



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

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2012



Dave Yost • Auditor of State

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

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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Paint Valley Alcohol, Drug Addiction and Mental Health Board, Ross County, County, Ohio (the Board), as of and for the year ended December 31, 2012, 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.D. 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, each major fund, and the aggregate remaining fund information of the Paint Valley Alcohol, Drug Addiction, and Mental Health Board, Ross County, Ohio, as of December 31, 2012, and the respective changes in cash financial position and the budgetary comparison for the year then ended in accordance with the accounting basis described in Note 2.D.

Accounting Basis

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

Other Matters

Supplemental and Other Information

We audited to opine on the Board's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net assets, changes in net assets, governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

The Schedule of Federal Award Expenditures also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

These tables and the Schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the 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, these tables and the Schedule are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2012, on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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, flowing style.

Dave Yost
Auditor of State
Columbus, Ohio

September 27, 2012

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

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

This discussion and analysis of the Paint Valley Alcohol, Drug Addiction and Mental Health Board's (the Board) financial performance provides an overall review of the Board's financial activities for the year ended December 31, 2012, 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 2012 are as follows:

Net Position of governmental activities increased by \$2,063,672.

The Board's general receipts are primarily property taxes and intergovernmental receipts, consisting of homestead and rollback. These receipts represent, respectively, 22.2 percent and 77.6 percent of the total cash received for governmental activities during the year.

The Board's program receipts are comprised mostly of intergovernmental receipts. This includes federal and state grants. Operating grants and contributions decreased \$7,479,397. The decrease experienced is primarily due to the exclusion of all Medicaid activity from the Board's Governmental Funds during the year ending December 31, 2012.

All Medicaid activity, both receipts and payments, is reflected in the Agency fund, a fiduciary fund established in 2011 for Medicaid claims originating prior to 7/1/2011. (The Board does not have any involvement in, nor does it have any responsibility for claims originating after 6/30/2012.) Medicaid receipts in 2012 totaled \$11,112,391 and claim payments totaled \$12,169,692, all of which was for claims originating prior to 7/1/2012. As a result, the amount of cash in the Agency fund decreased by \$1,057,301 to \$209,983. Estimated claims at 12/31/2012 total \$209,983. Other Medicaid activity of \$15,087 for claims prior to July 1, 2011 is reflected in the Federal Grant Fund, a governmental fund and presented in the Federal Awards Expenditures Schedule.

USING THE BASIC FINANCIAL STATEMENTS

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Board's cash basis of accounting.

Report Components

The statement of Net 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.

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

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

Basis of Accounting

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

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

Reporting the Board as a Whole

The Statement of Net Position and the statement of activities reflect how the Board did financially during 2012, 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. The statement of fiduciary net position reflects the cash on hand at year end which is held for future claims.

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

In the Statement of Net 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.

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

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

Governmental Funds - All of the Board's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Board's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Board's programs. The Board's significant governmental funds are presented on the financial statements in separate columns. The Board's major governmental funds are the General Fund, Federal Grant Fund, and State Grant Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Fiduciary Fund – The Board's agency balances are reported in the fiduciary fund. All Medicaid activity, both receipts and payments, is reflected in the Agency fund, a fiduciary fund established in 2011 for Medicaid claims originating prior to 7/1/2011 as presented and approved by the State.

The Board as a Whole

Table 1 provides a summary of the Board's net positions for 2012 compared to 2011 on a cash basis:

	Net Position	
	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Assets		
Cash and Cash Equivalents	\$ 3,959,486	\$ 1,895,814
<i>Total Assets</i>	<u>\$ 3,959,486</u>	<u>\$ 1,895,814</u>
Net Assets		
Restricted for:		
State Grants	47,381	47,382
Unrestricted	<u>3,912,105</u>	<u>1,848,432</u>
<i>Total Net Position</i>	<u>\$ 3,959,486</u>	<u>\$ 1,895,814</u>

The 2012 cash balance, in Table 1, does not include the fiduciary fund cash balance of \$209,983. Effective July 1, 2011, the Board acted as the fiscal agent for Medicaid payments made to providers for services rendered. Payments are made to the service provider upon claim approval by the state. At December 31, 2012, the cash balance reflects monies on-hand to pay future claims.

As mentioned previously, Net Position increased \$2,063,672. Table 2, below, reflects the changes in Net Position in 2012 compared to 2011.

