



**Auditor of State
Betty Montgomery**

**PAINT VALLEY ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH SERVICES BOARD
ROSS COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Management's Discussion and Analysis	3
Statement of Net Assets – Modified Cash Basis	9
Statement of Activities – Modified Cash Basis	10
Statement of Modified Cash Basis Assets and Fund Balances – Governmental Funds	11
Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances – Governmental Funds	12
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund	13
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis – Medicaid Fund	14
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis – State Grants Fund	15
Notes to the Basic Financial Statements	17
Federal Awards Expenditures Schedule	25
Notes to the Federal Awards Expenditures Schedule	26
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	27
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	29
Schedule of Findings	31

THIS PAGE INTENTIONALLY LEFT BLANK



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Paint Valley Alcohol, Drug Addiction
and Mental Health Services Board
Ross County
394 Chestnut Street
Chillicothe, Ohio 45601

To the Board of Directors:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Paint Valley Alcohol, Drug Addiction and Mental Health Services Board, Ross County, Ohio, (the Board), as of and for the year ended December 31, 2004, 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 modified 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 modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Paint Valley Alcohol, Drug Addiction and Mental Health Services Board, Ross County, Ohio, as of December 31, 2004, and the respective changes in modified cash financial position and the respective budgetary comparisons for the General, Medicaid, and State Grants funds thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

As discussed in Note 2A, the Board revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2005, 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 federal awards expenditure schedule 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 this information 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.



Betty Montgomery
Auditor of State

August 11, 2005

**PAINT VALLEY ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH SERVICES BOARD
ROSS COUNTY**

Management's Discussion and Analysis
For the Year Ended December 31, 2004
(Unaudited)

This discussion and analysis of the Paint Valley Alcohol, Drug Addiction and Mental Health Services Board's financial performance provides an overall review of the Board's financial activities for the year ended December 31, 2004, within the limitations of the Board's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Board's financial performance.

Highlights

Key highlights for 2004 are as follows:

Net assets of governmental activities increased \$1,262,860, or 35.6 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the Medicaid Fund, which received a large Medicaid grant receipt that was for grant expenditures paid during 2003.

The Board's general receipts are primarily property taxes and intergovernmental revenue, consisting of homestead and rollback. These receipts represent respectively 11.3% and 1.4% percent of the total cash received for governmental activities during the year. Property and homestead and rollback receipts for 2004 changed very little compared to 2003 as development within the local counties has slowed.

The Board's program receipts are comprised mostly of intergovernmental receipts. This includes federal grants and state grants. Grant receipts increased \$2,251,056 or 17.3 percent, a significant change from the prior year. This was mostly due to an increase in Medicaid receipts.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Board's modified cash basis of accounting.

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. Funds are created and maintained on the financial records of the Board as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

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.

**PAINT VALLEY ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH SERVICES BOARD
ROSS COUNTY**

Management's Discussion and Analysis
For the Year Ended December 31, 2004
(Unaudited)
(Continued)

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 modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Board's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Board as a Whole

The statement of net assets and the statement of activities reflect how the Board did financially during 2004, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Board at year end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include grants and contributions restricted to meeting the operational requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Board's general receipts.

These statements report the Board's cash position and the changes in cash position. Keeping in mind the limitations of the modified 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. When evaluating the Board's financial condition, you should also consider other nonfinancial factors as well such as the Board's property tax base, the condition of the Board's capital assets, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, the Board has only governmental activities.

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

**PAINT VALLEY ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH SERVICES BOARD
ROSS COUNTY**

Management's Discussion and Analysis
For the Year Ended December 31, 2004
(Unaudited)
(Continued)

Reporting the Board's Most Significant Funds

Fund financial statements provide detailed information about the Board's major funds – 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 is being spent for the intended purpose. The funds of the Board are all classified as governmental funds.

Governmental Funds - 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 funds are presented on the financial statements in separate columns. 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 major governmental funds are the General Fund, Medicaid Fund, and State Grants Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Board as a Whole

Table 1 provides a summary of the Board's net assets for 2004 compared to 2003 on a modified cash basis:

(Table 1)

Net Assets

	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2003</u>
Assets		
Cash and Cash Equivalents	<u>\$4,807,931</u>	<u>\$3,545,071</u>
Total Assets	<u>4,807,931</u>	<u>3,545,071</u>
 Net Assets		
Restricted for:		
Other Purposes	1,168,921	0
Unrestricted	<u>3,639,010</u>	<u>3,545,071</u>
Total Net Assets	<u>\$4,807,931</u>	<u>\$3,545,071</u>

As mentioned previously, net assets of governmental activities increased \$1,262,860, or 35.6 percent during 2004. The fund most affected by the increase in cash and cash equivalents was the Medicaid Fund, which received a large Medicaid grant receipt that was for grant expenditures paid during 2003.

