



OHIO AUDITOR OF STATE  
**KEITH FABER**





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

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying cash-basis financial statements of the governmental activities and each major fund of the Paint Valley Alcohol, Drug Addiction and Mental Health Services Board, Ross County, Ohio (the Board), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Board's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

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, 2018, and the respective changes in cash financial position and the budgetary comparison for all funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Other Matters**

*Supplementary Information*

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Other Information*

We applied no procedures to management's discussion & analysis, as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2019 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

June 17, 2019

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

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**(UNAUDITED)**

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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, 2018, 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 2018 are as follows:

Net Position of governmental activities increased by \$1,028,924.

The Board's general receipts are primarily property taxes and rollback. General receipts represent 54.0% of the total cash received for governmental activities during the year, while Federal and State grants represent 46.0%.

**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 Position and the Statement of Activities provide information about the cash activities of the Board, as a whole.

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

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**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.

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

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**(UNAUDITED)**

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**Reporting the Board as a Whole**

The Statement of Net Position and the Statement of Activities reflect how the Board did financially during 2018, within the limitations of cash basis accounting. The Statement of Net Position presents the cash balances of the governmental activities of the Board at year end. The Statement of Activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include grants and contributions restricted to meeting the operational requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Board's general receipts.

These statements report the Board's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Board's financial health. Over time, increases or decreases in the Board's cash position is one indicator of whether the Board's financial health is improving or deteriorating. When evaluating the Board's financial condition, you should also consider other nonfinancial factors as well such as the Board's property tax base, the condition of the Board's capital assets, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the Statement of Net Position 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.

**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.



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

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**(UNAUDITED)**

**The Board as a Whole**

Table 1 provides a summary of the Board's net positions for 2018 compared to 2017 on a cash basis:

**(Table 1)**

**Net Position**

**Governmental Activities**

	2018	2017
<b>Assets</b>		
Cash and Cash Equivalents	\$ 3,797,567	\$ 2,768,643
<i>Total Assets</i>	<u>\$ 3,797,567</u>	<u>\$ 2,768,643</u>
<b>Net Position</b>		
Restricted for: Drug Court Addiction Treatment program	\$ 103,411	-
Restricted for: Recovery Housing	\$ 10,090	-
Restricted for: Prevention Services Expansion	\$ 15,000	-
Restricted for: Community Linkage program	\$ 69,821	-
Restricted for: AoD Contract Services	\$ 544,060	-
Unrestricted	\$ 3,055,185	\$ 2,768,643
<i>Total Net Position</i>	<u>\$ 3,797,567</u>	<u>\$ 2,768,643</u>

As mentioned previously, Net Position increased \$1,028,924. Table 2, below, reflects the changes in Net Position in 2018 compared to 2017.

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

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**(UNAUDITED)**

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

	Activities	Activities
	2018	2017
Receipts:		
Program Receipts:		
Operating Grants and Contributions	\$ 3,837,668	\$ 2,851,234
Total Program Receipts	3,837,668	2,851,234
General Receipts:		
Property and Other Local Taxes	3,896,429	3,805,851
Grants and Entitlements Not Restricted to Specific Programs	516,351	589,854
Miscellaneous	97,823	20,818
Total General Receipts	4,510,603	4,416,523
Total Receipts	8,348,271	7,267,757
Disbursements:		
General Government	1,011,383	1,075,353
Public Health Services	6,307,964	5,058,759
Total Disbursements	7,319,347	6,134,112
Increase (Decrease) in Net Position	1,028,924	1,133,645
Net Position, January 1	2,768,643	1,634,998
Net Position, December 31	\$ 3,797,567	\$ 2,768,643

Program receipts represent 46.0 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as federal and state grants for alcohol, drug addiction and mental health services provided under contract.

General receipts represent 54.0 percent of total receipts, and of this amount, 86.4 percent is property taxes. Grants and entitlements not restricted to specific programs make up 11.4 percent of general receipts.

Disbursements for General Government represent the overhead costs of running the Board, community coalition/prevention activities, 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. Overall, General Government disbursements decreased by \$ 63,970 or 5.9 percent. The decrease was due to the Board's decision not to run a levy in 2018.

Public Health Services disbursements represent the amounts paid to providers for mental health and addiction services from local, state and federal sources. This represents the majority of the Board's disbursements. Disbursements for public health services increased \$ 1,249,205 or 24.7%. The increase was due to increases in Federal and State grant funding for mental health and additional services prevention. Some of these grants include Cures Act, Drug Court ATP, and \$75K per County.

