



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

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2007



Mary Taylor, CPA
Auditor of State

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

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Mary Taylor, CPA

Auditor of State

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 and each major fund 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, 2007, 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 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities and each major fund of the Paint Valley Alcohol, Drug Addiction and Mental Health Services Board, Ross County, Ohio, as of December 31, 2007, and the respective changes in cash financial position and the respective budgetary comparisons for the General, State Grant, and Federal Grant Funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2008, 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 not a required part of the basic financial statements. We subjected the Federal Awards Expenditure Schedule 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

June 23, 2008

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Unaudited)**

This discussion and analysis of the Paint Valley Alcohol, Drug Addiction and Mental Health Services Board's (the Board) financial performance provides an overall review of the Board's financial activities for the year ended December 31, 2007, within the limitations of the Board's 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 2007 are as follows:

Net assets of governmental activities increased 269,996, or 11.2 percent.

The Board's general receipts are primarily property taxes and grants and entitlements not restricted to specific programs, consisting of homestead and rollback. These receipts represent respectively 10.7% and 2.6% percent of the total cash received for governmental activities during the year. Property and homestead and rollback receipts for 2007 increased 3.8%.

The Board's program receipts are comprised mostly of intergovernmental receipts. This includes federal grants and state grants. Operating grants and contributions increased \$1,232,310 or 8.4% percent.

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 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, 2007
(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 cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Board's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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

Reporting the Board as a Whole

The statement of net assets and the statement of activities reflect how the Board did financially during 2007, within the limitations of 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 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, 2007
(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 Board's major governmental funds are the General Fund, Federal Grant Fund, and State Grant 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 2007 compared to 2006 on a cash basis:

Net Assets

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Assets		
Cash and Cash Equivalents	\$2,681,325	\$2,411,329
Total Assets	<u>2,681,325</u>	<u>2,411,329</u>
 Net Assets		
Restricted for:		
Other Purposes	645,811	210,978
Unrestricted	<u>2,035,514</u>	<u>2,200,351</u>
Total Net Assets	<u>\$2,681,325</u>	<u>\$2,411,329</u>

As mentioned previously, net assets of governmental activities increased 269,996, or 11.2 percent during 2007.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Unaudited)
(Continued)**

Table 2 reflects the changes in net assets in 2007 compared to 2006.

(Table 2)
Changes in Net Assets

	Governmental Activities 2007	Governmental Activities 2006
Receipts:		
Program Receipts:		
Operating Grants and Contributions	15,843,492	14,611,182
Total Program Receipts	<u>15,843,492</u>	<u>14,611,182</u>
General Receipts:		
Property and Other Local Taxes	1,963,692	1,980,749
Grants and Entitlements Not Restricted to Specific Programs	611,809	367,350
Miscellaneous	2,732	3,404
Total General Receipts	<u>2,578,233</u>	<u>2,351,503</u>
Total Receipts	<u>18,421,725</u>	<u>16,962,685</u>
Disbursements:		
General Government	901,470	1,042,440
Public Health Services	17,250,259	17,740,661
Total Disbursements	<u>18,151,729</u>	<u>18,783,101</u>
Increase (Decrease) in Net Assets	269,996	(1,820,416)
Net Assets, January 1	<u>2,411,329</u>	<u>4,231,745</u>
Net Assets, December 31	<u>\$2,681,325</u>	<u>\$2,411,329</u>

Program receipts represent 86.7 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. Program receipts reflect an increase of 1.2 million dollars primarily due to timing differences, as an additional ¼ allocation of ODMH funds were drawn down in fiscal year 2007.

General receipts represent 13.3 percent of the Board's total receipts, and of this amount, 76.2 percent are property taxes. Grants and entitlements not restricted to specific programs make up most of the balance of the Board's general receipts (23.7 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources. General receipts changed very little from the prior year.

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 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. Disbursements decreased \$631,372 or 3.4% from the prior year.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(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 95 percent of all governmental disbursements. General government represents five percent of all governmental disbursements. 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	Net Cost	Total Cost	Net Cost
	Of Services	of Services	Of Services	of Services
	2007	2007	2006	2006
General Government	901,470	(47,484)	\$1,042,440	(\$99,440)
Public Health Services	17,250,259	(2,260,753)	17,740,661	(4,072,479)
Total Expenses	18,151,729	(2,308,237)	\$18,783,101	(\$4,171,919)

The Board's Funds

Total governmental funds had receipts of \$18,421,725 and disbursements of \$18,151,729. The greatest change within governmental funds occurred within the Federal Fund. This was due to decreases in contractual expenditures.

