

Gallia-Jackson-Meigs Board of Alcohol, Drug
Addiction and Mental Health Services

Single Audit

January 1, 2004 through December 31, 2004

Year Audited Under GAGAS: 2004

BALESTRA, HARR & SCHERER CPAs, INC.

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**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of the Gallia-Jackson-Meigs-Board of Alcohol, Drug Addiction and Mental Health Services, Gallia County, prepared by Balestra, Harr & Scherer CPAs, Inc., for the audit period January 1, 2004 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Gallia-Jackson-Meigs-Board of Alcohol, Drug Addiction and Mental Health Services is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

November 30, 2005

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**Gallia-Jackson-Meigs Board of Alcohol, Drug
Addiction and Mental Health Services**
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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Gallia-Jackson-Meigs Board of Alcohol,
Drug Addiction and Mental Health Services
53 Shawnee Lane
Gallipolis, Ohio 45631

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Gallia-Jackson-Meigs Board of Alcohol, Drug Addiction and Mental Health Services (the Board), as of and for the year ended December 31, 2004, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the Board prepares financial statements on the basis of modified cash receipts and disbursements, which is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and the major fund of the Gallia-Jackson-Meigs Board of Alcohol, Drug Addiction and Mental Health Services, as of December 31, 2004, and the respective changes in modified cash basis financial position and the respective budgetary comparison thereof for the year then ended in conformity with the accounting basis Note 1 describes.

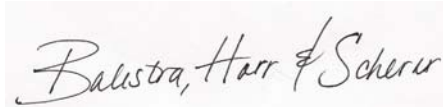
For the year ended December 31, 2004, the Board revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2005 on our consideration of the Board's internal control over financial reporting and on 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.

The management's discussion and analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information that accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The schedule of federal awards receipts and expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of federal awards receipts and expenditures has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.
August 4, 2005

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

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

The discussion and analysis of the Gallia-Jackson-Meigs Board of Alcohol, Drug Addiction and Mental Health Services' (the Board) financial performance provides an overall review of the Board's financial activities for the year ended December 31, 2004, within the limitations of the Board's modified cash basis of accounting. The intent of this discussion and analysis is to look at the Board's financial performance as a whole. Readers should also review the notes to the basic financial statements and the basic financial statements to enhance their understanding of the Board's financial performance.

Financial Highlights

Key financial highlights for the year 2004 are as follows:

- Net assets decreased \$30,953.
- General receipts accounted for \$12,504 in receipts or .2 percent of all receipts. Program specific receipts in the form of operating grants and contributions accounted for \$6,242,979 or 99.8 percent of total receipts of \$6,255,483.
- The Board had \$6,286,536 in disbursements related to governmental activities; all but \$43,457 of these disbursements were offset by program specific operating grants and contributions. General receipts of \$12,504 plus the cash balance from December 31, 2003 of \$830,616 were adequate to provide for these programs.
- The Board's major fund had \$757,839 in available cash, \$5,832,585 in receipts, \$5,839,710 in disbursements and \$286,179 in encumbrances. The net asset balance at year-end equaled \$757,839.

Using this Annual Financial Report

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

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

Report the Board as a Whole

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

While this document contains information used by the Board to provide programs and services for its service area, the view of the Board as a whole looks at all financial transactions and asks the question, "How did we do financially during calendar year 2004?" The Statement of Net Assets – Modified Cash Basis and the Statement of Activities – Modified Cash Basis answer this question. These two statements report the Board's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Board as a whole, the financial position of the Board has improved or diminished on a modified cash basis. The causes of this change may be the result of many factors, some financial, some not.

In the Statement of Net Assets and the Statement of Activities, all of the Board's activities are considered to be Governmental Activities.

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

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

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

Reporting the Board's Fund Financial Statements

Fund Financial Statements

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

The Board as a Whole

Recall that the Statement of Net Assets provides the perspective of the Board as a whole. Table 1 provides a summary of the Board's net assets for 2004 and compared to 2003.

**Table 1
Net Assets**

	Governmental	Activities
	2004	2003
ASSET:		
Cash on deposit with Gallia County	\$799,663	\$830,616
NET ASSETS:		
Unrestricted	799,663	830,616
Total net assets	799,663	830,616

Total assets decreased \$30,953.