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

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**(UNAUDITED)**

**Governmental Activities**

If you look at the Statement of Activities on page 10, you will see that the first column lists the major services provided by the Board. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for public health services, which account for 86.2 percent of all governmental disbursements. General government represents 13.8 percent of all governmental disbursements. The next column represents grants received by the Board that must be used to provide a specific service. The Net (Disbursements) Receipts 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			
	Total Cost of	Net Cost of	Total Cost of	Net Cost of
	Services 2018	Services 2018	Services 2017	Services 2017
General Government	\$ 1,011,383	\$ 730,081	\$ 1,075,353	\$ 818,148
Public Health Services	6,307,964	2,751,598	5,058,759	2,464,730
<b>Total Expenditures</b>	<b>\$ 7,319,347</b>	<b>\$ 3,481,679</b>	<b>\$ 6,134,112</b>	<b>\$ 3,282,878</b>

**The Board's Funds**

Total governmental funds had receipts of \$8,348,271 and disbursements of \$7,319,347. In the General Fund, health disbursements increased by \$1,230,761 from 2017 to 2018, which was approximately 53.4%. This was due to increased services provided in a number of areas, especially prevention services. In the State Grant Fund, receipts increased by \$949,284 from 2017 to 2018, which was approximately 54.0%, in large part due to special Continuum of Care funds provided by the State Legislature.

**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. This 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.

During 2018, the Board amended its budget several times to reflect changing financial circumstances. The actual receipts were less than final budget receipts by \$78,650. Actual disbursements were less than final budget disbursements by \$2,059,235.

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

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**(UNAUDITED)**

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**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**

One significant challenge for the Board is the current availability of, as well as the recent receipt of significant but very restricted grant funding. Most of this funding includes significant record-keeping and reporting requirements. A Grants Support person was recently hired to help address this challenge.

Two significant challenges for the Board's system of care include the recent implementations of Behavioral Health Redesign and Medicaid Managed Care. Both of these have put major pressure on all of our providers to update their financial/billing systems to keep pace with the much increased complexity of billing and certification requirements. Also, our providers must now deal with several managed care firms, each with its own rules in many cases. This is continuing to have a significant impact on provider revenues.

**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 Penny Dehner, Executive Director, Paint Valley Alcohol, Drug Addiction and Mental Health Services Board, 394 Chestnut St., Chillicothe, Ohio 45601.

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

**STATEMENT OF NET POSITION - CASH BASIS  
DECEMBER 31, 2018**

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 3,797,567
<i>Total Assets</i>	<u>\$ 3,797,567</u>
<b>Net Position</b>	
Restricted for: Drug Court Addiction Treatment program	103,411
Restricted for: Recovery Housing	10,090
Restricted for: Prevention Services Expansion	15,000
Restricted for: Community Linkage program	69,821
Restricted for: SUD Treatment & Recovery Services	544,060
Unrestricted	<u>3,055,185</u>
<i>Total Net Position</i>	<u>\$ 3,797,567</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, 2018**

			Net (Disbursements) Receipts and Changes in Net Position
<b>Governmental Activities</b>	Cash Disbursements	Operating Grants and Contributions	Governmental Activities
General Government	\$ 1,011,383	\$ 281,302	\$ (730,081)
Public Health Services	6,307,964	3,556,366	(2,751,598)
<i>Total Governmental Activities</i>	<b>\$ 7,319,347</b>	<b>\$ 3,837,668</b>	<b>(3,481,679)</b>
 <b>General Receipts</b>			
Property Taxes Levied for:			
General Purposes			3,896,429
Grants and Entitlements not Restricted to Specific Programs			516,351
Other			97,823
<i>Total General Receipts</i>			4,510,603
Change in Net Position			1,028,924
<i>Net Position Beginning of Year</i>			2,768,643
<i>Net Position End of Year</i>			<b>\$ 3,797,567</b>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2018**

	<u>General Fund</u>	<u>Federal Grant Fund</u>	<u>State Grant Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	<u>\$ 3,127,224</u>	<u>\$ (72,039)</u>	<u>\$ 742,382</u>	<u>\$ 3,797,567</u>
<i>Total Assets</i>	<u><u>\$ 3,127,224</u></u>	<u><u>\$ (72,039)</u></u>	<u><u>\$ 742,382</u></u>	<u><u>\$ 3,797,567</u></u>
<b>Fund Balances</b>				
Restricted for: Drug Court Addiction Treatment program	-	-	103,411	103,411
Restricted for: Recovery Housing program	-	-	10,090	10,090
Restricted for: Prevention Services Expansion	-	-	15,000	15,000
Restricted for: Community Linkage program	-	-	69,821	69,821
Restricted for: SUD Treatment & Recovery Services	-	-	544,060	544,060
Assigned	1,178,569	-	-	1,178,569
Unassigned (Deficit)	<u>1,948,655</u>	<u>(72,039)</u>	-	<u>1,876,616</u>
<i>Total Fund Balances</i>	<u><u>\$ 3,127,224</u></u>	<u><u>\$ (72,039)</u></u>	<u><u>\$ 742,382</u></u>	<u><u>\$ 3,797,567</u></u>

