



Dave Yost • Auditor of State

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

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position – Cash Basis as of December 31, 2015	11
Statement of Activities – Cash Basis for the Year Ended December 31, 2015.....	12
Fund Financial Statements:	
Statement of Assets and Fund Balances - Cash Basis - Governmental Funds	13
Statement of Receipts, Cash Disbursements, and Changes in Fund Balance - Cash Basis - Governmental Funds	14
Statement of Receipts, Cash Disbursements, and Changes in Fund Balance - Budget and Actual – Budgetary Basis - All Funds	15
Notes to the Basic Financial Statements	17
Schedule of Expenditures of Federal Awards.....	31
Notes to the Schedule of Expenditures of Federal Awards	32
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	33
Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	35
Schedule of Findings.....	37
Corrective Action Plan.....	39

This page intentionally left blank.



Dave Yost • Auditor of State

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, 2015, 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 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, 2015, and the respective changes in cash financial position and the budgetary comparison for the General fund 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

Supplemental 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 September 12, 2016 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

September 12, 2016

This page intentionally left blank.

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

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

This discussion and analysis of the Paint Valley Alcohol, Drug Addiction and Mental Health Services Board's (the Board) financial performance provides an overall review of the Board's financial activities for the year ended December 31, 2015, 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 2015 are as follows:

Net Position of governmental activities decreased by \$1,331,417.

The Board's general receipts are primarily property taxes and rollback. These receipts represent 59.1% of the total cash received for governmental activities during the year, while Federal and State grants represent 40.9%.

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**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

Reporting the Board as a Whole

The Statement of Net Position and the Statement of Activities reflect how the Board did financially during 2015, 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**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

The Board as a Whole

Table 1 provides a summary of the Board's net positions for 2015 compared to 2014 on a cash basis:

(Table 1)

Net Position

Governmental Activities

	2015	2014
Assets		
Cash and Cash Equivalents	\$ 2,828,816	\$ 4,160,233
<i>Total Assets</i>	\$ 2,828,816	\$ 4,160,233
Net Position		
Assigned	1,012,587	-
Unrestricted	1,816,229	4,160,233
<i>Total Net Position</i>	\$ 2,828,816	\$ 4,160,233

As mentioned previously, Net Position decreased \$1,331,417. Table 2, below, reflects the changes in Net Position in 2015 compared to 2014.

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

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

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

	Activities	Activities
	2015	2014
Receipts:		
Program Receipts:		
Operating Grants and Contributions	\$ 3,112,359	\$ 5,377,988
Total Program Receipts	3,112,359	5,377,988
General Receipts:		
Property and Other Local Taxes	3,701,635	3,715,234
Grants and Entitlements Not Restricted to Specific Programs	785,480	838,137
Miscellaneous	13,204	80,521
Total General Receipts	4,500,319	4,633,892
Total Receipts	7,612,678	10,011,880
Disbursements:		
General Government	1,528,748	1,330,514
Public Health Services	7,415,347	8,956,033
Total Disbursements	8,944,095	10,286,547
Increase (Decrease) in Net Position	(1,331,417)	(274,667)
Net Position, January 1	4,160,233	4,434,900
Net Position, December 31	\$ 2,828,816	\$ 4,160,233

Program receipts represent 41 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 59 percent of total receipts, and of this amount, 82 percent is property taxes. Grants and entitlements not restricted to specific programs make up 17 percent of general receipts. Miscellaneous receipts account for 0.2 percent of General Receipts.

Miscellaneous Receipts are very insignificant and somewhat unpredictable revenue sources. Miscellaneous Receipts decreased by \$ 67,317, primarily due to reduced Local Court Indigent Driver receipts. Program Receipts were reduced significantly due to the elimination of hot spot funding in 2015.

Disbursements for General Government represent the overhead costs of running the Board, care coordination, 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 increased by \$ 198,234 or 19 percent.

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 decreased \$1,540,687.