Table 2 shows the changes in net assets for the year ended December 31, 2004. Since this is the first year the Gallia-Jackson-Meigs Board of Alcohol, Drug Addiction and Mental Health Services has prepared financial statements following GASB Statement 34, receipt and disbursement comparisons to year 2003 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

In 2004, 50.6 percent of the Board's total receipts were from Federal Funds, 48.8 percent were from State Funds and .6 percent were from other sources. Program cash receipts accounted for 99.8 percent of the Board's total receipts in year 2004. These receipts consist primarily of Medicaid and its matching funds, and federal operating grants.

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

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

**Table 2
Changes in Net Cash Assets**

	Governmental Activities
	<u>2004</u>
<i>Receipts:</i>	
<i>Program Cash Receipts</i>	
Operating Grants and Contributions	\$ 6,242,979
Total Program Cash Receipts	<u>6,242,979</u>
<i>General Receipts</i>	
Miscellaneous	12,504
Total General Cash Receipts	<u>12,504</u>
Total Cash Receipts	6,255,483
<i>Disbursements</i>	
<i>Current</i>	
Alcohol, Drug Addiction and Mental Health Services	6,286,436
Total Disbursements	<u>6,286,436</u>
 Change In Net Assets	 (30,953)
Net Assets, January 1	<u>830,616</u>
Net Assets, December 31	<u>\$ 799,663</u>

Contract services make up the vast majority of disbursements for the Board comprising 87.9% of total disbursements. Salaries and benefits comprise 10.5% of total disbursements and other types of disbursements make up the remaining portion of disbursements.

The Statement of Activities shows the cost of program services and the operating grants and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services. In other words, it identifies the cost of those services supported by miscellaneous receipts and prior year cash balance carryovers. Comparisons to 2003 have not been made since they are not available.

**Table 3
Governmental Activities**

	Total Cost of Services 2004	Net Cost of Services 2004
Alcohol, Drug Addiction and Mental Health Services		
Salaries	\$469,285	\$469,285
Supplies	3,257	3,257
Equipment	941	941
Contracts – Repairs	11,712	11,712
Contracts – Services	5,524,308	(718,671)
Travel	19,710	19,710
Public Employee's Retirement	85,604	85,604
Unemployment Compensation	12,532	12,532
Medicare	6,804	6,804
Hospitalization	83,317	83,317
Other Expenses	68,966	68,966
Total Disbursements	<u>6,286,436</u>	<u>43,457</u>

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

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

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

The Board's Fund Financial Statements

The Board's fund financial statements are accounted for using the modified cash basis of accounting. The fund financial statements had total receipts of \$6,255,483 and disbursements of \$6,286,436. The financial statements had a decrease in the cash balance of \$30,953 from the 2003 year-end cash balance.

Budgeting Highlights

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

During the course of 2004, the Board amended its appropriations, and the budgetary statement reflects both the original and final appropriated amounts. There were no significant changes between the original and the final budget. The variances that did occur were mainly due to the fact that the Board is funded on the State's Fiscal Year (July through June) and thus projecting an exact budget is difficult at best. The ending budgetary basis fund balance was \$15,112 above the budgeted amount.

Economic Factors

The receipts of the Board remain stagnant. The Board contracts with four provider agencies to deliver mental health and substance abuse services to the residents of Gallia, Jackson and Meigs Counties.

The Board will be challenged to maintain the current level of services and programs due to a stagnant receipts base and ordinary inflation. The Board and its administration must maintain careful financial planning and prudent fiscal management in order to balance the budget annually.

Contracting the Board's Financial Management

This financial report is designed to provide our citizens, taxpayers, and providers with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact R. Rosalee Walker, Fiscal Officer, at Gallia-Jackson-Meigs Board of Alcohol, Drug Addiction and Mental Health Services, 53 Shawnee Lane, Gallipolis, Ohio 45631.

**Gallia-Jackson-Meigs Board of Alcohol, Drug
Addiction and Mental Health Services**

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

	Governmental Activities
ASSET:	
Cash on deposit with Gallia County Auditor	<u>\$ 799,663</u>
NET ASSETS:	
Unrestricted	<u>\$ 799,663</u>
Total net assets	<u><u>\$ 799,663</u></u>

The notes to the basic financial statements are an integral part of this statement.

