



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

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2011



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, each major fund, and the aggregate remaining fund information of the Paint Valley Alcohol, Drug Addiction and Mental Health Services Board, Ross County, Ohio (the Board), as of and for the year ended December 31, 2011, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 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, 2011, and the respective changes in cash financial position, thereof and the budgetary comparison for the for the year then ended in conformity with the accounting basis Note 2 describes.

As described in Note 2k, during 2011 the Paint Valley Alcohol, Drug Addiction and Mental Health Services Board adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2012, on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the Board's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, and changes in net assets, governmental activities. The federal awards expenditure schedule (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the Schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.



Dave Yost
Auditor of State

July 10, 2012

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(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, 2011, 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.

FINANCIAL HIGHLIGHTS

Key highlights for 2011 are as follows:

Net assets of governmental activities decreased by \$915,295.

The Board's general receipts are primarily property taxes and intergovernmental receipts, consisting of homestead and rollback. These receipts represent, respectively, 11.5 percent and 4.2 percent 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 and state grants. Operating grants and contributions decreased \$4,047,070. The decrease experienced is primary due to the manner in which effective July 1, 2011 Medicaid activity is recorded in the financial statements of the Board, and subsequently presented at December 31, 2011.

The agency fund, a fiduciary fund, currently reflects Medicaid activity with an ending cash balance of \$1,267,284. Medicaid benefits total \$5,405,561 and claims paid totaled \$4,138,277 for the period of July 1, 2011 through December 31, 2011. Other Medicaid activity prior to July 1, 2011 is reflected in the Federal Grant Fund, a governmental fund and presented in the Federal Awards Expenditures Schedule.

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.

Fiduciary fund is used to report assets that are held in an agency capacity for others and are not used to support the Board's own programs.

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, 2011
(UNAUDITED)**

Basis of Accounting

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

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

Reporting the Board as a Whole

The statement of net assets and the statement of activities reflect how the Board did financially during 2011, within the limitations of cash basis accounting. The statement of net assets presents the cash 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. The statement of changes in fiduciary net asset details the in and out flows of Medicaid activities that occurred after June 30, 2011. The statement of fiduciary net assets reflects the cash on-hand at year end which is held for future claims.

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, 2011
(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.

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.

Fiduciary Fund – The Board's agency balances are reported in the fiduciary fund. The Board, effective July 1, 2011, made payments to providers for Medicaid claims presented and approved by the State. This cash balance and corresponding obligation are recorded in this fund.

The Board as a Whole

Table 1 provides a summary of the Board's net assets for 2011 compared to 2010 on a cash basis:

	Net Assets	
	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Assets		
Cash and Cash Equivalents	\$1,895,814	\$2,811,109
Total Assets	<u>1,895,814</u>	<u>2,811,109</u>
 Net Assets		
<i>Restricted for:</i>		
State Grants	47,382	242,666
<i>Unassigned</i>	<u>1,848,432</u>	<u>2,568,443</u>
Total Net Assets	<u>\$1,895,814</u>	<u>\$2,811,109</u>

The 2011 cash balance, in Table 1, does not include the fiduciary fund cash balance of \$1,267,284. Effective July 1, 2011, the Board acted as the fiscal agent for Medicaid payments made to providers for services rendered. Payments are made to the service provider upon claim approval by the state. At December 31, 2011, the cash balance reflects monies on-hand to pay future claims. In fiscal 2010, all Medicaid payments were considered federal pass-through activity recorded in the governmental activities and therefore included in the Board's net asset in 2010.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)**

As mentioned previously, net assets decreased \$915,295. Table 2, below, reflects the changes in net assets in 2011 compared to 2010.

**(Table 2)
Changes in Net Assets**

	Governmental Activities 2010	Governmental Activities 2009
	2011	2010
Receipts:		
Program Receipts:		
Operating Grants and Contributions	\$ 13,560,937	\$ 17,608,007
Total Program Receipts	<u>13,560,937</u>	<u>17,608,007</u>
General Receipts:		
Property and Other Local Taxes	1,857,322	1,754,086
Grants and Entitlements Not Restricted to Specific Programs	674,560	748,468
Miscellaneous	15,155	23,680
Total General Receipts	<u>2,547,037</u>	<u>2,526,234</u>
Total Receipts	<u>16,107,974</u>	<u>20,134,241</u>
Disbursements:		
General Government	1,237,615	899,528
Public Health Services	15,785,654	18,397,595
Total Disbursements	<u>17,023,269</u>	<u>19,297,123</u>
Increase (Decrease) in Net Assets	(915,295)	837,118
Net Assets, January 1	2,811,109	1,973,991
Net Assets, December 31	<u>\$ 1,895,814</u>	<u>\$ 2,811,109</u>

Program receipts represent 84.2 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 and \$7,729,725 in Medicaid payments to service providers for claims with service dates prior to July 1, 2011. Program receipts decreased \$4,047,070, or 23.0 percent, from the prior year.