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 2007, the Board amended its General Fund budget two times to reflect changing circumstances. Final budgeted receipts were less than actual receipts by \$53,939.

Final disbursements were budgeted at \$2,744,383 while actual disbursements were \$2,662,006.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(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 the 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. We've had to cut agency contracts this year and expect more if Medicaid costs continue to rise at the current levels.

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 - CASH BASIS
DECEMBER 31, 2007**

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,681,325</u>
<i>Total Assets</i>	<u><u>\$2,681,325</u></u>
Net Assets	
Restricted for:	
Other Purposes	645,811
Unrestricted	<u>2,035,514</u>
<i>Total Net Assets</i>	<u><u>\$2,681,325</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 - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Cash Disbursements	Operating Grants and Contributions	Net (Disbursements) Receipts and Changes in Net Assets
Governmental Activities			Governmental Activities
General Government	901,470	853,986	(47,484)
Public Health Services	17,250,259	14,989,506	(2,260,753)
Total Governmental Activities	\$18,151,729	\$15,843,492	(\$2,308,237)
		General Receipts	
		Property Taxes Levied for:	
		General Purposes	1,963,692
		Grants and Entitlements not Restricted to	
		Specific Programs	611,809
		Miscellaneous	2,732
		<i>Total General Receipts</i>	<u>2,578,233</u>
		Change in Net Assets	269,996
		<i>Net Assets Beginning of Year</i>	<u>2,411,329</u>
		<i>Net Assets End of Year</i>	<u><u>\$2,681,325</u></u>