**Gallia-Jackson-Meigs Board of Alcohol, Drug
Addiction and Mental Health Services**

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

	<u>Cash</u>	<u>Program Cash Receipts</u>	<u>Net (Disbursements)</u>
	<u>Disbursements</u>	<u>Operating Grants and</u>	<u>and Changes in</u>
		<u>Contributions</u>	<u>Net Assets</u>
			<u>Governmental</u>
			<u>Activities</u>
Governmental Activities:			
Alcohol, Drug Addiction and			
Mental Health Services:			
Salaries	\$ 469,285	\$ -	\$ (469,285)
Supplies	3,257	-	(3,257)
Equipment	941	-	(941)
Contracts - Repairs	11,712	-	(11,712)
Contracts - Services	5,524,308	6,242,979	718,671
Travel and Expenses	19,710	-	(19,710)
Public Employees Retirement	85,604	-	(85,604)
Unemployment Compensation	12,532	-	(12,532)
Medicare	6,804	-	(6,804)
Hospitalization	83,317	-	(83,317)
Other Expenses	68,966	-	(68,966)
<i>Total Governmental Activities</i>	<u>\$ 6,286,436</u>	<u>\$ 6,242,979</u>	(43,457)
General Receipts:			
Other Receipts			<u>12,504</u>
<i>Total General Receipts</i>			<u>12,504</u>
<i>Changes in Net Assets</i>			<u>(30,953)</u>
<i>Net Assets Beginning of Year</i>			<u>830,616</u>
<i>Net Assets End of Year</i>			<u>\$ 799,663</u>

The notes to the basic financial statements are an integral part of this statement.

**Gallia-Jackson-Meigs Board of Alcohol, Drug
Addiction and Mental Health Services**

Statement of Modified Cash Basis Assets and Cash Basis Fund Balances
As of December 31, 2004

	General	Other Governmental Funds	Total Governmental Funds
ASSET:			
Cash on deposit with Gallia County Auditor	\$ 757,839	\$ 41,824	\$ 799,663
Total Cash Assets	\$ 757,839	\$ 41,824	\$ 799,663
 Cash Fund Balances			
Reserved for Encumbrances	\$ 286,179	\$ 31,214	\$ 317,393
Unreserved, Undesignated	471,660	10,610	482,270
Total Cash Fund Balance	\$ 757,839	\$ 41,824	\$ 799,663

The notes to the basic financial statements are an integral part of this statement.

**Gallia-Jackson-Meigs Board of Alcohol, Drug
Addiction and Mental Health Services**

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

	General	Other Governmental Funds	Total Governmental Funds
	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash Receipts:			
Grants	\$ 5,820,081	\$ 422,898	\$ 6,242,979
Other Receipts	12,504	-	12,504
Total Cash Receipts	<u>\$ 5,832,585</u>	<u>\$ 422,898</u>	<u>\$ 6,255,483</u>
Cash Disbursements:			
Current:			
Salaries	407,281	62,004	469,285
Supplies	2,135	1,122	3,257
Equipment	941	-	941
Contracts - Repair	11,712	-	11,712
Contract - Services	5,184,554	339,754	5,524,308
Travel	17,394	2,316	19,710
Public Employee's Retirement	77,202	8,402	85,604
Unemployment Compensation	10,922	1,610	12,532
Medicare	5,905	899	6,804
Hospitalization	70,898	12,419	83,317
Other	50,766	18,200	68,966
Total Disbursements	<u>5,839,710</u>	<u>446,726</u>	<u>6,286,436</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements	<u>(7,125)</u>	<u>(23,828)</u>	<u>(30,953)</u>
Fund Cash Balances, January 1	<u>764,964</u>	<u>65,652</u>	<u>830,616</u>
Fund Cash Balances, December 31	<u>\$ 757,839</u>	<u>\$ 41,824</u>	<u>\$ 799,663</u>

The notes to the basic financial statements are an integral part of this statement.

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

*Statement of Cash Receipts, Cash Disbursements,
and Changes in Fund Balance - Budget & Actual (Budgetary Basis)*
For the Year Ended December 31, 2004
General Fund