Table 2 reflects the changes in net assets in 2004. Since the Board did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**PAINT VALLEY ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH SERVICES BOARD
ROSS COUNTY**

Management's Discussion and Analysis
For the Year Ended December 31, 2004
(Unaudited)
(Continued)

(Table 2)
Changes in Net Assets

	Governmental Activities 2004
	<u>2004</u>
Receipts:	
Program Receipts:	
Operating Grants and Contributions	15,406,324
Total Program Receipts	<u>15,406,324</u>
General Receipts:	
Property and Other Local Taxes	2,001,124
Grants and Entitlements Not Restricted to Specific Programs	247,039
Miscellaneous	1,816
Total General Receipts	<u>2,249,979</u>
Total Receipts	<u>17,656,303</u>
Disbursements:	
General Government	941,642
Public Health Services	15,451,801
Total Disbursements	<u>16,393,443</u>
Increase (Decrease) in Net Assets	1,262,860
Net Assets, January 1, 2004	3,545,071
Net Assets, December 31, 2004	<u><u>\$4,807,931</u></u>

Program receipts represent 87.3 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as federal and state grants for alcohol, drug addiction and mental health services provided under contract.

General receipts represent 12.7 percent of the Board's total receipts, and of this amount, 88.9 percent are property taxes. State entitlements make up the balance of the Board's general receipts (10.9 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Board and the support services provided for the other Board activities. These include the costs of the Board of Directors, as well as internal services such as payroll and purchasing of supplies and equipment.

Public Health Services disbursements represent the amounts paid to contracted providers for alcohol, drug addiction and mental health services. This represents the majority of the Board's disbursements.

**PAINT VALLEY ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH SERVICES BOARD
ROSS COUNTY**

Management's Discussion and Analysis
For the Year Ended December 31, 2004
(Unaudited)
(Continued)

Governmental Activities

If you look at the Statement of Activities on page 10, you will see that the first column lists the major services provided by the Board. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for public health services, which account for 94.2 percent of all governmental disbursements. General government also represents a significant cost, about 5.8 percent. The next column of the Statement entitled Program Cash Receipts identify grants received by the Board that must be used to provide a specific service. The net (Disbursement) Receipt column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money mostly provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost Of Services 2004	Net Cost of Services 2004
General Government	<u>\$941,642</u>	<u>(\$60,493)</u>
Public Health Services	<u>15,451,801</u>	<u>(926,626)</u>
Total Expenses	<u>\$16,393,443</u>	<u>(\$987,119)</u>

The dependence upon property tax receipts is apparent as over 6 percent of governmental activities are supported through these general receipts.

The Board's Funds

Total governmental funds had receipts of \$17,656,303 and disbursements of \$16,393,443. The greatest change within governmental funds occurred within the Medicaid Fund. The fund balance of the Medicaid Fund increased \$1,293,411 as the result of receiving a large grant receipt during 2004 that was a reimbursement for grant expenditures paid during 2003.

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 2004, the Board amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts due to an expected growth in tax receipts and homestead and rollback receipts. The difference between final budgeted receipts and actual receipts was (\$163,300) due to less than expected property tax receipts.

Final disbursements were budgeted at \$2,449,422 while actual disbursements were \$2,428,708. Although receipts failed to live up to expectations, appropriations were not reduced. The Board kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The difference between final budgeted disbursements and actual disbursements were not significant.

**PAINT VALLEY ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH SERVICES BOARD
ROSS COUNTY**

Management's Discussion and Analysis
For the Year Ended December 31, 2004
(Unaudited)
(Continued)

Capital Assets and Debt Administration

Capital Assets

The Board does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements.

Debt

The Board does not currently have any outstanding debt obligations.

Current Issues

The challenge for all Board is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and Intergovernmental receipts.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens and taxpayers 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 Juni Frey, Associate Director, Paint Valley Alcohol, Drug Addiction and Mental Health Services Board, 394 Chestnut St., Chillicothe, Ohio 45601.