See accompanying notes to the basic financial statements

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

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	<u>General</u>	<u>Federal</u>	<u>State Grants</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,035,514	\$534,527	\$111,284	\$2,681,325
<i>Total Assets</i>	<u>\$2,035,514</u>	<u>\$534,527</u>	<u>\$111,284</u>	<u>\$2,681,325</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$30,392	\$442,101	\$134,351	\$606,844
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	2,005,122	0	0	2,005,122
Special Revenue Funds	0	92,426	(23,067)	69,359
<i>Total Fund Balances</i>	<u>\$2,035,514</u>	<u>\$534,527</u>	<u>\$111,284</u>	<u>\$2,681,325</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 CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	General	Federal	State Grants	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$1,963,692	\$0	\$0	\$1,963,692
Intergovernmental	472,496	7,686,091	8,157,401	16,315,988
Other Grants	139,313	0	0	139,313
Other	2,732	0	0	2,732
<i>Total Receipts</i>	<u>2,578,233</u>	<u>7,686,091</u>	<u>8,157,401</u>	<u>18,421,725</u>
Disbursements				
Current:				
General Government	64,914	0	836,556	901,470
Health	2,566,700	7,362,542	7,321,017	17,250,259
<i>Total Disbursements</i>	<u>2,631,614</u>	<u>7,362,542</u>	<u>8,157,573</u>	<u>18,151,729</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(53,381)	323,549	(172)	269,996
<i>Fund Balances Beginning of Year</i>	<u>2,088,895</u>	<u>210,978</u>	<u>111,456</u>	<u>2,411,329</u>
<i>Fund Balances End of Year</i>	<u><u>\$2,035,514</u></u>	<u><u>\$534,527</u></u>	<u><u>\$111,284</u></u>	<u><u>\$2,681,325</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
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$1,994,690	\$1,909,849	\$1,963,692	\$53,843
Intergovernmental	307,368	472,496	472,496	0
Other Grants	100,000	139,313	139,313	0
Other	0	2,636	2,732	96
<i>Total receipts</i>	<u>2,402,058</u>	<u>2,524,294</u>	<u>2,578,233</u>	<u>53,939</u>
Disbursements				
Current:				
General Government	72,157	83,806	64,914	18,892
Health	2,603,443	2,660,577	2,597,092	63,485
<i>Total Disbursements</i>	<u>2,675,600</u>	<u>2,744,383</u>	<u>2,662,006</u>	<u>82,377</u>
<i>Net Change in Fund Balance</i>	(273,542)	(220,089)	(83,773)	136,316
<i>Fund Balance Beginning of Year</i>	<u>2,088,895</u>	<u>2,088,895</u>	<u>2,088,895</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$1,815,353</u></u>	<u><u>\$1,868,806</u></u>	<u><u>\$2,005,122</u></u>	<u><u>\$136,316</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
FEDERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$9,482,692	\$7,572,768	\$7,686,091	\$113,323
<i>Total receipts</i>	<u>9,482,692</u>	<u>7,572,768</u>	<u>7,686,091</u>	<u>113,323</u>
Disbursements				
Current:				
Health	9,334,508	7,370,263	7,804,643	(434,380)
<i>Total Disbursements</i>	<u>9,334,508</u>	<u>7,370,263</u>	<u>7,804,643</u>	<u>(434,380)</u>
<i>Net Change in Fund Balance</i>	148,184	202,505	(118,552)	(321,057)
<i>Fund Balance Beginning of Year</i>	(221,595)	(221,595)	(221,595)	0
Prior Year Encumbrances Appropriated	<u>432,573</u>	<u>432,573</u>	<u>432,573</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$359,162</u></u>	<u><u>\$413,483</u></u>	<u><u>\$92,426</u></u>	<u><u>(\$321,057)</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, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$8,061,699	\$8,171,438	\$8,157,401	(\$14,037)
<i>Total receipts</i>	<u>8,061,699</u>	<u>8,171,438</u>	<u>8,157,401</u>	<u>(14,037)</u>
Disbursements				
Current:				
General Government	1,005,094	1,000,894	855,527	145,367
Health	7,267,165	7,435,194	7,436,397	(1,203)
<i>Total Disbursements</i>	<u>8,272,259</u>	<u>8,436,088</u>	<u>8,291,924</u>	<u>144,164</u>
<i>Net Change in Fund Balance</i>	(210,560)	(264,650)	(134,523)	130,127
<i>Fund Balance Beginning of Year</i>	101,894	101,894	101,894	0
Prior Year Encumbrances Appropriated	<u>9,562</u>	<u>9,562</u>	<u>9,562</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>(\$99,104)</u>	<u>(\$153,194)</u>	<u>(\$23,067)</u>	<u>\$130,127</u>

See accompanying notes to the basic financial statements

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**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, 2007***

Note 1 – Description of the 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 of 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.

Reporting Entity

Component units are legally separate organizations for which the Board is financially accountable. The Board is financially accountable for an organization if the Board appoints a voting majority of the organization's governing board and (1) the Board is able to significantly influence the programs or services performed or provided by the organization; or (2) the Board is legally entitled to or can otherwise access the organization's resources; the Board is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Board is obligated for the debt of the organization. The Board is also financially accountable for any 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. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Board, are accessible to the Board and are significant in amount to the Board. The Board has no component units.

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 cash basis of accounting. 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 Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Board's accounting policies.

A. Basis of Presentation

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. Governmental activities generally are financed through taxes, intergovernmental receipts and 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, 2007
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Government-Wide Financial Statements (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 for each of the Board's governmental 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 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.

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 Board's funds are all classified as 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, Federal and State Grant Funds.

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.

Federal Grant Fund –The federal grant fund accumulates federal grant monies including Medicaid to provide services in accordance with federal guidelines.

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

**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, 2007
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

The Board's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, 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. Any such modifications made by the Board are described in the appropriate section in this note.

As a result of the use of this 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 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 Directors. 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 certificate of estimated resources in effect at the time final appropriations were passed by the Board of Directors.

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 Directors during the year.

E. Cash and Investments

The Ross County Treasurer is the custodian for the Board's cash and investments. The County's cash and investment pool holds the Board's cash and investments, which are reported at the County Treasurer's carrying amount. Deposits and investments disclosures for the County as a whole may be obtained from the County Treasurer, Jerry Byers at 2 North Paint Street, Chillicothe, Ohio 45601.

F. Inventory and Prepaid Items

The Board reports disbursements for inventories and prepaid items 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, 2007
(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 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 6 and 7, 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.

L. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

The Board had no interfund transactions in 2007.