	<u>Budgeted Amounts</u>			Variance with Final Budget
	Original Budget	Final Budget	Actual	
RECEIPTS				
Grants	\$5,914,395	\$ 5,820,081	\$ 5,820,081	\$ -
Other Receipts	<u>12,707</u>	<u>12,504</u>	<u>12,504</u>	<u>-</u>
TOTAL CASH RECEIPTS	<u>5,927,102</u>	<u>5,832,585</u>	<u>5,832,585</u>	<u>-</u>
DISBURSEMENTS				
Current:				
Salaries	416,346	408,286	407,281	1,005
Supplies	2,183	2,140	2,135	5
Equipment	962	943	941	2
Contracts - Repairs	11,973	11,741	11,712	29
Contracts - Services	5,592,490	5,484,229	5,470,733	13,496
Travel and Expenses	17,781	17,437	17,394	43
Public Employee's Retirement	78,920	77,392	77,202	190
Unemployment Compensation	11,165	10,949	10,922	27
Medicare	6,036	5,920	5,905	15
Hospitalization	72,476	71,073	70,898	175
Other Expenses	<u>51,896</u>	<u>50,891</u>	<u>50,766</u>	<u>125</u>
TOTAL CASH DISBURSEMENTS	<u>6,262,228</u>	<u>6,141,001</u>	<u>6,125,889</u>	<u>15,112</u>
Excess of Cash Receipts Over (Under) Disbursements	(335,126)	(308,416)	(293,304)	15,112
Budgetary Basis Fund Balance Beginning of Year	425,643	425,643	425,643	-
Prior Year Encumbrances Appropriated	339,321	339,321	339,321	-
Budgetary Basis Fund Balance End of Year	<u>\$ 429,838</u>	<u>\$ 456,548</u>	<u>\$ 471,660</u>	<u>\$ 15,112</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Reporting Entity

The Gallia-Jackson-Meigs Board of Alcohol, Drug Addiction and Mental Health Services, Gallia County (the Board), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Board is directed by an eighteen-member Board. Board members are appointed by the Board's Director and the legislative authorities as well as citizens of the Board. Those subdivisions are Gallia, Jackson, and Meigs Counties. The Board provides alcohol, drug addiction and mental health services and programs to citizens of the Board. These services are provided primarily through contracts with private and public agencies. The Board is associated with the Southern Consortium for Children and formerly with the Southern Consortium for Rural Care, which are defined as jointly governed organizations. These organizations are described in Note 6.

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

The Board's management believes this financial statement presents all activities for which the Board is financially accountable.

B. Basis of Accounting

This financial statement follows the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the fund and entity wide statements versus budgetary expenditures are due to encumbrances outstanding at the beginning and end of the year.

This statement includes adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash

As required by Ohio Revised Code, the Gallia County Treasurer is custodian for the Board's cash. The Board's cash is held in the Gallia County's cash and investment pool, and is valued at the Gallia County Treasurer's carrying amount.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

1. SUMMARY OF SIGNICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

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

GOVERNMENTAL FUNDS:

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

General Fund

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

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

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2004 budgetary activity appears in Note 3.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

The Board participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member-directed plan, members accumulate retirement assets equal to the value of member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional pension plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

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

For the year ended December 31, 2004, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Board's contribution rate for pension benefits for 2004 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions. Actual employer contributions to fund pension benefits for 2004 were \$60,333.

3. 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 pension or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contributions to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

3. POSTEMPLOYMENT BENEFITS (Continued)

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

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

The number of active contributing participants in the traditional pension and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$25,271. Actual contribution and actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$26.9 billion and \$16.4 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

4. RISK MANAGEMENT

Commercial Insurance

The Board has obtained commercial insurance for the following risks:

- Comprehensive property and general liability and
- Errors and omissions.

5. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the state and federal government. Any disallowed costs may require refunding to the grantor. Amounts, which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any would not be material.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

6. JOINTLY GOVERNED ORGANIZATIONS

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

The SCC and SCRC operate under an appointed four member board, consisting of the Executive Director of each of the above named Alcohol, Drug Addiction and Mental Health Services Boards. The SCC serves as the fiscal agent for the SCRC.

**Gallia-Jackson Meigs Board of Alcohol, Drug
Addiction and Mental Health Services**

Schedule of Federal Awards Receipts and Expenditures
For the Year Ended December 31, 2004