**PAINT VALLEY ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH SERVICES BOARD
ROSS COUNTY**

*Statement of Net Assets - Modified Cash Basis
December 31, 2004*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$4,807,931</u>
<i>Total Assets</i>	<u><u>\$4,807,931</u></u>
Net Assets	
Restricted for:	
Other Purposes	1,168,921
Unrestricted	<u>3,639,010</u>
<i>Total Net Assets</i>	<u><u>\$4,807,931</u></u>

See accompanying notes to the basic financial statements

**PAINT VALLEY ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH SERVICES BOARD
ROSS COUNTY**

*Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2004*

	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Operating Grants and Contributions	Governmental Activities
Governmental Activities			
General Government	\$941,642	\$881,149	(\$60,493)
Public Health Services	15,451,801	14,525,175	(926,626)
<i>Total Governmental Activities</i>	<u>16,393,443</u>	<u>15,406,324</u>	<u>(987,119)</u>
		General Receipts	
		Property Taxes Levied for:	
		General Purposes	2,001,124
		Grants and Entitlements not Restricted to Specific Programs	247,039
		Miscellaneous	1,816
		<i>Total General Receipts</i>	<u>2,249,979</u>
		Change in Net Assets	1,262,860
		<i>Net Assets Beginning of Year</i>	<u>3,545,071</u>
		<i>Net Assets End of Year</i>	<u><u>\$4,807,931</u></u>

See accompanying notes to the basic financial statements

**PAINT VALLEY ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH SERVICES BOARD
ROSS COUNTY**

*Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2004*

	General	Medicaid	State Grants	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$3,639,010	\$1,171,028	(\$2,107)	\$0	\$4,807,931
<i>Total Assets</i>	<u>\$3,639,010</u>	<u>\$1,171,028</u>	<u>(\$2,107)</u>	<u>\$0</u>	<u>\$4,807,931</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	\$39,766		\$10,687	\$2,449	\$52,902
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	3,599,244				3,599,244
Special Revenue Funds		1,171,028	(12,794)	(2,449)	1,155,785
<i>Total Fund Balances</i>	<u>\$3,639,010</u>	<u>\$1,171,028</u>	<u>(\$2,107)</u>	<u>\$0</u>	<u>\$4,807,931</u>

See accompanying notes to the basic financial statements

**PAINT VALLEY ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH SERVICES BOARD
ROSS COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2004*

	General	Medicaid	State Grants	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$2,001,124				\$2,001,124
Intergovernmental	247,039	6,164,084	7,756,863	1,374,858	15,542,844
Other Grants	110,519				110,519
Other	1,816				1,816
<i>Total Receipts</i>	<u>2,360,498</u>	<u>6,164,084</u>	<u>7,756,863</u>	<u>1,374,858</u>	<u>17,656,303</u>
Disbursements					
Current:					
General Government	60,493		878,649	2,500	941,642
Public Health Services	2,328,449	4,870,673	6,880,321	1,372,358	15,451,801
<i>Total Disbursements</i>	<u>2,388,942</u>	<u>4,870,673</u>	<u>7,758,970</u>	<u>1,374,858</u>	<u>16,393,443</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(28,444)</u>	<u>1,293,411</u>	<u>(2,107)</u>	<u>0</u>	<u>1,262,860</u>
<i>Net Change in Fund Balances</i>	<u>(28,444)</u>	<u>1,293,411</u>	<u>(2,107)</u>	<u>0</u>	<u>1,262,860</u>
<i>Fund Balances Beginning of Year</i>	<u>3,667,454</u>	<u>(122,383)</u>	<u>0</u>	<u>0</u>	<u>3,545,071</u>
<i>Fund Balances End of Year</i>	<u>\$3,639,010</u>	<u>\$1,171,028</u>	<u>(\$2,107)</u>	<u>\$0</u>	<u>\$4,807,931</u>