See accompanying notes to the basic financial statements

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

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS  
FUND BALANCES - GOVERNMENTAL  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General Fund	Federal Grant Fund	State Grant Fund	Total Governmental Funds
<b>Receipts</b>				
Property Taxes	\$ 3,896,429	\$ -	\$ -	\$ 3,896,429
Intergovernmental	516,351	1,131,404	2,706,264	4,354,019
Other Grants	74,602	-	-	74,602
Other	23,221	-	-	23,221
<i>Total Receipts</i>	<u>4,510,603</u>	<u>1,131,404</u>	<u>2,706,264</u>	<u>8,348,271</u>
<b>Disbursements</b>				
Current:				
General Government	730,081	41,950	239,352	1,011,383
Health	3,533,716	1,096,867	1,677,381	6,307,964
<i>Total Disbursements</i>	<u>4,263,797</u>	<u>1,138,817</u>	<u>1,916,733</u>	<u>7,319,347</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	246,806	(7,413)	789,531	1,028,924
<i>Fund Balances Beginning of Year</i>	<u>2,880,418</u>	<u>\$ (64,626)</u>	<u>(47,149)</u>	<u>2,768,643</u>
<i>Fund Balances End of Year</i>	<u>\$ 3,127,224</u>	<u>\$ (72,039)</u>	<u>\$ 742,382</u>	<u>\$ 3,797,567</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, 2018**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Property and Other Local Taxes	\$ 3,806,397	\$ 3,806,397	\$ 3,896,429	\$ 90,032
Intergovernmental	3,491,222	4,127,141	4,354,019	226,878
Other Grants	300,000	473,383	74,602	(398,781)
Other	20,000	20,000	23,221	3,221
<i>Total receipts</i>	<u>7,617,619</u>	<u>8,426,921</u>	<u>8,348,271</u>	<u>(78,650)</u>
<b>Disbursements</b>				
Current:				
General Government	1,159,913	1,156,327	1,022,974	133,353
Health	7,054,728	8,451,381	6,525,499	1,925,882
<i>Total Disbursements</i>	<u>8,214,641</u>	<u>9,607,708</u>	<u>7,548,473</u>	<u>2,059,235</u>
<i>Net Change in Fund Balance</i>	(597,022)	(1,180,787)	799,798	1,980,585
<i>Fund Balance Beginning of Year</i>	2,186,179	2,186,179	2,186,179	-
<i>Prior Year Encumbrances Appropriated</i>	582,464	582,464	582,464	-
<i>Fund Balance End of Year</i>	<u>\$ 2,171,621</u>	<u>\$ 1,587,856</u>	<u>\$ 3,568,441</u>	<u>\$ 1,980,585</u>

See accompanying notes to the basic financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**1. DESCRIPTION OF THE ENTITY**

The Paint Valley Alcohol, Drug Addiction and Mental Health Services Board, Ross County, Ohio, (the Board) is a political body and corporation established according to the constitution and laws of the State of Ohio.

The Board is directed by a Board of Directors. Board members are appointed by the Director of Ohio Mental Health & Addiction Services, and the County Commissioners of the political subdivisions making up the Board's service area. Those subdivisions are Ross, Pickaway, Fayette, Highland, and Pike Counties. The Board provides addiction and mental health services and programs to area citizens. These services are provided primarily through contracts with local licensed 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 Position 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 Position 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, 2018  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Statement of Net Position 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

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.

**B. Fund Accounting**

The Board uses fund accounting to maintain its financial records. 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.

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.

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

**C. Basis of Accounting**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**D. Budgetary Process**

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

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

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

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

**E. Cash and Investments**

The 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, Steven A. Neal, Jr. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018  
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Accumulated Leave

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

I. Employer Contributions to Cost-Sharing Pension Plans

The Board recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Net Position

Net position is reported as restricted when there are limitations imposed on use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes 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 position 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 as needed, unless the Board has provided otherwise in its commitment or assignment actions.