General receipts represent 15.8 percent of the Board's total receipts, and of this amount, 72.9 percent is property taxes. Grants and entitlements not restricted to specific programs make up 26.5 percent of general receipts. Other receipts account for 0.6 percent of general receipts.

Other receipts are very insignificant and somewhat unpredictable revenue sources. General receipts changed very little from the prior year, since these receipts are comprised primarily of tax collections. Program receipts changed significantly with the change effective July 1, 2011 of reporting Medicaid activity in a fiduciary fund. This activity is not reflected in the 2011 activity schedule in Table 2. In 2010, all Medicaid activity was reported in the Federal Grant Fund, part of the program receipts.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)**

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 increased by \$338,087 or 37.6 percent.

Public Health Services disbursements represent the amounts paid to contracted providers for alcohol, drug addiction and mental health services from local, state and federal sources. This represents the majority of the Board's disbursements. Public Health Disbursements decreased \$2,611,941, after reclassification of \$4,138,278 to the agency fund for Medicaid payments made for claims with a service date of July 1, 2011, or after.

Governmental Activities

If you look at the Statement of Activities on page 11, 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 92.7 percent of all governmental disbursements. General government represents 7.3 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, below.

(Table 3)

Governmental Activities:

	<u>Total Cost of Services 2011</u>	<u>Net Cost of Services 2011</u>	<u>Total Cost of Services 2010</u>	<u>Net Cost of Services 2010</u>
General Government	\$ 1,237,615	\$ (669,133)	\$ 899,528	\$ (732,812)
Public Health Services	15,785,654	(2,793,199)	18,397,595	(956,304)
Total Expenditures	<u>\$ 17,023,269</u>	<u>\$ (3,462,332)</u>	<u>\$ 19,297,123</u>	<u>\$ (1,689,116)</u>

The Board's Funds

Total governmental funds had receipts of \$16,107,974 and disbursements of \$17,023,269. The greatest change within governmental funds occurred within the Federal Grant Fund. This was due to the reclassification of Medicaid activity from the grant fund to the agency fund to reflect the change in treatment of these resources. The Board has a fiduciary relationship with the state and its vendors relative to Medicaid with the passage of HB 153, see below.

BUDGETARY 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. The Board approves one fund for the submission and approval of the County Budget Commission and its Commissioners. The one fund includes those monies received which are restricted for specific purposes, as determined by the grantor. The Board ensures these monies are expended only for the purpose for which the grant was awarded.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)**

During 2011, the Board amended its budget several times to reflect changing financial circumstances. The final budgeted receipts were more than actual receipts by \$352,650. The final disbursements were budgeted at \$18,650,732 while actual disbursements were \$17,070,823.

CAPITAL ASSET 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 passed their ten (10) year level renewal. These funds are anticipated to assist in maintaining the current funding levels of established programs.

With the passage of House Bill 153 of the 129th General Assembly, effective for claims dates of service on or after July 1, 2011, the Board is no longer a sub-recipient of the Medicaid and State Children's Health Insurance Programs administered by the ODADAS and ODMH. The Board acts as the fiscal agent paying providers, as directed by ODADAS and ODMH, but no longer has any federal compliance requirements relative to these programs.

The financial statements reflect this current provider payment activity in a fiduciary fund. Any monies held by the Board at year end represents monies due to the providers, but not expended for future claims.

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 Street, Chillicothe, Ohio 45601.