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

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(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 83 percent of all governmental disbursements. General government represents 17 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 (Disbursement) Receipt column compares the program receipts to the cost of the service. This “net cost” amount represents the cost of the service which ends up being paid from money mostly provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3, below.

	(Table 3)			
	Governmental Activities			
	Total Cost of Services 2015	Net Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2014
General Government	\$ 1,528,748	\$ 1,114,140	\$ 1,330,514	\$ 641,086
Public Health Services	7,415,347	4,717,595	8,956,033	4,267,473
Total Expenditures	\$ 8,944,095	\$ 5,831,735	\$ 10,286,547	\$ 4,908,559

The Board’s Funds

Total governmental funds had receipts of \$7,612,678 and disbursements of \$8,944,095. The most significant change within governmental funds occurred within the State Grant Fund. This was primarily due to the elimination of hot spot funding of over \$2 million.

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 2015, the Board amended its budget several times to reflect changing financial circumstances. The final actual receipts were greater than budget receipts by \$54,001. Final actual disbursements were less than budget disbursements by \$632,448.

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

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Board does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements.

Debt

The Board does not currently have any outstanding debt obligations.

CURRENT ISSUES

The challenge for the Board is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases, shrinking funding. The Board relies heavily on local taxes and intergovernmental receipts. On November 16, 2011 the Board authorized a replacement tax levy for the joint district for the purpose of financing and operation of drug abuse treatment and community mental health programs at a rate not to exceed 1 mill for each dollar of evaluation for ten years, effective 2012, collected in 2013. The levy was approved by the electorate in March 2012. These funds are being used for the stated purpose.

In 2014 the Board implemented a Recovery Oriented System of Care that offers community-based mental health, addiction services, and recovery supports. These services are person-centered and designed to meet the needs of individuals working toward recovery. This framework was designed to improve outcomes by ensuring that individuals and families have timely access to treatment and supports aimed to increase success in sustaining recovery. This includes an initiative developed to include detoxification, medication assisted treatment, counseling, transportation and other services necessary for recovery.

CONTACTING THE BOARD'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the Board's finances and to reflect the Board's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Juni Johnson, 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, 2015**

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 2,828,816
<i>Total Assets</i>	<u>\$ 2,828,816</u>
Unrestricted	<u>2,828,816</u>
<i>Total Net Position</i>	<u>\$ 2,828,816</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, 2015**

	Cash Disbursements	Operating Grants and Contributions	Net (Disbursements) Receipts and Changes in Net Assets
Governmental Activities			Governmental Activities
General Government	\$ 1,528,748	\$ 414,608	\$ (1,114,140)
Public Health Services	7,415,347	2,697,751	(4,717,596)
<i>Total Governmental Activities</i>	<u>\$ 8,944,095</u>	<u>\$ 3,112,359</u>	(5,831,736)
 General Receipts			
Property Taxes Levied for:			
General Purposes			3,701,635
Grants and Entitlements not Restricted to Specific Programs			785,480
Payment in Lieu of Taxes			
Sale of Fixed Assets			
Other			13,204
<i>Total General Receipts</i>			<u>4,500,319</u>
Change in Net Position			(1,331,417)
<i>Net Position Beginning of Year</i>			<u>4,160,233</u>
<i>Net Position End of Year</i>			<u>\$ 2,828,816</u>

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, 2015**

	General Fund	Federal Grant Fund	State Grant Fund	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 2,933,883	\$ (105,067)	\$ -	\$ 2,828,816
<i>Total Assets</i>	<u>\$ 2,933,883</u>	<u>\$ (105,067)</u>	<u>\$ -</u>	<u>\$ 2,828,816</u>
Fund Balances				
Assigned	1,012,587	-	-	1,012,587
Unassigned (Deficit)	1,921,296	(105,067)	-	1,816,229
<i>Total Fund Balances</i>	<u>\$ 2,933,883</u>	<u>\$ (105,067)</u>	<u>\$ -</u>	<u>\$ 2,828,816</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, 2015**

