



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

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2010



Dave Yost • Auditor of State

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

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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, 2010, 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, 2010, the respective changes in cash financial position, and the budgetary comparison thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2011, 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.

Accounting principles generally accepted in the United States of America require this presentation to include Management's Discussion and Analysis, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Board's basic financial statements taken as a whole. The federal awards expenditure schedule provides additional information required by the 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. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

July 20, 2011

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(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, 2010, 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 2010 are as follows:

Net assets of governmental activities increased \$837,118, or 42.41 percent.

The Board's general receipts are primarily property taxes and intergovernmental revenue, consisting of homestead and rollback. These receipts represent 8.7 percent and 3.7 percent, respectively, of the total cash received for governmental activities during the year.

The Board's program receipts are comprised mostly of intergovernmental receipts. This includes federal grants and state grants. Operating grants and contributions increased \$1,241,139 or 7.6 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, 2010
(Unaudited)**

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Board has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Board's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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

Reporting the Board as a Whole

The statement of net assets and the statement of activities reflect how the Board did financially during 2010, 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, 2010
(Unaudited)**

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 2010 compared to 2009 on a cash basis:

Net Assets

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Assets		
Cash and Cash Equivalents	\$2,811,109	\$1,973,991
Total Assets	<u>2,811,109</u>	<u>1,973,991</u>
Net Assets		
Restricted for:		
Other Purposes	242,666	197,289
Unrestricted	<u>2,568,443</u>	<u>1,776,702</u>
Total Net Assets	<u>\$2,811,109</u>	<u>\$1,973,991</u>

As mentioned previously, net assets of governmental activities increased \$837,118, or 42.41 percent.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Unaudited)**

Table 2 reflects the changes in net assets in 2010 compared to 2009.

	Governmental Activities 2010	Governmental Activities 2009
Receipts:		
Program Receipts:		
Operating Grants and Contributions	\$17,608,007	\$16,366,868
Total Program Receipts	<u>17,608,007</u>	<u>16,366,868</u>
General Receipts:		
Property and Other Local Taxes	1,754,086	1,712,170
Grants and Entitlements Not Restricted to Specific Programs	748,468	738,883
Miscellaneous	23,680	115,039
Total General Receipts	<u>2,526,234</u>	<u>2,566,092</u>
Total Receipts	<u>20,134,241</u>	<u>18,932,960</u>
Disbursements:		
General Government	899,528	1,044,452
Public Health Services	18,397,595	18,282,630
Total Disbursements	<u>19,297,123</u>	<u>19,327,082</u>
Increase (Decrease) in Net Assets	837,118	(394,122)
Net Assets, January 1	1,973,991	2,368,113
Net Assets, December 31	<u>\$2,811,109</u>	<u>\$1,973,991</u>

Program receipts represent 87.5 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 increased \$1,241,139 or 7.6 percent from the prior year.

General receipts represent 12.5 percent of the Board's total receipts, and of this amount, 69.4 percent are property taxes. Grants and entitlements not restricted to specific programs make up 29.6 percent. Other receipts account for 0.9 percent of general receipts. 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. General Government disbursements decreased by \$144,924 or 13.9 percent.

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. Public Health Disbursements increased \$114,965 or 0.6 percent 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, 2010
(Unaudited)**

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 Of Services 2010	Net Cost of Services 2010	Total Cost Of Services 2009	Net Cost of Services 2009
	General Government	\$ 899,528	\$ (732,812)	\$ 1,044,452
Public Health Services	18,397,595	(956,304)	18,282,630	(2,095,245)
Total Expenses	\$ 19,297,123	\$ (1,689,116)	\$ 19,327,082	\$ (2,960,214)

The Board's Funds

Total governmental funds had receipts of \$20,134,241 and disbursements of \$19,297,123. The greatest change within governmental funds occurred within the General Fund. This was due to an increase in General Fund intergovernmental revenue and a decrease in public health disbursements made during 2010.

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 2010, the Board amended its budget several times to reflect changing circumstances. Final budgeted receipts were more than actual receipts by \$50,126.