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

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

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 1,895,814</u>
<i>Total Assets</i>	<u><u>\$ 1,895,814</u></u>
Net Assets	
Restricted for:	
Other Purposes	47,382
Unrestricted	<u>1,848,432</u>
<i>Total Net Assets</i>	<u><u>\$ 1,895,814</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, 2011**

	Cash Disbursements	Operating Grants and Contributions	Net (Disbursements) Receipts and Changes in Net Assets
Governmental Activities	<u>Cash Disbursements</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
General Government	\$ 1,237,615	\$ 568,482	\$ (669,133)
Public Health Services	15,785,654	12,992,455	(2,793,199)
<i>Total Governmental Activities</i>	<u>\$ 17,023,269</u>	<u>\$ 13,560,937</u>	(3,462,332)
 General Receipts			
Property Taxes Levied for:			
General Purposes			1,857,322
Grants and Entitlements not Restricted to Specific Programs			674,560
Miscellaneous			15,155
<i>Total General Receipts</i>			<u>2,547,037</u>
Change in Net Assets			(915,295)
<i>Net Assets Beginning of Year</i>			<u>2,811,109</u>
<i>Net Assets End of Year</i>			<u>\$ 1,895,814</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, 2011**

	General Fund	Federal Grant Fund	State Grant Fund	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 2,148,450	\$ (300,018)	\$ 47,382	\$ 1,895,814
<i>Total Assets</i>	<u>\$ 2,148,450</u>	<u>\$ (300,018)</u>	<u>\$ 47,382</u>	<u>\$ 1,895,814</u>
Fund Balances				
Restricted:				
State Grants	\$ -	\$ -	\$ 47,382	\$ 47,382
Unassigned	<u>2,148,450</u>	<u>(300,018)</u>	<u>-</u>	<u>1,848,432</u>
<i>Total Fund Balances</i>	<u>\$ 2,148,450</u>	<u>\$ (300,018)</u>	<u>\$ 47,382</u>	<u>\$ 1,895,814</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, 2011**

	General Fund	Federal Grant Fund	State Grant Fund	Total Governmental Funds
Receipts				
Property Taxes	\$ 1,857,322	\$ -	\$ -	\$ 1,857,322
Intergovernmental	674,560	9,457,584	3,777,731	13,909,875
Other Grants	3,500	7,500	51,119	62,119
Other	278,658	-	-	278,658
<i>Total Receipts</i>	<u>2,814,040</u>	<u>9,465,084</u>	<u>3,828,850</u>	<u>16,107,974</u>
Disbursements				
Current:				
General Government	164,069	523,988	549,558	1,237,615
Health	3,393,067	8,918,011	3,474,576	15,785,654
<i>Total Disbursements</i>	<u>3,557,136</u>	<u>9,441,999</u>	<u>4,024,134</u>	<u>17,023,269</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(743,096)	23,085	(195,284)	(915,295)
<i>Fund Balances Beginning of Year</i>	<u>2,891,546</u>	<u>(323,103)</u>	<u>242,666</u>	<u>2,811,109</u>
<i>Fund Balances End of Year</i>	<u>\$ 2,148,450</u>	<u>\$ (300,018)</u>	<u>\$ 47,382</u>	<u>\$ 1,895,814</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, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 1,733,361	\$ 1,856,022	\$ 1,857,322	\$ 1,300
Intergovernmental	12,371,521	13,634,648	13,909,875	275,227
Other Grants	1,050,137	954,362	62,119	(892,243)
Other	2,500	15,592	278,658	263,066
<i>Total receipts</i>	<u>15,157,519</u>	<u>16,460,624</u>	<u>16,107,974</u>	<u>(352,650)</u>
Disbursements				
Current:				
General Government	1,290,726	1,648,626	1,237,615	411,011
Health	15,188,715	17,002,106	15,833,208	1,168,898
<i>Total Disbursements</i>	<u>16,479,441</u>	<u>18,650,732</u>	<u>17,070,823</u>	<u>1,579,909</u>
<i>Net Change in Fund Balance</i>	(1,321,922)	(2,190,108)	(962,849)	1,227,259
<i>Fund Balance Beginning of Year</i>	2,800,520	2,800,520	2,800,520	-
<i>Prior Year Encumbrances Appropriated</i>	<u>10,589</u>	<u>10,589</u>	<u>10,589</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 1,489,187</u>	<u>\$ 621,001</u>	<u>\$ 1,848,260</u>	<u>\$ 1,227,259</u>

See accompanying notes to the basic financial statements

HEALTHY ALCOHOL, DRUG ADDICTION, AND MENTAL HEALTH SERVICES
ROSS COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUND
DECEMBER 31, 2011

Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 1,267,284
<i>Total Assets</i>	<u>\$ 1,267,284</u>
Liabilities	
Due to Providers for Claims	\$ 1,267,284
<i>Total Liabilities</i>	<u>\$ 1,267,284</u>

See accompanying notes to the basic financial statements

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011**

1. DESCRIPTION OF THE 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.

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.