	General Fund	Federal Grant Fund	State Grant Fund	Total Governmental Funds
Receipts				
Property Taxes	\$ 3,701,635	\$ -	\$ -	\$ 3,701,635
Intergovernmental	785,480	1,802,069	1,310,290	3,897,839
Other Grants	6,566	-	-	6,566
Other	6,638	-	-	6,638
<i>Total Receipts</i>	<u>4,500,319</u>	<u>1,802,069</u>	<u>1,310,290</u>	<u>7,612,678</u>
Disbursements				
Current:				
General Government	1,114,140	178,756	235,852	1,528,748
Health	4,951,733	1,389,176	1,074,438	7,415,347
<i>Total Disbursements</i>	<u>6,065,873</u>	<u>1,567,932</u>	<u>1,310,290</u>	<u>- 8,944,095</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(1,565,554)	234,137	-	(1,331,417)
<i>Fund Balances Beginning of Year</i>	<u>4,499,437</u>	<u>(339,204)</u>	<u>-</u>	<u>4,160,233</u>
<i>Fund Balances End of Year</i>	<u><u>\$ 2,933,883</u></u>	<u><u>\$ (105,067)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,828,816</u></u>

See accompanying notes to the basic financial statements

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
ALL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 3,708,350	\$ 3,701,407	\$ 3,701,635	\$ 228
Intergovernmental	3,373,511	2,869,070	3,897,839	1,028,769
Other Grants	80,000	80,000	6,566	(73,434)
Other	635,000	908,200	6,638	(901,562)
<i>Total receipts</i>	<u>7,796,861</u>	<u>7,558,677</u>	<u>7,612,678</u>	<u>54,001</u>
Disbursements				
Current:				
General Government	1,763,421	1,763,421	\$1,547,337	216,084
Health	7,748,208	8,373,907	\$7,957,542	416,365
<i>Total Disbursements</i>	<u>9,511,629</u>	<u>10,137,328</u>	<u>9,504,879</u>	<u>632,449</u>
<i>Net Change in Fund Balance</i>	(1,714,768)	(2,578,651)	(1,892,201)	686,450
<i>Fund Balance Beginning of Year</i>	3,941,856	3,941,856	3,941,856	-
<i>Prior Year Encumbrances Appropriated</i>	<u>218,376</u>	<u>218,376</u>	<u>218,376</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 2,445,464</u>	<u>\$ 1,581,581</u>	<u>\$ 2,268,031</u>	<u>\$ 686,450</u>

See accompanying notes to the basic financial statements.

This page intentionally left blank.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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, 2015
(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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, Jerry Byers at 2 North Paint Street, Chillicothe, Ohio 45601.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Inventory and Prepaid Items

The Board reports disbursements for inventories and prepaid assets when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

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

H. Accumulated Leave

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

I. Employer Contributions to Cost-Sharing Pension Plans

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

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the Board considers restricted funds to have been spent first. When expenditures are incurred for which committed, assigned, or unassigned fund balances are available, the Board considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds 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 2015.

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 2015 represent the collection of 2014 taxes. Real property taxes received in 2015 were levied after October 1, 2014, on the assessed values as of January 1, 2014, 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 2015 represent the collection of 2014 taxes. Public utility real property taxes received in 2015 became a lien on December 31, 2014, were levied after October 1, 2014, 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 2015 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

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 2015, 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)	\$1,062,343
• Computer Equipment	108,000
• General Liability and Medical Expenses	
- Per Occurrence (\$0 deductible)	\$1,000,000
- Aggregate Limit	\$2,000,000

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

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	\$560,785
Major Special Revenue Funds:	
Federal Grant Fund	155,091
State Grant Fund	121,582

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)

6. DEFINED BENEFITS

Net Pension Liability

For 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported December 31, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Board's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Board's obligation for this liability to annually required payments. The Board cannot control benefit terms or the manner in which pensions are financed; however, the Board does receive the benefit of employees' services in exchange for compensation including pension.