**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 2018.

**3. PROPERTY TAXES**

Property taxes include amounts levied against all real property and public utility property located in the Board's area. Real property tax revenues received in 2018 represent the collection of 2017 taxes. Real property taxes received in 2018 were levied after October 1, 2017, on the assessed values as of January 1, 2017, 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 2018 represent the collection of 2017 taxes. Public utility real property taxes received in 2018 became a lien on December 31, 2017, were levied after October 1, 2017, 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.

The assessed values of real property and public utility property upon which 2018 property tax receipts were based, come from the Assessed Values of the five (5) participating counties of the Board which are Ross, Fayette, Highland, Pickaway, and Pike Counties.

**4. 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 2018, 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)	\$1,008,036
Computer Equipment	\$ 125,000
• General Liability and Medical Expenses	
- Per Occurrence (\$0 deductible)	\$1,000,000
-Aggregate Limit	\$2,000,000
• Director/Officer Liability (\$2,500 deductible)	\$2,000,000

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018  
(Continued)**

**4. RISK MANAGEMENT – Insurance Coverage (Continued)**

Settled claims have not exceeded this commercial coverage in any of the past three years and there was no significant reduction in coverage from prior years.

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

**5. BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for all funds is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. All funds are budgeted together as one fund on the Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis; however, the funds are segregated on the Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances – Governmental Funds for financial reporting purposes. The difference between the budgetary basis and the cash basis is (are) outstanding year end encumbrances are treated as expenditures (budgetary basis) rather than as restricted, committed, or assigned fund balance (cash basis) (and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis)). The encumbrances outstanding at year end (budgetary basis) amounted to:

General Fund	\$229,126
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**6. DEFINED BENEFITS**

**Ohio Public Employees Retirement System (OPERS)**

**Plan Description** – All Board employees participate in the Ohio Public Employee 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 and the Combined Plan is a cost-sharing, multiple-employer defined benefit plan with defined contribution features. While members (Board employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS' CAFR referenced above for additional information):



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018  
(Continued)**

**6. DEFINED BENEFITS (Continued)**

<b>Group A</b> Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	<b>Group B</b> 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	<b>Group C</b> Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<p><b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit</p> <p><b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30</p>	<p><b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit</p> <p><b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30</p>	<p><b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit.</p> <p><b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35</p>

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consist of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018  
(Continued)**

**6. DEFINED BENEFITS (Continued)**

Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>
<b>2018 Statutory Maximum Contribution Rates</b>	
Employer	14.0%
Employee	10.0%
<b>2018 Actual Contribution Rates</b>	
Employer:	
Pension	14.0%
Post-employment Health Care Benefits	<u>0.0</u>
Total Employer	<u>14.0%</u>
Employee	<u>10.0%</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Board's contractually required contribution was \$64,175 for year 2018.

**7. POST EMPLOYMENT BENEFITS**

Ohio Public Employees Retirement System

Plan Description – The 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 trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty 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 75. See OPERS' CAFR referenced below for additional information.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018  
(Continued)**

**7. POST EMPLOYMENT BENEFITS (Continued)**

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017, and was 0.0 percent during calendar year 2018. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

Substantially all of the Board's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2018, 2017, and 2016 was \$0, \$3,874, and \$13,106, respectively. The full amount has been contributed for all three years.

**8. FUND BALANCES**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Board is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018  
(Continued)**

**8. FUND BALANCES (Continued)**

Fund Balances	Federal		State	
	General Fund	Grant Fund	Grant Fund	Total
<b>Restricted to</b>				
Drug Ct Addiction Treatment	\$ -	\$ -	\$ 103,411	\$ 103,411
Recovery Housing program	\$ -	\$ -	\$ 10,090	\$ 10,090
Prevention Services expansion	\$ -	\$ -	\$ 15,000	\$ 15,000
Community Linkage program	\$ -	\$ -	\$ 69,821	\$ 69,821
SUD Treatment & Recovery Supports	\$ -	\$ -	\$ 544,060	\$ 544,060
<i>Total Restricted</i>	\$ -	\$ -	\$ 742,382	\$ 742,382
<b>Assigned to</b>				
Future Appropriations	\$ 949,443	\$ -	\$ -	\$ 949,443
Encumbrances	\$ 229,126	\$ -	\$ -	\$ 229,126
<i>Total Assigned</i>	\$ 1,178,569	\$ -	\$ -	\$ 1,178,569
<b>Unassigned (Deficits)</b>	\$ 1,948,655	\$ (72,039)	\$ -	\$ 1,876,616
<i>Total Fund Balances</i>	\$ 3,127,224	\$ (72,039)	\$ 742,382	\$ 3,797,567

The Board has established a cash reserve policy. The cash reserve is to be equal to or greater than 90 (ninety) days of cash needed. Cash needed is defined as cash required to be able to pay all invoices, services approved for payment, debt payment, payroll, payroll taxes and etc. At December 31, 2018, the board had \$3,797,567 in cash fund balance with \$10,426,640 budgeted appropriations for calendar year 2019. The board was in compliance with their cash reserve policy.