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, exempt from fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental receipts and other non-exchange transactions.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation (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 and fiduciary fund financial statements is on the major funds. Each major fund is presented in a separate column. Fiduciary funds are reported by type.

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 and demonstrate a fiduciary relationship with a third-party. The Board's funds are all classified as governmental and fiduciary.

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 Funds -The federal grant fund accumulates federal grant monies to provide services in accordance with federal guidelines. Medicaid funds are included through June 30, 2011.

State Grant Funds - 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, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

Fiduciary Fund

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Board under a trust agreement for individuals, private organizations, or other governments and are not available to support the Board's own programs. The Board did not have any pension trust funds, investment trust funds or private- purpose trust funds. The Board did have an Agency Fund.

Agency Fund- are purely custodial in nature and are used to account for assets held by the Board for future payment, as authorized by ODMH and ODADS, to mental health and alcohol and drug providers, respectively, for services rendered.

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 Board does not budget its fiduciary fund.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

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 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 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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

In the fund statements, governmental funds report aggregate amounts for five classifications of fund balances, based on the constraints imposed on the use of these resources. Fund balances of the governmental funds are classified as follows:

Non-spendable - amounts that cannot be spent because they are either not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can only be spent for specific purposes because of constraints that are externally imposed by creditors, grantors, or laws and regulations of other governments.

Committed - amounts that can only be used for specific purpose pursuant to constraints by formal ordinances or resolution of the Board, the highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board removes the specific use by taking the same type of action as when imposing the commitment. This classification also includes use in satisfying those contractual requirements.

Assigned - amounts constrained by the governing body "intent" to be used for specific purposes, but are neither restricted nor committed. The Board has the authority to assign amount to be used for specific purpose. Assigned fund balances include all remaining amounts (except negative balances) that are neither restricted nor committed.

Unassigned - this is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the Board considers restricted funds to have been spent first. When expenditures are incurred for which committed, assigned, or unassigned fund balances are available, the Board considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds are needed, unless the Board has provided otherwise in its commitment or assignment actions.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Inter-fund 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 inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds.

The Board had no inter-fund transactions in 2011.

3. 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 2011 represent the collection of 2010 taxes. Real property taxes received in 2011 were levied after October 1, 2010, on the assessed values as of January 1, 2010, 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 2011 represent the collection of 2010 taxes. Public utility real and tangible personal property taxes received in 2011 became a lien on December 31, 2010, were levied after October 1, 2011, 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, public utility property, and tangible personal property upon which 2011 property tax receipts were based on the Assessed Values of the five (5) participating counties of the Board which are Ross, Fayette, Highland, Pickaway, and Pike Counties.

4. GASB PRONOUNCEMENTS

During 2011, the Board implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No., 59, "Financial Instruments Omnibus".

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

GASB Statement No. 59 addresses significant practice issues that have risen when accounting for financial instruments and external investment pools. The implementation of this statement did not result in any change in the financial statements,

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

5. RISK MANAGEMENT – Insurance Coverage

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 fiscal year 2011, the Board contracted with commercial carriers for professional and general liability insurance, and property insurance. Coverage's provided are as follows:

Building and Business personal property (\$500 deductible)	\$ 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.

6. DEFINED BENEFITS

Ohio Public Employees Retirement System

- A. Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:
1. The Traditional Pension Plan- a cost sharing multiple-employer defined pension plan.
 2. The Member-Directed Plan - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
 3. The Combined Plan - a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.
- B. OPER provides retirement, disability, survivor and death benefits and annual cost-of- living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.
- C. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.
- D. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr/shtml>, writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or calling 614-222-5601 or 1-800-222-7377.
- E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, members and employer contributions rates were consistent across all three plans. While members in the state and local division may participate in all three plans, law enforcement and public safety division exist only within the Traditional Pension Plan.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

6. DEFINED BENEFITS

The 2011 member contributions rates were 10.0% of covered payroll for members in state and local classifications. Public safety and law and enforcement member contributed 11.0% and 11.6%, respectively.

The 2011 employer contribution rates for state and local employees are 14.00% of covered payroll. The law enforcement and public safety division employer contribution rate was 18.10% of the covered payroll.

- F. The Board's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2011, 2010, and 2009 were \$110,389, \$92,201, and \$92,143, respectively. The full amounts have been contributed for 2011, 2010, and 2009.