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

6. DEFINED BENEFITS (Continued)

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):

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

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.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

6. DEFINED BENEFITS (Continued)

	<u>State and Local</u>
2015 Statutory Maximum Contribution Rates	
Employer	14.0%
Employee	10.0%
2015 Actual Contribution Rates	
Employer:	
Pension	12.1%
Post-employment Health Care Benefits	<u>2.0</u>
Total Employer	<u>14.0%</u>
Employee	<u>10.0%</u>

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Board's contractually required contribution was \$111,045 for year 2015.

Net Pension Liability

The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board's proportion of the net pension liability was based on the Board's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>
Proportionate Share of the Net Pension Liability	\$795,431
Proportion of the Net Pension Liability	0.00659500%
Pension Expense	\$86,846

Actuarial Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review and modifications as actual results are compared with past expectations and new estimates are made about the future.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

6. DEFINED BENEFITS (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 mortality table projected 20 years using Projection Scale AA. For males, 105% of the combined healthy male mortality rates were used. For females, 100% of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males, 120% of the disabled female mortality rates were used set forward two years. For females, 100% of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS managers investments in four investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan, and the VEBA Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money-weighted rate of return, net of investment expense, for the Defined Benefit portfolio is 6.95% for 2014.

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The following table displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

6. DEFINED BENEFITS (Continued)

Asset Class	Target		Weighed Average Long-Term Expected Real Rate of Return (Arithmetic)	
	Allocation			
Fixed Income	23.00	%	2.31	%
Domestic Equities	19.90		5.84	
Real Estate	10.00		4.25	
Private Equity	10.00		9.25	
International Equities	19.10		7.40	
Other Investments	18.00		4.59	
Total	100.00	%	5.28	%

Discount Rate - The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Board's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents Board's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8.00 percent, as well as what the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00 percent), or one percentage point higher (9.00 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Board's proportionate share of the net pension liability-Traditional	\$1,463,365	\$795,431	\$232,869
Board's proportionate share of the net pension liability-Combined	\$496	(\$3,821)	(\$7,245)

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

7. POST EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

A. Plan Description

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

OPERS maintains a cost-sharing multiple employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

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

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

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

B. Funding Policy

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2015, state and local employers contributed at a rate of 14.00% of covered payroll and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

7. POST EMPLOYMENT BENEFITS

The portion of employer contributions allocated to health care for members in the Combined Plan was 2.0% during calendar year 2015. Effective January 1, 2016, the portion of employer contributions allocated to health care remains at 2.0% for both plans, as recommended by the OPERS' Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Board's required contributions that were allocated to fund postemployment benefits with OPERS for the years ended December 31, 2015, 2014, and 2013 were \$13,585, \$15,123, and \$8,029. The full amounts have been contributed for 2015, 2014, and 2013.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4% of the employer contributions toward the health care fund after the end of the transition period.

8. CONTINGENT LIABILITIES- Grants

The Board receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims through December 31, 2015 will not have a material adverse effect on the Board.

9. RELATED PARTIES

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

Total Outstanding 12/31/15	\$ 851,324
----------------------------	------------

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

10. SUBSEQUENT EVENT

On May 18, 2016, it was resolved by Paint Valley Alcohol, Drug Addiction and Mental Health Services (ADAMH) Board vote of at least two-thirds of all the members of the Board, that it is necessary to levy a 1.00 mill additional tax, which is in excess of the ten-mill limitation, for the purpose of meeting the current expenses of the joint county alcohol, drug addiction, and mental health service district within this Board's jurisdiction as established pursuant to Chapter 340 of the Ohio Revised Code, and that it is necessary to levy a tax in excess of such limitation for such purposes at a rate not exceeding 1.00 mill for each one dollar valuation which amounts to ten (10) cents for each one hundred dollars of valuation, said levy to commence with the tax year 2016 and to extend for the tax years 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025. The levy will be placed on the ballot at the November 8, 2016 election.