See accompanying notes to the basic financial statements

**PAINT VALLEY ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH SERVICES BOARD
ROSS COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$2,097,424	\$2,163,239	\$2,001,124	(\$162,115)
Intergovernmental	166,628	189,833	247,039	57,206
Other Grants	168,924	168,924	110,519	(58,405)
Other	0	1,802	1,816	14
<i>Total receipts</i>	<u>2,432,976</u>	<u>2,523,798</u>	<u>2,360,498</u>	<u>(163,300)</u>
Disbursements				
Current:				
General Government	60,585	62,928	60,493	2,435
Public Health Services	2,380,365	2,386,494	2,368,215	18,279
<i>Total Disbursements</i>	<u>2,440,950</u>	<u>2,449,422</u>	<u>2,428,708</u>	<u>20,714</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(7,974)</u>	<u>74,376</u>	<u>(68,210)</u>	<u>(142,586)</u>
<i>Net Change in Fund Balance</i>	(7,974)	74,376	(68,210)	(142,586)
<i>Fund Balance Beginning of Year</i>	3,663,049	3,663,049	3,663,049	0
Prior Year Encumbrances Appropriated	<u>4,405</u>	<u>4,405</u>	<u>4,405</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$3,659,480</u>	<u>\$3,741,830</u>	<u>\$3,599,244</u>	<u>(\$142,586)</u>

See accompanying notes to the basic financial statements

**PAINT VALLEY ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH SERVICES BOARD
ROSS COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Medicaid Fund
For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$4,830,000	\$5,330,000	\$6,164,084	\$834,084
<i>Total receipts</i>	<u>4,830,000</u>	<u>5,330,000</u>	<u>6,164,084</u>	<u>834,084</u>
Disbursements				
Public Health Services	4,877,106	4,877,106	4,870,673	6,433
<i>Total Disbursements</i>	<u>4,877,106</u>	<u>4,877,106</u>	<u>4,870,673</u>	<u>6,433</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(47,106)</u>	<u>452,894</u>	<u>1,293,411</u>	<u>840,517</u>
<i>Net Change in Fund Balance</i>	(47,106)	452,894	1,293,411	840,517
<i>Fund Balance Beginning of Year</i>	(169,489)	(169,489)	(169,489)	0
<i>Prior Year Encumbrances Appropriated</i>	<u>47,106</u>	<u>47,106</u>	<u>47,106</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>(\$169,489)</u></u>	<u><u>\$330,511</u></u>	<u><u>\$1,171,028</u></u>	<u><u>\$840,517</u></u>

See accompanying notes to the basic financial statements

**PAINT VALLEY ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH SERVICES BOARD
ROSS COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
State Grants Fund
For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$7,481,890	\$7,917,681	\$7,756,863	(\$160,818)
<i>Total receipts</i>	<u>7,481,890</u>	<u>7,917,681</u>	<u>7,756,863</u>	<u>(160,818)</u>
Disbursements				
Current:				
General Government	942,617	940,117	878,649	61,468
Public Health Services	6,879,452	6,891,008	6,891,008	0
<i>Total Disbursements</i>	<u>7,822,069</u>	<u>7,831,125</u>	<u>7,769,657</u>	<u>61,468</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(340,179)</u>	<u>86,556</u>	<u>(12,794)</u>	<u>(99,350)</u>
<i>Net Change in Fund Balance</i>	(340,179)	86,556	(12,794)	(99,350)
<i>Fund Balance Beginning of Year</i>	(48,742)	(48,742)	(48,742)	0
<i>Prior Year Encumbrances Appropriated</i>	<u>48,742</u>	<u>48,742</u>	<u>48,742</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>(\$340,179)</u></u>	<u><u>\$86,556</u></u>	<u><u>(\$12,794)</u></u>	<u><u>(\$99,350)</u></u>

See accompanying notes to the basic financial statements

THIS PAGE INTENTIONALLY LEFT BLANK

**PAINT VALLEY ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH SERVICES BOARD
ROSS COUNTY**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2004*

Note 1 - Reporting Entity

The Paint Valley Alcohol, Drug Addiction and Mental Health Services Board, Ross County, Ohio, (The Board) is a body politic and corporate established to exercise the rights and privileges the constitution and laws of the State of Ohio.

The Board is directed by an eighteen-member Board of Directors. Board members are appointed by the Board's Director 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 Ross, Pickaway, Fayette, Highland, and Pike Counties. The Board provides alcohol, drug addiction and mental health services and programs to area citizens. These services are provided primarily through contracts with private and public agencies.

The primary government of the Board consists of all funds, departments, boards and agencies that are not legally separate from the Board. For the Board, this includes general operations and health-related activities.

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

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Board's accounting policies.

A. Basis of Presentation

For the fiscal year 2004, The Board revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, for financial reporting on a modified cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America, and GASB 38, for certain financial statement note disclosures. However, there are no adjustments to the beginning fund balances since the basis of accounting has not changed. The Board's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of 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. The Board does not have any business type activities.

Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

**PAINT VALLEY ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH SERVICES BOARD
ROSS COUNTY**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2004
(Continued)*

Note 2 - Summary of Significant Accounting Policies (Continued)

The statement of net assets presents the cash balance of the governmental activities of the Board at year end. The statement of activities compares disbursements with program receipts of the Board's governmental type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Board is responsible. Program receipts include grants and contributions restricted to meeting the operational requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the Board's general receipts.

Fund Financial Statements

During the year, the Board segregates transactions related to certain Board functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Board at this more detailed level. The focus of governmental fund financial statements is on the major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Board uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Board are all considered to be governmental.

Governmental Funds

The Board classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Board's major governmental funds are the General Fund, Medicare, and State Grant fund.

General Fund - The general fund accounts for all financial resources except for restricted resources requiring a separate accounting. The general fund balance is available for any purpose provided it is disbursed or transferred according to Ohio law.

Medical Assistance Program Fund (Medicaid) - The medicaid fund accumulates Medicaid grant monies to provide services in accordance with federal program guidelines.

State Grants Fund - The state grants fund accumulates state grant monies to provide services in accordance with state grant guidelines.

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

**PAINT VALLEY ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH SERVICES BOARD
ROSS COUNTY**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2004
(Continued)*

Note 2 - Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

The Board's financial statements are prepared using the modified cash basis of accounting. Receipts are recorded in the Board's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board may appropriate.

The appropriations ordinance is the Board of Director's authorization to spend resources and sets limits on expenditures plus encumbrances at the level of control selected by the Board of Director's. The legal level of control has been established at the object level within each fund and function.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Board of Director's.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board of Director's during the year.

E. Cash and Investments

In accordance with Ohio Revised Code, the Ross County Treasurer is custodian for the Board's monies. The Board's cash and investments are held in the County's cash and investment pool, and are valued at the Treasurer's reported carrying amount.

F. Inventory

The Board reports disbursements for inventories when paid. These items are not reflected as assets in the accompanying financial statements.

**PAINT VALLEY ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH SERVICES BOARD
ROSS COUNTY**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2004
(Continued)*

Note 2 - Summary of Significant Accounting Policies (Continued)

G. Capital Assets

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

H. Accumulated Leave

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

I. Employer Contributions to Cost-Sharing Pension Plans

The Board recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for the various purposes of the grants received by the Board.

The Board's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

K. Fund Balance Reserves

The Board reserves the portion of fund balances which are not available for appropriation or which are legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

Note 3 –Accountability

A. Accountability

The Board's State Grants fund at December 31, 2004 indicated a negative fund balance of \$2,107. This is due to the requirement by the pass through organization that the Board reimburse their providers for services within 30 days of invoice. This requirement is irregardless when the pass through agency reimburses the Board. The Board expends its matching funds for these services from its General and State Grants fund. Therefore a negative fund balance in the State Grants fund indicates a timing difference of the expending funds versus the related reimbursement.

**PAINT VALLEY ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH SERVICES BOARD
ROSS COUNTY**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2004
(Continued)*

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis for the General, Medicaid and State Grant Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the modified cash basis are outstanding year end encumbrances are treated as expenditures (budgetary basis) rather than as a reservation of fund balance (modified cash basis)

The encumbrances outstanding at year end (budgetary basis) amounted to \$39,766 for the General fund and \$10,687 for the State Grant fund.

Note 5 - Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Board's area. Real property tax revenues received in 2004 represent the collection of 2003 taxes. Real property taxes received in 2004 were levied after October 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in 2004 represent the collection of 2003 taxes. Public utility real and tangible personal property taxes received in 2003 became a lien on December 31, 2002, were levied after October 1, 2003, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in 2004 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2004 were levied after October 1, 2003, on the true value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The assessed values of real property, public utility property, and tangible personal property upon which 2004 property tax receipts were based on the Assessed Values of the 4 participating counties of the Board which are Ross, Fayette, Highland, and Pike Counties.