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

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

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

	Governmental Activities		Governmental Activities	
	2012		2011	
Receipts:				
Program Receipts:				
Operating Grants and Contributions	\$	6,081,540	\$	13,560,937
Total Program Receipts		6,081,540		13,560,937
General Receipts:				
Property and Other Local Taxes		1,909,035		1,857,322
Grants and Entitlements Not Restricted to Specific Programs		601,925		674,560
Miscellaneous		15,786		15,155
Total General Receipts	█	2,526,746	█	2,547,037
Total Receipts	█	8,608,286	█	16,107,974
Disbursements:				
General Government		1,331,068		1,237,615
Public Health Services		5,213,546		15,785,654
Total Disbursements	█	6,544,614	█	17,023,269
Increase (Decrease) in Net Assets	█	2,063,672	█	(915,295)
Net Assets, January 1	█	1,895,814		2,811,109
Net Assets, December 31	\$	3,959,486	\$	1,895,814

Program receipts represent 70.6 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as federal and state grants for alcohol, drug addiction and mental health services provided under contract. Program receipts in 2012 exclude Medicaid receipts of \$11,112,391 which are included in the fiduciary fund.

General receipts represent 29.4 percent of total receipts, and of this amount, 75.6 percent is property taxes. Grants and entitlements not restricted to specific programs make up 23.8 percent of general receipts. Other receipts account for 0.6 percent of general receipts.

Other receipts are very insignificant and somewhat unpredictable revenue sources. General receipts changed very little from the prior year, since these receipts comprise primarily of tax collections. Program receipts changed significantly with the above noted change of reporting all Medicaid activity in a fiduciary fund. Program receipts changed significantly with the change effective July 1, 2011 of reporting Medicaid activity in a fiduciary fund. This activity is not reflected in Table 2. In 2012, Medicaid activity of \$15,087 was reported in the Federal Grant Fund, part of the program receipts.

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

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

Disbursements for General Government represent the overhead costs of running the Board and the support services provided for the other Board activities. These include the costs of the Board of Directors, as well as payroll and purchasing of supplies and equipment. General Government disbursements increased by \$93,453 or 7.6 percent.

Public Health Services disbursements represent the amounts paid to contracted providers for alcohol, drug addiction and mental health services from local, state and federal sources. This represents the majority of the Board's disbursements. Public Health Disbursements decreased \$10,572,108, primarily due to the reclassification of Medicaid payments to the agency fund.

Governmental Activities

If you look at the Statement of Activities on page 11, you will see that the first column lists the major services provided by the Board. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for public health services, which account for 79.7 percent of all governmental disbursements. General government represents 20.3 percent of all governmental disbursements. The next column of the Statement entitled Program Cash Receipts identify grants received by the Board that must be used to provide a specific service. The net (Disbursement) Receipt column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money mostly provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3, below.

(Table 3)

Governmental Activities

	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
General Government	\$ 1,331,068	\$ 198,117	\$ 1,237,615	\$ 669,133
Public Health Services	5,213,546	264,957	15,785,654	2,793,199
Total Expenditures	<u>\$ 6,544,614</u>	<u>\$ 463,074</u>	<u>\$ 17,023,269</u>	<u>\$ 3,462,332</u>

The Board's Funds

Total governmental funds had receipts of \$8,608,286 and disbursements of \$6,544,614. The greatest change within governmental funds occurred within the General Fund. This was mostly due to a larger portion of Medicaid receipts used to pay the General Funds portion of outstanding claims. The Board has a fiduciary relationship with the state and its vendors relative to Medicaid with the passage of HB 153, see below.

BUDGETARY HIGHLIGHTS

The Board's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Board approves one fund for the submission and approval of the County Budget Commission and its Commissioners. This one fund (which includes the fiduciary fund) includes those monies received which are restricted for specific purposes, as determined by the grantor. The Board ensures these monies are expended only for the purpose for which the grant was awarded.

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

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

During 2012, the Board amended its budget several times to reflect changing financial circumstances. The final actual receipts (excluding Medicaid) were more than budget receipts by \$2,087,264. The final disbursements (excluding Medicaid) were budgeted at \$7,129,450 while actual disbursements were \$6,657,005.

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. It is estimated that in 2013 the Board will receive an increase of nearly 1 mill over 2012 collections (including related rollback funds received from the state), as a result of the levy passage. These funds will be used to maintain established programs at their current levels.