**9. CONTINGENT LIABILITIES- Grants**

The Board receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims through December 31, 2018 will not have a material adverse effect on the Board.

**10. RELATED PARTIES**

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

Total Outstanding 12/31/18 \$ 851,324

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

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2018

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>				
<i>Passed Through Ohio Department of Public Safety:</i>				
Edward Byrne Memorial Justice Assistance Grant	16.738	N/A	N/A	7,866
<i>Total Passed Through the Ohio Department of Public Safety</i>				7,866
Total U.S. Department of Justice				\$ 7,866
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>				
<i>Passed Through Ohio Department of Mental Health &amp; Addiction Services:</i>				
Cures Opioid STR	93.788	N/A	N/A	\$ 255,424
Social Services Block Grant (Title XX)	93.667	N/A	N/A	176,357
Block Grant for Community Mental Health Services	93.958	N/A	N/A	165,786
Block Grant for Prevention and Treatment of Substance Abuse	93.959	N/A	N/A	348,271
Block Grant for Prevention and Treatment of Substance Abuse	93.959	1800048	N/A	44,487
Block Grant for Prevention and Treatment of Substance Abuse	93.959	1900294	N/A	20,734
Block Grant for Prevention and Treatment of Substance Abuse	93.959	1800082	N/A	71,935
Block Grant for Prevention and Treatment of Substance Abuse	93.959	1900305	N/A	47,957
Total Block Grant for Prevention and Treatment of Substance Abuse				\$ 533,384
<i>Total Passed Through the Ohio Department of Mental Health &amp; Addiction Services</i>				\$ 1,130,951
Total U.S. Department of Health and Human Services				\$ 1,130,951
<b>Total Expenditures of Federal Awards</b>				<b>\$ 1,138,817</b>

The accompanying notes are an integral part of this schedule.

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

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Paint Valley Alcohol, Drug Addiction and Mental Health Services Board (the Board's) under programs of the federal government for the year ended December 31, 2018.

The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Board, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Board.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Board has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance. The Board does not use an indirect cost rate.

# OHIO AUDITOR OF STATE KEITH FABER



Corporate Centre of Blue Ash  
11117 Kenwood Road  
Blue Ash, Ohio 45242-1817  
(513) 361-8550 or (800) 368-7419  
SouthwestRegion@ohioauditor.gov

## INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities and each major fund of the Paint Valley Alcohol, Drug Addiction and Mental Health Services Board, Ross County, (the Board) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated June 17, 2019, wherein we noted the Board uses a special purpose framework other than generally accepted accounting principles.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Board's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Board's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

### ***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, opining 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*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Board's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Board's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State

Columbus, Ohio

June 17, 2019



# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Directors:

### ***Report on Compliance for each Major Federal Program***

We have audited Paint Valley Alcohol, Drug Addiction and Mental Health Services Board's (the Board's) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Paint Valley Alcohol, Drug Addiction and Mental Health Services Board's major federal program for the year ended December 31, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Board's major federal programs.

### ***Management's Responsibility***

The Board's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the Board's compliance for the Board's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect 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 our audit provides a reasonable basis for our compliance opinion on each of the Board's major programs. However, our audit does not provide a legal determination of the Board's compliance.

### ***Opinion on each Major Federal Program***

In our opinion, Paint Valley Alcohol, Drug Addiction and Mental Health Services Board complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2018.

***Report on Internal Control Over Compliance***

The Board's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Board's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine 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's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State

Columbus, Ohio

June 17, 2019

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

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
DECEMBER 31, 2018**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control 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 weaknesses in internal control 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	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA #93.959 Block Grants for the Prevention and Treatment of Substance Abuse
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR § 200.520?	No

**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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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
2 CFR 200.511(b)  
December 31, 2018**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2017-001	Material Weakness – Restricted fund balance	Partially Corrected	Reissued as Management Letter comment

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OHIO AUDITOR OF STATE  
**KEITH FABER**



**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  
JULY 11, 2019**