**PAINT VALLEY ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH SERVICES BOARD
ROSS COUNTY**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2004
(Continued)*

Note 6 - Risk Management

Commercial Insurance

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees and natural disasters. During the fiscal year 2004, the Board contracted with commercial carriers for professional and general liability insurance, and property insurance. Coverages provided are as follows:

• Building and Business personal property (\$250 deductible)	\$851,561
• General Liability and Medical Expenses	
- Per Occurrence (\$0 deductible)	\$1,000,000
- Aggregate Limit	\$2,000,000

The Board also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

Note 7 – Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

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 percent 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 to the traditional 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 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 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2004, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Board's contribution rate for pension benefits for 2004 was 9.55 percent, The Board's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Board's required contributions for pension obligations for the years ended December 31, 2004, 2003, and 2002 were \$39,256, \$41,752, and \$36,899 respectively. The full amount has been contributed for 2004, 2003 and 2002.

**PAINT VALLEY ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH SERVICES BOARD
ROSS COUNTY**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2004
(Continued)*

Note 8 - Postemployment Benefits

A. 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 or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit 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 2004 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$15,455. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, 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.

Note 9 – Contingent Liabilities

A. Grants

The Board receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims through December 31, 2004 will not have a material adverse effect on the Board.

THIS PAGE INTENTIONALLY LEFT BLANK

**PAINT VALLEY ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH SERVICES BOARD
ROSS COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR DECEMBER 31, 2004**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass-Through Entity Number	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department of Mental Health:</i>			
Medical Assistance Program	31-640085	93.778	\$4,066,923
Social Service Block Grant	07B-268	93.667	197,778
Block Grant for Community Mental Health Services	07B-268	93.958	154,373
Promoting Safe and Stable Families	41-CS-05-02	93.556	<u>43,001</u>
<i>Total Passed Through Ohio Department of Mental Health</i>			<u>4,462,075</u>
<i>Passed Through Ohio Department of Alcohol, Drug and Addiction Services:</i>			
Medical Assistance Program	31-640085	93.778	803,750
Block Grant for Prevention and Treatment of Substance Abuse	COME-ADA-WP0316	93.959	<u>979,706</u>
<i>Total Passed Through Ohio Department of Alcohol, Drug and Addiction Services</i>			<u>1,783,456</u>
Total Federal Awards Expenditures			<u>\$6,245,531</u>

The accompanying notes are an integral part of this schedule.

**PAINT VALLEY ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH SERVICES BOARD
ROSS COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SUBRECIPIENTS

The Board passes-through certain Federal assistance received from U.S. Department of Health and Human Services to other governments or not-for-profit agencies (subrecipients). As described in Note A, the Board records expenditures of Federal awards to subrecipients when paid in cash.

For each federal program listed on the Schedule, 100% of the expenditures were passed through to subrecipients.

The subrecipient agencies have certain compliance responsibilities related to administering these Federal Programs. Under Federal 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.



Auditor of State Betty Montgomery

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

Paint Valley Alcohol, Drug Addiction
and Mental Health Services Board
Ross County
394 Chestnut Street
Chillicothe, Ohio 45601

To the Board of Directors:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Paint Valley Alcohol, Drug Addiction and Mental Health Services Board, Ross County, Ohio, (the Board) as of and for the year ended December 31, 2004, which collectively comprise the Board's basic financial statements and have issued our report thereon dated August 11, 2005, wherein we noted the Board revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. 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 to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting 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 misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Board's management dated August 11, 2005, we reported an other matter involving internal control over financial reporting we did not deem a reportable condition.

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*.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

Paint Valley Alcohol, Drug Addiction
and Mental Health Services Board
Ross County
Independent Accountants' Report on Internal Control over
Financial Reporting and on Compliance and other Matters
Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

August 11, 2005



Auditor of State Betty Montgomery

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

Paint Valley Alcohol, Drug Addiction
and Mental Health Services Board
Ross County
394 Chestnut Street
Chillicothe, Ohio 45601

To the Board of Directors:

Compliance

We have audited the compliance of the Paint Valley Alcohol, Drug Addiction and Mental Health Services Board, Ross 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 each of its major federal programs for the year ended December 31, 2004. The summary of auditor's results section of the accompanying schedule of findings identifies the Board's major federal programs. 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 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 our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the Board complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2004.

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.

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



Betty Montgomery
Auditor of State

August 11, 2005

**PAINT VALLEY ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH SERVICES BOARD
ROSS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2004**

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 control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance 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 Block Grant for Community Mental Health Services; CFDA # 93.958
<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?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

**PAINT VALLEY A.D.A.M.H. SERVICES BOARD
ROSS 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
SEPTEMBER 13, 2005**