Final disbursements were budgeted at \$20,312,704 while actual disbursements were \$19,307,712.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Unaudited)**

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. The Board relies heavily on local taxes and intergovernmental receipts. The Board has had to cut agency contracts this year and expects more if Medicaid costs continue to rise at the current levels. Even the Federal stimulus dollars received in CY2010 in the amount of \$1,342,590 do not appear to be enough to avoid Agency cuts again.

The Board has continued and expanded the Vocational Rehabilitation Pathways Grant in the amount of \$1,225,353.

Contacting the Board'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, Executive 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, 2010**

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 2,811,109</u>
<i>Total Assets</i>	<u><u>\$ 2,811,109</u></u>
Net Assets	
Restricted for:	
Other Purposes	242,666
Unrestricted	<u>2,568,443</u>
<i>Total Net Assets</i>	<u><u>\$ 2,811,109</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, 2010**

	Cash Disbursements	Operating Grants and Contributions	Net (Disbursements) Receipts and Changes in Net Assets Governmental Activities
Governmental Activities			
General Government	\$ 899,528	\$ 166,716	\$ (732,812)
Public Health Services	18,397,595	17,441,291	(956,304)
<i>Total Governmental Activities</i>	\$ 19,297,123	\$ 17,608,007	(1,689,116)
 General Receipts			
Property Taxes Levied for:			
General Purposes			1,754,086
Grants and Entitlements not Restricted to Specific Programs			748,468
Miscellaneous			23,680
<i>Total General Receipts</i>			2,526,234
Change in Net Assets			837,118
<i>Net Assets Beginning of Year</i>			1,973,991
<i>Net Assets End of Year</i>			\$ 2,811,109

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, 2010**

	General Fund	Federal Grant Fund	State Grant Fund	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 2,891,546	\$ (323,103)	\$ 242,666	\$ 2,811,109
<i>Total Assets</i>	<u>\$ 2,891,546</u>	<u>\$ (323,103)</u>	<u>\$ 242,666</u>	<u>\$ 2,811,109</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$ -	\$ 40	\$ 10,549	\$ 10,589
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	2,891,546	-	-	2,891,546
Special Revenue Funds	-	(323,143)	232,117	(91,026)
<i>Total Fund Balances</i>	<u>\$ 2,891,546</u>	<u>\$ (323,103)</u>	<u>\$ 242,666</u>	<u>\$ 2,811,109</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, 2010**

	General Fund	Federal Grant Fund	State Grant Fund	Total Governmental Funds
Receipts				
Property Taxes	\$ 1,754,086	\$ -	\$ -	\$ 1,754,086
Intergovernmental	1,048,468	11,760,229	5,547,778	18,356,475
Other Grants	13,474	-	-	13,474
Other	10,206	-	-	10,206
<i>Total Receipts</i>	<u>2,826,234</u>	<u>11,760,229</u>	<u>5,547,778</u>	<u>20,134,241</u>
Disbursements				
Current:				
General Government	50,205	121,669	727,654	899,528
Health	1,661,185	12,047,668	4,688,742	18,397,595
<i>Total Disbursements</i>	<u>1,711,390</u>	<u>12,169,337</u>	<u>5,416,396</u>	<u>19,297,123</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	1,114,844	(409,108)	131,382	837,118
<i>Fund Balances Beginning of Year</i>	<u>1,776,702</u>	<u>86,005</u>	<u>111,284</u>	<u>1,973,991</u>
<i>Fund Balances End of Year</i>	<u>\$ 2,891,546</u>	<u>\$ (323,103)</u>	<u>\$ 242,666</u>	<u>\$ 2,811,109</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
ALL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 1,733,361	\$ 1,752,708	\$ 1,754,086	\$ 1,378
Intergovernmental	18,048,506	18,321,329	18,356,475	35,146
Other Grants	100,000	100,000	13,474	(86,526)
Other	2,500	10,330	10,206	(124)
<i>Total receipts</i>	<u>19,884,367</u>	<u>20,184,367</u>	<u>20,134,241</u>	<u>(50,126)</u>
Disbursements				
Current:				
General Government	1,167,472	1,169,702	910,077	259,625
Health	18,788,357	19,143,002	18,397,635	745,367
<i>Total Disbursements</i>	<u>19,955,829</u>	<u>20,312,704</u>	<u>19,307,712</u>	<u>1,004,992</u>
<i>Net Change in Fund Balance</i>	(71,462)	(128,337)	826,529	954,866
<i>Fund Balance Beginning of Year</i>	1,963,213	1,963,213	1,963,213	-
<i>Prior Year Encumbrances Appropriated</i>	10,778	10,778	10,778	-
<i>Fund Balance End of Year</i>	<u>\$ 1,902,529</u>	<u>\$ 1,845,654</u>	<u>\$ 2,800,520</u>	<u>\$ 954,866</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, 2010**

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 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, 2010
(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 non-exchange 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, 2010
(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 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

The 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 Ross 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 assets 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, 2010
(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 2010.