With the passage of House Bill 153 of the 129 General Assembly, effective for claims dates of service on or after July 1, 2011, the alcohol, drug addictions and mental health services boards are no longer sub-recipients of the Medicaid and Children's Health Insurance Programs administered by the ODADAS and ODMH. The Board acts as the fiscal agent paying providers, as directed by ODADAS and ODMH, but no longer has any federal compliance requirements relative to these programs. Additionally, the Board does not have any responsibility or involvement in claims originating after 6/30/2012. ODADAS and ODMH anticipate that any payments (if any) to providers (for claims originating prior to 7/1/2012) subsequent to 6/30/2013 will be minimal.

The financial statements reflect this with Medicaid receipts (reimbursements received for prior disbursements) and payment activity reflected in a fiduciary fund. In 2012, Medicaid reimbursements received totaled \$11,112,391 while Medicaid disbursements totaled \$12,169,692.

CONTACTING THE BOARD'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the Board's finances and to reflect the Board's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Juni Frey, Executive Director, Paint Valley Alcohol, Drug Addiction and Mental Health Board, 394 Chestnut St., Chillicothe, Ohio 45601.

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

STATEMENT OF NET POSITION - CASH BASIS
DECEMBER 31, 2012

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 3,959,486</u>
<i>Total Assets</i>	<u><u>\$ 3,959,486</u></u>
Net Assets	
Restricted for:	
State Grants	47,381
Unrestricted	<u>3,912,105</u>
<i>Total Net Position</i>	<u><u>\$ 3,959,486</u></u>

See accompanying notes to the basic financial statements

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

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Operating Grants and Contributions	Governmental Activities
Governmental Activities			
General Government	\$ 1,331,068	\$ 1,132,951	\$ (198,117)
Public Health Services	5,213,546	4,948,589	(264,957)
<i>Total Governmental Activities</i>	<u>\$ 6,544,614</u>	<u>\$ 6,081,540</u>	(463,074)
General Receipts			
Property Taxes Levied for:			
General Purposes			1,909,035
Grants and Entitlements not Restricted to Specific Programs			601,925
Miscellaneous			15,786
<i>Total General Receipts</i>			<u>2,526,746</u>
Change in Net Postion			2,063,672
<i>Net Position Beginning of Year</i>			<u>1,895,814</u>
<i>Net Postion End of Year</i>			<u>\$ 3,959,486</u>

See accompanying notes to the basic financial statements

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

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2012**

	General Fund	Federal Grant Fund	State Grant Fund	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 4,251,330	\$ (339,225)	\$ 47,381	\$ 3,959,486
<i>Total Assets</i>	<u>\$ 4,251,330</u>	<u>\$ (339,225)</u>	<u>\$ 47,381</u>	<u>\$ 3,959,486</u>
Fund Balances				
Assigned	\$ 37,089	\$ -	\$ -	\$ 37,089
Restricted:				
State Grants	-	-	47,381	47,381
Unassigned	4,214,241	(339,225)	-	3,875,016
<i>Total Fund Balances</i>	<u>\$ 4,251,330</u>	<u>\$ (339,225)</u>	<u>\$ 47,381</u>	<u>\$ 3,959,486</u>

See accompanying notes to the basic financial statements

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

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS
FUND BALANCES - GOVERNMENTAL
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General Fund	Federal Grant Fund	State Grant Fund	Total Governmental Funds
Receipts				
Property Taxes	\$ 1,909,035	\$ -	\$ -	\$ 1,909,035
Intergovernmental	2,400,402	2,239,985	1,950,227	6,590,614
Other Grants	92,851	-	-	92,851
Other	15,786	-	-	15,786
<i>Total Receipts</i>	<u>4,418,074</u>	<u>2,239,985</u>	<u>1,950,227</u>	<u>8,608,286</u>
Disbursements				
Current:				
General Government	198,117	351,315	781,636	1,331,068
Health	2,117,077	1,927,877	1,168,592	5,213,546
<i>Total Disbursements</i>	<u>2,315,194</u>	<u>2,279,192</u>	<u>1,950,228</u>	<u>6,544,614</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	2,102,880	(39,207)	(1)	2,063,672
<i>Fund Balances Beginning of Year</i>	<u>2,148,450</u>	<u>(300,018)</u>	<u>47,382</u>	<u>1,895,814</u>
<i>Fund Balances End of Year</i>	<u>\$ 4,251,330</u>	<u>\$ (339,225)</u>	<u>\$ 47,381</u>	<u>\$ 3,959,486</u>