**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, 2007
(Continued)**

Note 3 – 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 Statements of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis for the General, Federal Grant, 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 cash basis are outstanding year end encumbrances are treated as expenditures (budgetary basis) rather than as a reservation of fund balance (cash basis)

The encumbrances outstanding at year end (budgetary basis) amounted to \$30,392, \$442,101 and \$134,351 for the General, Federal Grant and State Grant Funds, respectively.

Note 4 - 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 2007 represent the collection of 2006 taxes. Real property taxes received in 2007 were levied after October 1, 2006, on the assessed values as of January 1, 2006, 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 2007 represent the collection of 2006 taxes. Public utility real and tangible personal property taxes received in 2007 became a lien on December 31, 2006, were levied after October 1, 2007, 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 2007 (other than public utility property) represent the collection of 2007 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of December 31, 2006. 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 2007 property tax receipts were based on the assessed values of the 5 participating counties of the Board which are Ross, Pickaway, 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, 2007
(Continued)**

Note 5 - 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 2007, 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 (\$500 deductible)	\$ 820,000
• Equipment	80,000
• 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 6 – Defined Benefit Pension Plans

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 OPERS 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 publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

For the year ended December 31, 2007, the members of all three plans were required to contribute 9.5 percent of their annual covered salaries. The Board's contribution rate for pension benefits for 2007 was 13.85 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Board's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$39,187, \$41,922, and \$39,664, respectively. The full amount has been contributed for 2007, 2006 and 2005.

**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, 2007
(Continued)**

Note 7 - Postemployment 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 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 2007 local government employer contribution rate was 13.85 percent of covered payroll; for all employers, allocated to health care was 5 percent from January 1 through June 30, 2007 and 6 percent from July 1 through December 31, 2007.

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, 2006, include a rate of return on investments of 6.50 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 .50 and 5.00 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, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 374,979. The number of active contributing participants for both plans used in the December 31, 2006, actuarial valuation was 362,130. Actual employer contributions for 2007 which were used to fund postemployment benefits were \$39,187. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) were \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 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. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008 which will allow additional funds to be allocated to the health care plan.

Note 8 – 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, 2007 will not have a material adverse effect on the Board.

**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, 2007
(Continued)**

Note 9 - Related Party

The Board has made the following advances to the Scioto Paint Valley Mental Health Center, Inc. (the Organization):

Advance Operating Fund	\$ 489,828
Advances on future contracts made in fiscal year 1984	402,317
Advances on future contracts made in fiscal year 1984	219,179
Returned during fiscal year 1992	(100,000)
Advance of future contracts made in fiscal year 2007	8,868
Total Advances at December 31, 2007	<u>\$ 1,020,192</u>

In addition, the Organization rents the Children's Residential Center from the Board for \$1 per year.

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

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2007**

Federal Grantor/ Pass Through Grantor Program Title	Pass-Through Entity Number	Federal CFDA Number	Expenditures
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<i>Passed Through Ohio Department of Mental Health:</i>			
Social Service Block Grant	C-05-05-04	93.667	\$187,547
State Children's Insurance Program	31-640085	93.767	290,861
Medical Assistance Program	31-640085	93.778	4,556,827
Block Grant for Community Mental Health Services	31-640085	93.958	174,475
Promoting Safe and Stable Families	41-C5-06-01	93.556	143,335
Community Based Child Abuse Prevention Grants	41-CS-07-02	93.590	35,000
Substance Abuse and Mental Health Services	34-TSIG-07-01	93.243	18,215
<i>Total Passed Through Ohio Department of Mental Health</i>			5,406,260
<i>Passed through Ohio Department of Alcohol, Drug and Addiction Services:</i>			
State Children's Insurance Program	31-640085	93.767	34,493
Medical Assistance Program	31-640085	93.778	1,115,264
Block Grant for Prevention and Treatment of Substance Abuse	COME-ADA-WP0316	93.959	806,525
<i>Total Passed Through Ohio Department of Alcohol, Drug Addiction Services</i>			1,956,282
Total Federal Awards Expenditures			<u>\$7,362,542</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
FISCAL YEAR ENDED DECEMBER 31, 2007**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the 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 the 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 the 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.



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*

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 and each major fund 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, 2007, which collectively comprise the Board's basic financial statements and have issued our report thereon dated June 23, 2008. 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-001.