**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, 2010
(Continued)**

Note 3 – Budgetary Basis of Accounting/Accountability

A. 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 All funds presents the Board’s budget as approved and submitted to the Ross County Auditor’s office. This presentation shows the combined budgeted receipts and appropriations for the general, federal, and state funds combined. This statement is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget as it was approved. Below is a schedule of budgeted receipts and expenditures on a fund level:

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
General Fund				
Receipts				
Property and Other Local Taxes	\$ 1,733,361	\$ 1,752,708	\$ 1,754,086	\$ 1,378
Intergovernmental	1,346,397	1,054,221	1,048,468	(5,753)
Other Grants	100,000	100,000	13,474	(86,526)
Other	2,500	10,330	10,206	(124)
Disbursements				
Current:				
General Government	46,000	52,435	50,205	2,230
Health	1,664,585	1,663,756	1,661,185	2,571
Federal Fund				
Receipts				
Intergovernmental	\$ 11,999,116	\$ 11,719,330	\$ 11,760,229	\$ 40,899
Disbursements				
General Government	-	123,295	121,669	1,626
Health	12,165,699	12,783,209	12,047,708	735,501
State Fund				
Receipts				
Intergovernmental	\$ 4,702,993	\$ 5,547,778	\$ 5,547,778	\$ -
Disbursements				
General Government	1,121,472	993,972	738,203	255,769
Health	4,958,073	4,696,037	4,688,742	7,295

**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, 2010
(Continued)**

Note 3 – Budgetary Basis of Accounting/Accountability (Continued)

A. Budgetary Basis of Accounting (Continued)

The differences between the budgetary basis and the cash basis are outstanding year end encumbrances, treated as expenditures (budgetary basis) rather than as a reservation of fund balance (cash basis).

Encumbrances outstanding at year end amounted to \$40 for the Federal Fund and \$10,549 for the State Grant Fund.

B. Deficit Fund Balance

The Board's Federal Fund has a deficit fund balance of (\$323,103) at December 31, 2010. Since the Board accounts for all activity within one fund (see Note 2E) and then breaks out individual funds for financial reporting, no non-compliance occurred. This deficit fund balance is due to timing of cash flows of federal grant funds and will be corrected when grant reimbursements are received.

Note 4 - Property Taxes

Property taxes include amounts levied against all real property and public utility property located in the Board's area. Real property tax revenues received in 2010 represent the collection of 2009 taxes. Real property taxes received in 2010 were levied after October 1, 2009, on the assessed values as of January 1, 2009, 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 2010 represent the collection of 2009 taxes. Public utility real property taxes received in 2010 became a lien on December 31, 2009, were levied after October 1, 2010, 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 were phased out in 2009.

The assessed values of real property and public utility property upon which 2010 property tax receipts were based on the Assessed Values of the 5 participating counties of the Board which are Ross, Fayette, Highland, Pickaway, 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, 2010
(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 2010, 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	\$ 882,792
• Computer 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 Plan

Ohio Public Employees Retirement System

The Board participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional 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 maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans.

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 or by calling 614-222-5601 or 800-222-7377.

**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, 2010
(Continued)**

Note 6 – Defined Benefit Pension Plan (Continued)

For the year ended December 31, 2010, the members of all three plans were required to contribute 10 percent of their annual covered salaries. The Board's contribution rate for pension benefits for 2010 was 14 percent. The Board has elected to pick-up 5 percent of each employee's required contribution, meaning each member contributes 5 percent and the Board contributes 19 percent. The one exception is our Executive Director for which the Board contributes the entire 24 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, 2010, 2009, and 2008 were \$92,201, \$92,143, and \$87,871, respectively. The full amount has been contributed for 2010, 2009, and 2008.

