, Ohio 45631.

D. Fund Accounting

The Board's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific Board functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts.

**GALLIA-JACKSON-MEIGS BOARD OF ALCOHOL,
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GALLIA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Governmental Funds:

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Cash disbursements are assigned to the fund from which they are paid. The difference between governmental fund assets and cash disbursements is reported as fund balance. The following is the Board's only major governmental fund:

General Fund

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

The other governmental funds of the Board account for grants and other resources whose use is restricted to a particular purpose.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commissions must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Board to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated.

**GALLIA-JACKSON-MEIGS BOARD OF ALCOHOL,
DRUG ADDICTION AND MENTAL HEALTH SERVICES
GALLIA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

4. Budgetary Basis Fund Balances

Differences between the budgetary basis fund balances and fund cash balances are due to encumbrances. The table below presents that difference for the Board's Major Fund:

	General Fund
Budgetary Basis Fund Balance	\$ 308,777
Encumbrances	363,225
Fund Cash Balance	\$ 672,002

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statement.

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as liability under the Board's basis of accounting.

2. DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

The Board participates 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 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 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 to the traditional pension plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6701 or 800-222-7377.

**GALLIA-JACKSON-MEIGS BOARD OF ALCOHOL,
DRUG ADDICTION AND MENTAL HEALTH SERVICES
GALLIA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

2. DEFINED BENEFIT PENSION PLANS (Continued)

For the year ended December 31, 2006, the members of all three plans were required to contribute 9.0 percent of their annual covered salaries. The Board's contribution rate for pension benefits for 2006 was 9.7 percent. The Ohio Revised Code provides statutory authority for member and employer contributions. Actual employer contributions to fund pension benefits for 2006 were \$47,967.

3. POST EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional pension or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll; 4 percent of covered payroll was the portion that was used to fund health care.

On September 9, 2005, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, and will increase again on January 1, 2007, which will allow 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 and
- Directors and Officers liability.

5. CONTINGENT LIABILITES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the state and 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.

**GALLIA-JACKSON-MEIGS BOARD OF ALCOHOL,
DRUG ADDICTION AND MENTAL HEALTH SERVICES
GALLIA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

6. JOINTLY GOVERNED ORGANIZATIONS

The Gallia-Jackson-Meigs Board of Alcohol, Drug Addiction and Mental Health Services is a member of the Southern Consortium for Children (SCC), a regional council of governments, authorized by Chapter 167 of the Ohio Revised Code. The SCC serves as a program planner, developer and coordinator of services for youth who are severely emotionally disturbed within the members' service area and serves as a program planner, developer and coordinator for behavioral health services for residents of the members' service area. The members include the Alcohol, Drug Addiction and Mental Health Services Boards of Gallia, Jackson and Meigs Counties; Athens, Hocking and Vinton Counties; and Adams, Lawrence and Scioto Counties; and the Washington County Mental Health and Addiction Recovery Board.

The SCC operates under an appointed four member board, consisting of the Executive Director of each of the above named Alcohol, Drug Addiction and Mental Health Services Boards.

**GALLIA-JACKSON-MEIGS BOARD OF ALCOHOL,
DRUG ADDICTION AND MENTAL HEALTH SERVICES
GALLIA COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2006**