See accompanying notes to the basic financial statements

**PAINT VALLEY ALCOHOL, DRUG ADDICTION, AND MENTAL HEALTH 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, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 1,733,361	\$ 1,908,800	\$ 1,909,035	\$ 235
Intergovernmental	4,589,828	4,493,926	6,590,614	2,096,688
Other Grants	100,000	100,000	92,851	(7,149)
Other	5,000	18,296	15,786	(2,510)
<i>Total receipts</i>	<u>6,428,189</u>	<u>6,521,022</u>	<u>8,608,286</u>	<u>2,087,264</u>
Disbursements				
Current:				
General Government	1,684,871	1,792,253	1,419,719	372,534
Health	4,743,318	5,337,197	5,237,286	99,911
<i>Total Disbursements</i>	<u>6,428,189</u>	<u>7,129,450</u>	<u>6,657,005</u>	<u>472,445</u>
<i>Net Change in Fund Balance</i>	-	(608,428)	1,951,281	2,559,709
<i>Fund Balance Beginning of Year</i>	1,848,260	1,848,260	1,848,260	-
<i>Prior Year Encumbrances Appropriated</i>	<u>47,554</u>	<u>47,554</u>	<u>47,554</u>	-
<i>Fund Balance End of Year</i>	<u>\$ 1,895,814</u>	<u>\$ 1,287,386</u>	<u>\$ 3,847,095</u>	<u>\$ 2,559,709</u>

See accompanying notes to the basic financial statements

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

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - CASH BASIS
DECEMBER 31, 2012

<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 209,983</u>
Total Assets	<u><u>\$ 209,983</u></u>
<u>Liabilities</u>	
Due to Providers for Claims	<u>209,983</u>
Total Liabilities	<u><u>\$ 209,983</u></u>

See accompanying notes to the basic financial statements

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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 Board's Director and the legislative authorities of the political subdivisions making up the Board's service area. Those subdivisions are Ross, Pickaway, Fayette, Highland, and Pike Counties. The Board provides alcohol, drug addiction and mental health services and programs to area citizens. These services are provided primarily through contracts with 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.D., 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. Change in Accounting Principle

For fiscal year 2012, the Board has implemented Governmental Accounting Standard Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position".

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the Board's fiscal year 2012 financial statements; however, there was no effect on beginning net position/fund balance.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

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

B. 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.

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. Fiduciary funds are reported by type.

C. 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 and fiduciary.

Governmental Funds

The Board classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Board's major governmental funds are the General, Federal and State Grant Funds.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

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.

Fiduciary Fund

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

Agency Fund- is custodial in nature and is used to account for assets held by the Board for Medicaid payments, as authorized by ODMH and ODADAS, to mental health and alcohol and drug providers, respectively, for services rendered.

D. Basis of Accounting

The Board's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Board's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Board are described in the appropriate section in this note.

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

E. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board may appropriate. The Board does not budget its fiduciary fund for reporting purposes.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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

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

F. 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.

G. 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.

H. 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.

I. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. 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.

K. 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.

L. Fund Balance

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

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

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. 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 2012.

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 2012 represent the collection of 2011 taxes. Real property taxes received in 2012 were levied after October 1, 2011, on the assessed values as of January 1, 2011, 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 2012 represent the collection of 2011 taxes. Public utility real property taxes received in 2012 became a lien on December 31, 2011, were levied after October 1, 2012, 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 2012 property tax receipts were based on the Assessed Values of the five (5) participating counties of the Board which are Ross, Fayette, Highland, Pickaway, and Pike Counties.

4. 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 the fiscal year 2012, 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)	\$ 950,543
• Computer Equipment	80,000
• General Liability and Medical Expenses	
- Per Occurrence (\$0 deductible)	\$1,000,000
-Aggregate Limit	\$2,000,000

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

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 the general fund and each major special revenue fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the *modified* cash basis is (are) outstanding year end encumbrances are treated as expenditures (budgetary basis) rather than as restricted, committed or assigned fund balance (*modified* 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 (*modified* cash basis)). The encumbrances outstanding at year end (budgetary basis) amounted to:

General Fund	\$37,089
Major Special Revenue Funds:	
Federal Grant Fund	27,981
State Grant Fund	47,321

6. DEFINED BENEFITS

Ohio Public Employees Retirement System

A. Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

1. The Traditional Pension Plan- a cost sharing multiple-employer defined pension plan.

The Member-Directed Plan - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.