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*

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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe finding number 2007-001 is also a material weakness.

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*.

The Board's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Board's response and, accordingly, we express no opinion on it.

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



Mary Taylor, CPA
Auditor of State

June 23, 2008



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE 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 its major federal program for the year ended December 31, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the Board's major federal program. The Board's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to 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 Board's compliance with those requirements.

In our opinion, the Board complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2007.

However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that OMB Circular A-133 requires us to report, which is described in the accompanying schedule of findings as item 2007-002.

Internal Control over Compliance

The Board's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Board's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Board's ability to administer a federal program such that there is more than a remote likelihood that the Board's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that the Board's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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

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



Mary Taylor, CPA
Auditor of State

June 23, 2008

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2007**

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 weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control 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 weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control 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?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA # 93.778 Medical Assistance Program
<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**

FINDING NUMBER 2007-001

Financial Statement Adjustments – Significant Deficiency/Material Weakness

Sound financial reporting is the responsibility of the Associate Director and the Board of Directors and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2007
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

**FINDING NUMBER 2007-001 (Continued)
Financial Statement Adjustments (Continued)**

The following audit adjustments and reclassifications were made to the December 31, 2007 financial statements:

1. Entry to increase beginning net assets of governmental activities by \$287,017 on the statement of activities - the beginning balance did not agree to the prior year ending balance.
2. Entries to increase/(decrease) the beginning individual fund balances of the General Fund (\$35,417), Federal Fund \$196,678, and State Grants Fund (\$161,261), so the individual fund balances would agree to the respective prior year ending balances.
3. On the Statement of Activities, entry to reclassify Operating Grants & Contributions by \$305,947 (Health) and \$17,430 (General Government) from Unrestricted Grants.
4. Entry to reclassify \$472,496 of homestead and rollback receipts from Property Taxes to Grants & Entitlements not Restricted to Specific Programs.
5. An entry to reclassify \$139,313 from Special Assessments to Other Grants within the General Fund.
6. On the Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual the beginning fund balance amounts disclosed in the original budget, final budget, and actual columns should agree to the prior year ending actual budgetary basis fund balance. Corrections were posted to increase/(decrease) the General Fund Original \$7,610, and Final \$96,401; Federal Fund Original (\$830,226) and Final \$685,333; and State Grants Fund Original \$261,837 and Final \$220,587.

The adjustments and reclassifications enumerated above were agreed to by management and posted to the financial statements; these should be reviewed by the Associate Director to ensure that similar errors are not reported on financial statements. In addition, we recommend the Board adopt procedures for the review of the activity posted to the accounting records and subsequent financial statements.

Officials' Response:

We will contract with an outside agency for statement review prior to next year's annual audit to correct adjustment issues.

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2007
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Federal Awards Expenditures Schedule – Noncompliance Finding

Finding Number	2007-002
CFDA Title and Number	Medical Assistance Program – 93.778
Federal Award Number / Year	31-640085 – 2007
Federal Agency	The U.S. Department of Health and Human Services
Pass-Through Agency	The Ohio Department of Mental Health The Ohio Department of Alcohol and Drug Addiction Services

OMB Circular A-133 Section __.300 (d) states that auditees shall prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with Section __.310. OMB Circular A-133 Section __.310 (b) states an auditee shall prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements.

Total expenditures reported for four of the Board's eight programs on its Federal Awards Expenditures Schedule were incorrect; these required the following adjustments:

- Decrease Social Service Block Grant expenditures by \$3,354.
- Decrease State Children's Insurance Program expenditures by \$32,925.
- Decrease Medical Assistance Program expenditures by \$291,140.
- Decrease Block Grant for Community Mental Health Services expenditures by \$18,215.

The adjustments enumerated above were agreed to by management and posted to the Federal Awards Expenditure Schedule. These should be reviewed by management to ensure that similar errors are not reported in the future.

Officials' Response and Corrective Action Plan:

We will contract with an outside agency for statement review prior to next year's annual audit to correct adjustment issues.

Anticipated Completion Date: January 2009
Responsible Contact: Juni Frey



Mary Taylor, CPA
Auditor of State

PAINT VALLEY ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH SERVICE 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 2, 2008**