FEDERAL GRANTOR/ Pass-Through Grantor Program Title	Pass-Through Entity Number	Federal CFDA Number	Receipts	Disbursements
UNITED STATES DEPARTMENT OF EDUCATION				
<i>Passed through the Ohio Department of Alcohol and Drug Addiction Services:</i>				
Safe and Drug-Free Schools and Communities - State Grants	27-02938-DFSCA-P-06/07-9929 27-03116-DFSDAR-P-06/07-9073	84.186B	\$ 125,213	\$ 157,545
Total Safe and Drug-Free Schools and Communities - State Grants			<u>125,213</u>	<u>157,545</u>
Total United States Department of Education			<u>125,213</u>	<u>157,545</u>
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Passed through the Ohio Department of Alcohol and Drug Addiction Services:</i>				
Substance Abuse and Mental Health Services - Projects of Regional and National Significance:	27-00419-SIG-P-06-0403	93.243	57,500	69,991
Block Grants for Prevention and Treatment of Substance Abuse:				
Women's SAVES	27-01220-WOMEN-T-06/07-8986	93.959	28,918	28,919
Per Capita	N/A		302,609	293,924
Treatment Alternatives to Street Crimes (TASC)	27-11188-TASC-T-06/07-9180		300,409	346,286
Youth Mentoring/Prevention Services	27-01220-YMENT-P-06-9826		19,250	25,117
Drug Free Community Coalition	27-01220-CMMCO-P-06/07-0037		42,000	38,910
Total Block Grant for Prevention and Treatment of Substance Abuse			<u>693,186</u>	<u>733,156</u>
<i>Passed through the Ohio Department of Mental Health:</i>				
Promoting Safe and Stable Families	18-CS-06-01	96.556	60,624	75,658
Social Services Block Grant	N/A	93.667	101,309	101,309
Block Grants for Community Mental Health Services:				
Community Plan	N/A	93.958	73,809	78,684
Special Purpose Children/Adolescent	N/A		18,287	18,285
Total Block Grants for Community Mental Health Services			<u>92,096</u>	<u>96,969</u>
<i>Passed through the Ohio Department of Mental Health (ODMH) and the Ohio Department of Alcohol and Drug Addiction Services (ODADAS):</i>				
State Children's Insurance Program - ODADAS	N/A	93.767	10,695	11,166
State Children's Insurance Program - ODMH			66,092	79,445
Total State Children's Insurance Program			<u>76,787</u>	<u>90,611</u>
Medical Assistance Program - ODADAS	N/A	93.778	278,034	334,690
Medical Assistance Program - ODMH			1,293,253	1,293,623
Medical Assistance Program - ODMH - PASARR			9,405	11,685
Total Medical Assistance Program			<u>1,580,692</u>	<u>1,639,998</u>
<i>Direct from Federal Government:</i>				
Drug-Free Communities Support Program Grants	N/A	93.276	80,406	80,406
Total United States Department of Health and Human Services			<u>2,742,600</u>	<u>2,888,098</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 2,867,813</u>	<u>\$ 3,045,643</u>

The Notes to the Schedule of Federal Awards Receipts and Expenditures is an integral part of the Schedule.

**GALLIA-JACKSON-MEIGS BOARD OF ALCOHOL,
DRUG ADDICTION, AND MENTAL HEALTH SERVICES
GALLIA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS
RECEIPTS AND EXPENDITURES
DECEMBER 31, 2006**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the Board's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – SUB-RECIPIENTS

The Board passed-through certain Federal assistance received from the Ohio Department of Mental Health and the Ohio Department of Alcohol and Drug Addiction Services to provider agencies (subrecipients). As described in Note A, the Board records expenditures of Federal awards to subrecipients when paid in cash.

The subrecipients agencies have certain compliance responsibilities related to administering these Federal Programs. Under OMB Circular A-133, the Board is responsible for monitoring subrecipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of contracts or grant agreements, and that performance goals are achieved.

NOTE C – MATCHING REQUIREMENTS

Certain Federal programs require that the Board contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Board has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



Mary Taylor, CPA

Auditor of State

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

Gallia-Jackson-Meigs Board of Alcohol,
Drug Addiction and Mental Health Services
Gallia County
53 Shawnee Lane
P.O. Box 514
Gallipolis, Ohio 45631

To the Members of the Board:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Gallia-Jackson-Meigs Board of Alcohol, Drug Addiction and Mental Health Services, Gallia County, Ohio (the Board), as of and for the year ended December 31, 2006, which collectively comprise the Board's basic financial statements and have issued our report thereon dated May 24, 2007, wherein we noted the Board uses a comprehensive accounting basis other than generally accepted accounting principles. 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 expressing our opinions on the basic financial statements, but not to opine 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 control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Board's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Board's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Board's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be 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.

Gallia-Jackson-Meigs Board of Alcohol,
Drug Addiction and Mental Health Services
Gallia County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*

We noted a certain matter that we reported to the Board's management in a separate letter dated May 24, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the Board's basic 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 intend this report solely for the information and use of management, the Board, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

May 24, 2007



Mary Taylor, CPA

Auditor of State

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

Gallia-Jackson-Meigs Board of Alcohol,
Drug Addiction and Mental Health Services
Gallia County
53 Shawnee Lane
P.O. Box 514
Gallipolis, Ohio 45631

To the Members of the Board:

Compliance

We have audited the compliance of the Gallia-Jackson-Meigs Board of Alcohol, Drug Addiction and Mental Health Services, Gallia 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 apply to its major federal program for the year ended December 31, 2006. 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 its major federal program. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of 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 those requirements and performing other procedures we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Board's compliance with those requirements.

In our opinion, the Board complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2006.

Internal Control Over Compliance

The Board's management is responsible for establishing and maintaining effective internal control over compliance with 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 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the Board's management in a separate letter dated May 24, 2007.

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



Mary Taylor, CPA
Auditor of State

May 24, 2007

**GALLIA-JACKSON-MEIGS BOARD OF ALCOHOL,
DRUG ADDICTION, AND MENTAL HEALTH SERVICES
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.



Mary Taylor, CPA
Auditor of State

GALLIA-JACKSON-MEIGS BOARD OF ADAMH SERVICES

GALLIA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 7, 2007**