7. POST EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

A. Plan Description

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

OPERS maintains a cost-sharing multiple employer defined benefit post-employment health care 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. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or calling 614-222-5601 or 1-800-222-7377

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

7. POST EMPLOYMENT BENEFITS (Continued)

B. Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14.00% of covered payroll and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2011. The portion of employer contributions allocated to health care for the calendar year beginning January 1, 2012 remained the same, but they are subject to change based on Board action. Employers will be notified if the portion allocated to health care changes during calendar year 2012. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

C. Information from employer's records

The rates stated in Section B, above, are the contractually required contribution rates for OPERS. As part of this disclosure, it will be necessary for the employer to disclose the employer contributions actually made to fund post-employment benefits. The portion of your employer contributions that were used to fund post-employment benefits can be approximated by multiplying actual employer contributions for calendar year 2011 by 0.2857 for state and local employers, and 0.2210 for law enforcement and public safety employers.

D. OPERS Retirement Board Implements its Health Care Preservation Plan.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

8. CONTINGENT LIABILITIES

The Board receives financial assistance from federal and state agencies in the form of grants. Disbursing grant funds 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, 2011 will not have a material adverse effect on the Board.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

9. RELATED PARTIES

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 198	402,317
Advances on Future Contracts Made in Fiscal Year 198	219,179
Amount Returned in Fiscal Year 1992	(100,000)
Advance on Contract Made in Fiscal Year 2007	78,187
Amount Returned in Fiscal Year 2008	(78,187)
Amount Earned in Fiscal Year 2008	<u>(118,915)</u>
 Total Advances Outstanding	 <u><u>\$ 892,409</u></u>

The Board's management and governing body concludes these advances are collectable.

10. SUBSEQUENT EVENTS

A. Merging of State Agencies

In May 2011, the Governor introduced an initiative to merge the Ohio Department of Mental Health and the Ohio Department of Alcohol and Drug Addiction Services, pending legislative approval. The Board's general and programs receipts are provided by these agencies. It is unclear what effect, if any, on the Board's receipts shall occur given the merging of these agencies.

B. Replacement Tax Levy

In March 2012 voters approved a ten-year, one mill property tax levy. The County Auditor estimates the Board will receive proceeds of \$4,033,724 starting in 2013, an increase of \$1,501,842 from 2011 collections, as a result of the levy passage. These funds shall be used to maintain established programs at their current levels.

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

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

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	\$ 170,094
State Children's Insurance Program	31-640085	93.767	358,508
Medical Assistance Program	31-640085	93.778	4,652,288
ARRA - Medical Assistance Program	31-640085	93.778	451,117
Block Grant for Community Mental Health Services	31-640085	93.958	180,343
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>5,861,616</u>
<i>Passed Through Appalachian Regional Commission/East Tennessee State University:</i>			
Block Grant for Prevention and Treatment of Substance Abuse	270123-26	93.959	<u>2,500</u>
<i>Passed through The Ohio Department of Alcohol and Drug Addiction Services:</i>			
Substance Abuse and Mental Health Services Projects of Regional and National Significance	31-640085	93.243	53,452
State Children's Insurance Program	31-640085	93.767	111,200
Medical Assistance Program	31-640085	93.778	1,978,324
ARRA - Medical Assistance Program	31-640085	93.778	160,627
Block Grant for Prevention and Treatment of Substance Abuse	COME-ADA-WP0316	93.959	<u>725,263</u>
<i>Total Passed Through The Ohio Department of Alcohol and Drug Addiction Services</i>			<u>3,028,866</u>
<i>U.S. Department of Education</i>			
<i>Passed through the Ohio Rehabilitation Services Commission</i>			
Rehabilitation Grants to States	31-640085	84.126	<u>560,482</u>
Total Federal Awards Expenditures			<u>\$ 9,453,464</u>

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

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

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, Ross County, Ohio (the Board's) federal award programs' 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 statement of the governmental activities, each major fund, and the aggregate remaining fund information of Paint Valley Alcohol, Drug Addiction and Mental Health Services Board, Ross County, Ohio (the Board) as of and for the year ended December 31, 2011, which collectively comprise the Board's basic financial statements and have issued our report thereon dated July 10, 2012, wherein we noted the Board adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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' *Board 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 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 style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

July 10, 2012



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE 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 could directly and materially affect the Board's major federal program for the year ended December 31, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the Board's major federal program. The Board's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Board's compliance based on our audit.

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

In our opinion, the Paint Valley Alcohol, Drug Addiction and Mental Health Services Board complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2011.

Internal Control Over Compliance

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

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



Dave Yost
Auditor of State

July 10, 2012

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

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

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
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

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
AUGUST 16, 2012**