This page intentionally left blank.

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed Through Ohio Department of Mental Health and Addiction Services				
Substance Abuse and Mental Health Services Projects	93.243	N/A	N/A	\$10,164
Social Services Block Grant (Title XX)	93.667	N/A	N/A	159,059
Block Grant for Community Health Services	93.958	N/A	N/A	165,784
Block Grant for Prevention and Treatment of Substance Abuse	93.959	N/A	N/A	439,478
Block Grant for Prevention and Treatment of Substance Abuse	93.959	71-1446-WOMENS-T-15-9935	N/A	14,542
Block Grant for Prevention and Treatment of Substance Abuse	93.959	71-1446-WOMENS-T-16-9935	N/A	18,020
Block Grant for Prevention and Treatment of Substance Abuse	93.959	71-1463-WOMENS-T-15-8984	N/A	34,044
Block Grant for Prevention and Treatment of Substance Abuse	93.959	71-1463-WOMENS-T-16-8984	N/A	42,184
Total Block Grant for Prevention and Treatment of Substance Abuse				<u>\$548,268</u>
Total Passed Through the Ohio Department of Mental Health and Addiction Services				<u>\$883,275</u>
Total U.S. Department of Mental Health and Addiction Services				<u>\$883,275</u>
Total Expenditures of Federal Awards				<u><u>\$883,275</u></u>

The accompanying notes are an integral part of this schedule.

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

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2015**

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, 2015. 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, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or 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.



Dave Yost • Auditor of State

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 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, 2015, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated September 12, 2016, 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 opinions 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2015-001 to be a significant deficiency.

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*.

Entity's Response to Findings

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

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 communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

September 12, 2016



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE 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 the Major Federal Program

We have audited the Paint Valley Alcohol, Drug Addiction and Mental Health Board's (the Board) 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 Board's major federal program for the year ended December 31, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Board's major federal program.

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 program.

Auditor's Responsibility

Our responsibility is to opine on the Board's compliance for the Board's major federal program 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 the Board's major program. However, our audit does not provide a legal determination of the Board's compliance.

Opinion on the Major Federal Program

In our opinion, the 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 its major federal program for the year ended December 31, 2015.

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242
Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577

www.ohioauditor.gov

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.



Dave Yost
Auditor of State

Columbus, Ohio

September 12, 2016

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2015**

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)?	Yes
<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**

FINDING NUMBER 2015-001

Significant Deficiency

Governments are required to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

Also, Governmental Accounting Standards Board (GASB) codification sections 1800.165-179 provides guidance on the classification of fund balances. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned and unassigned.

**FINDING NUMBER 2015-001
(Continued)**

GASB codification section 1800.176 clarifies that an appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance. As noted below, the Township did not classify year end fund balances included as a budgetary resource in the subsequent year's budget fund balance as assigned.

The Board incorrectly classified the General fund balance as unassigned instead of assigned in the amount of \$451,802.

The Board corrected the financial statements, where appropriate.

Failure to accurately post and report transactions could result in material errors in the Board's financial statements and reduces the Board's ability to monitor financial activity and to make sound decisions which effect the overall available cash positions of the Board.

We recommend that the Board accurately record financial transactions.

Officials' Response:

Whenever there is a projected budgetary deficit in the subsequent year's budget, i.e., expected expenditures exceed expected revenues, the amount of the projected budgetary deficit will be classified as Assigned in the Fund Balance.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

None

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

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
DECEMBER 31, 2015**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2015-001	Whenever there is a projected budgetary deficit in the subsequent year's budget, i.e., expected expenditures exceed expected revenues, the amount of the projected budgetary deficit will be classified as Assigned in the Fund Balance.	12/31/2016	Jim Nestor

This page intentionally left blank.



Dave Yost • Auditor of State

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

ROSS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 27, 2016**