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

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 2010 local government employer contribution rate was 14 percent of covered payroll; 5.5 percent from January 1 through February 28, 2010 and 5.0 percent from March 1 through December 31, 2010 was the portion used to fund health care.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

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, and January 1, 2007, which will allow additional funds to be allocated to the health care plan. Disclosures for health care benefits are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

**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, 2010
(Continued)**

Note 8 – Contingent Liabilities

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, 2010 will not have a material adverse effect on the Board.

Note 9 – Related Parties

In September 2010, the Board approved a one-time capital improvement payment to Pike County Recovery Services for renovations to their building at 196 East Emmitt Avenue, Waverly, Ohio to house a 16-bed non-medical residential program for women.

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

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 on contract made in fiscal year 2007	78,187
Billed amount (\$69,319) plus \$8,868 returned to Board (2008)	(78,187)
Earned during fiscal year 2008	(118,915)
 Total Advances	 \$ 892,409

In June 2009, the Board approved a one-time grant to Lighthouse Twelve-Step Inc. (a provider for Scioto-Paint Valley Mental Health Center) for the purchase of a building at 291 South Paint Street, Chillicothe, Ohio in the amount of \$30,000. The grant agreement provides that if the building is sold or if a default occurred on the mortgage held by Lighthouse within three years of receiving the grant that the entire grant amount would be required to be repaid to the Board

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

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2010**

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	\$ 157,003
State Children's Insurance Program	31-640085	93.767	473,868
Medical Assistance Program	31-640085	93.778	6,625,722
ARRA - Medical Assistance Program	31-640085	93.778	1,036,884
Block Grant for Community Mental Health Services	31-640085	93.958	184,280
Child Care and Development Block Grant	OCS-41-09-01	93.596	49,266
<i>Total Passed Through Ohio Department of Mental Health</i>			<u>8,527,023</u>
 <i>Passed through The Ohio Department of Alcohol and Drug Addiction Services:</i>			
State Children's Insurance Program	31-640085	93.767	185,608
Medical Assistance Program	31-640085	93.778	1,911,921
ARRA - Medical Assistance Program	31-640085	93.778	305,706
Block Grant for Prevention and Treatment of Substance Abuse	COME-ADA-WP0316	93.959	<u>600,858</u>
<i>Total Passed Through The Ohio Department of Alcohol and Drug Addiction Services</i>			<u>3,004,093</u>
 <u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed through The Ohio Department of Alcohol and Drug Addiction Services:</i>			
Safe and Drug Free Schools and Communities State Grants	71-1463-DFSCA-P-10-0947	84.186	35,000
 <i>Passed through the Ohio Rehabilitation Services Commission</i>			
Rehabilitation Grants to States	N/A	84.126	<u>337,111</u>
Total Federal Awards Expenditures			<u><u>\$ 11,903,227</u></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, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Paint Valley Alcohol, Drug Addiction, and Mental Health Services Board (the Board's) federal awards program disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - MATCHING REQUIREMENTS

Certain Federal programs require the Board to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Board has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



Dave Yost • Auditor of State

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

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, 2010, which collectively comprise the Board's basic financial statements and have issued our report thereon dated July 20, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We did note a certain matter not requiring inclusion in this report that we reported to the Board's management in a separate letter dated July 20, 2011

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

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

Dave Yost
Auditor of State

July 20, 2011



Dave Yost • Auditor of State

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

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, 2010. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Board's compliance with 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 Paint Valley Alcohol, Drug Addiction, and Mental Health Services Board, Ross County, Ohio 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, 2010.

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 opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Board's internal control over compliance.

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www.auditor.state.oh.us

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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 over compliance that might be deficiencies, 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.

We noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the Board's management in a separate letter dated July 20, 2011.

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



Dave Yost
Auditor of State

July 20, 2011

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2010**

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)?	No
<i>(d)(1)(ii)</i>	Were there any 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 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(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	93.778 ARRA/Medical Assistance Program 84.126 Rehabilitation Services – Vocational Rehabilitation Grants to States
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 361,517 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 AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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PAINT VALLEY ALCOHOL, DRUG ADDICTION, AND MENTAL HEALTH 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 20, 2011**