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass-Through Entity Number	Receipts	Disbursements
United States Department of Education				
<i>Passed through the Ohio Department of Alcohol and Drug Addiction Services:</i>				
Safe and Drug Free Schools and Communities State Grants	84.186A	N/A	\$ 129,999	\$ 126,966
Total United States Department of Education			<u>129,999</u>	<u>126,966</u>
United States Department of Health and Human Services				
<i>Passed through the Ohio Department of Mental Health (ODMH) and the Ohio Department of Alcohol and Drug Addiction Services (ODADAS):</i>				
Medical Assistance Program - Title XIX - ODADAS	93.778	N/A	220,571	218,379
Medical Assistance Program - Title XIX - ODMH			1,276,846	1,262,159
Medical Assistance Percentage - ODADAS			12,963	12,963
Medical Assistance Percentage - ODMH			77,520	77,520
			<u>1,587,900</u>	<u>1,571,021</u>
Medical Assistance Program -CHIP - ODADAS	93.767	N/A	9,815	9,249
Medical Assistance Program - CHIP - ODMH			82,764	81,943
			<u>92,579</u>	<u>91,192</u>
Total Title XIX			<u>1,680,479</u>	<u>1,662,213</u>
<i>Passed through the Ohio Department of Mental Health:</i>				
Social Services Block Grant - Title XX	93.667	N/A	130,401	130,401
Block Grants for Community Mental Health Services:				
Community Plan	93.958	N/A	55,357	73,810
Child Care			13,717	16,435
			<u>69,074</u>	<u>90,245</u>
<i>Passed through the Ohio Department of Alcohol and Drug Addiction Services:</i>				
Block Grants for Prevention and Treatment of Substance Abuse (SAPT):				
Women's SAVES	93.959	N/A	21,917	31,327
Per Capita			272,267	290,213
Treatment Alternatives to Street Crimes (TASC)			325,671	431,049
Youth Mentoring			38,499	47,409
Higher Education			12,499	16,987
Community Coalition			30,188	33,686
Substance Abuse Mental Illness (SAMI)			-	-
Total SAPT Block Grants			<u>701,041</u>	<u>850,671</u>
Substance Abuse and Mental Health Services - Projects of Regional and National Significance - State Incentive Grant	93.243	N/A	134,167	138,102
<i>Passed through the Ohio Department of Health:</i>				
Preventive Health and Health Services Block Grant	93.991	N/A	41,432	41,432
Total United States Department of Health and Human Services			<u>2,756,594</u>	<u>2,913,064</u>
United States Department of Justice				
<i>Direct Program:</i>				
<i>Federal ADA Prevention Grant - Office of Justice Programs</i>				
Gang Resistance Education and Training	16.737	N/A	36,593	35,624
Total Federal Awards Receipts and Expenditures			<u>\$ 2,923,186</u>	<u>\$ 3,075,654</u>

The notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this Schedule.

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
DECEMBER 31, 2004**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – SUB-RECIPIENTS

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

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

NOTE C – MATCHING REQUIREMENTS

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

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Gallia-Jackson-Meigs Board of Alcohol,
Drug Addiction and Mental Health Services
53 Shawnee Lane
Gallipolis, Ohio 45631

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Gallia-Jackson-Meigs Board of Alcohol, Drug Addiction and Mental Health Services, Ohio (the Board), as of and for the year ended December 31, 2004 which collectively comprise the Board's basic financial statements and have issued our report thereon dated August 4, 2005 wherein we noted the Board revised its financial statement presentation for 2004. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the Board in a separate letter dated August 4, 2005.

Gallia-Jackson-Meigs Board of Alcohol, Drug Addiction
and Mental Health Services

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with *Government Auditing Standards*

Page 2

This report is intended for the information and use of the audit committee, management, the Board, and federal
awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than
these specified parties.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.
August 4, 2005

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Report on Compliance with Requirements Applicable to the Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Gallia-Jackson-Meigs Board of Alcohol,
Drug Addiction and Mental Health Services
53 Shawnee Lane
Gallipolis, Ohio 45631

Compliance

We have audited the compliance of the Gallia-Jackson-Meigs Board of Alcohol, Drug Addiction and Mental Health Services, 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 are applicable to its major federal program for the year ended December 31, 2004. The Board's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Board's compliance with those requirements.

In our opinion, the Board complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2004.

Internal Control Over Compliance

The management of the Board is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Board's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

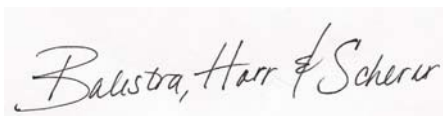
Gallia-Jackson-Meigs Board of Alcohol, Drug Addiction
and Mental Health Services

Report on Compliance with Requirements Applicable to the Major Program and on Internal Control Over
Compliance in Accordance With OMB Circular A-133

Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulation, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, members of the Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.
August 4, 2005

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

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Block Grants for Prevention and Treatment of Substance Abuse - CFDA#93.959
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	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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GALLIA JACKSON AND MEIGS A.D.A.M.H SERVICES BOARD

GALLIA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 13, 2005**