2. The Combined Plan - a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

B. OPERS provides retirement, disability, survivor and death benefits and annual cost-of- living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

C. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

6. DEFINED BENEFITS (Continued)

- E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012, members and employer contributions rates were consistent across all three plans. While members in the state and local division may participate in all three plans, law enforcement and public safety division exist only within the Traditional Pension Plan.

The 2012 member contributions rates were 10.0% of covered payroll for members in state and local classifications. Public safety and law and enforcement member contributed 11.5% and 12.1%, respectively.

The 2012 employer contribution rates for state and local employees are 14.00% of covered payroll. The law enforcement and public safety division employer contribution rate was 18.10% of the covered payroll.

- F. The Board's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2012, 2011, and 2010 were \$108,321, \$110,389, and \$92,201, respectively. The full amounts have been contributed for 2012, 2011, and 2010.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

7. POST EMPLOYMENT BENEFITS (Continued)

B. Funding Policy

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed at a rate of 14.00% of covered payroll and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2012.

The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2012. Effective January 1, 2013, the portion of employer contributions allocated to health care was lowered to 1% 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, 2012, 2011, and 2010 were \$41,501, \$42,293, and \$50,304. The full amounts have been contributed for 2012, 2011, and 2010.
Last paragraph.

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, 2012 will not have a material adverse effect on the Board.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

9. RELATED PARTIES

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

Advance Operating Fund	\$ 489,828
Advances on future contracts made in fiscal year 1984	402,317
Advances on future contracts made in fiscal year 1984	219,179
Returned during fiscal year 1992	(100,000)
Advance on contract made in fiscal year 2007	78,187
Billed amount (69,319) plus \$8,868 returned to Board (2008)	(78,187)
Earned during Fiscal Year 2008	(118,915)
 Total Advances	 \$ 892,409

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

10. SUBSEQUENT EVENTS

A. Merging of Agencies

Effective July 1, 2013 the Department of Mental Health and the Department of Alcohol and Drug Addiction Services are merging. The Board's general and programs receipts are provided by these agencies. It is unclear what effect, if any, on the Board's receipts shall occur given the merging of these agencies.

B. Replacement Tax Levy

On November 16, 2011, by Board resolution declared it necessary to levy a tax in excess of the ten-mill limitation. 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 shall be used to maintain established programs at their current levels.

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

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012**

Federal Grantor/ Pass Through Grantor Program Title	Pass-Through Entity Number	Federal CFDA Number	Expenditures
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<i>Passed Through Ohio Department of Mental Health:</i>			
Social Service Block Grant (Title XX)	31-640085	93.667	\$ 211,207
Strategic Prevention Framework State Incentive Grant	31-640085	93.243	50,000
Block Grant for Community Mental Health Services	31-640085	93.958	<u>166,406</u>
<i>Total Passed Through Ohio Department of Mental Health</i>			<u>427,613</u>
<i>Passed Through Appalachian Regional Commission/East Tennessee State University:</i>			
Block Grant for Prevention and Treatment of Substance Abuse	270123-26	93.959	<u>2,500</u>
<i>Passed through The Ohio Department of Alcohol and Drug Addiction Services:</i>			
Strategic Prevention Framework State Incentive Grant	31-640085	93.243	20,000
Medical Assistance Program	31-640085	93.778	15,087
Block Grant for Prevention and Treatment of Substance Abuse	31-640085	93.959	<u>737,159</u>
<i>Total Passed Through The Ohio Department of Alcohol and Drug Addiction Services</i>			<u>772,246</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
<i>Passed through the Ohio Department of Youth Services</i>			
Title II Formula Grant	31-6400085	16.540	<u>59,250</u>
Total Federal Awards Expenditures			<u>\$ 1,261,609</u>

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

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - MATCHING REQUIREMENTS

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



Dave Yost • Auditor of State

INDEPENDENT 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 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, each major fund, and the aggregate remaining fund information of the Paint Valley Alcohol, Drug Addiction and Mental Health Board, Ross County, Ohio (the Board) as of and for the year ended December 31, 2012, 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 27, 2013.

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. 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 Government'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.

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 27, 2013



Dave Yost • Auditor of State

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

Paint Valley Alcohol, Drug Addiction and
Mental Health 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's) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Board's major federal program for the year ended December 31, 2012. The *Summary of Audit 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 the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the Board's compliance for each of 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 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 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, 2012.

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 OMB Circular A-133, 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 compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

September 27, 2013

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2012**

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 control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Block Grants for the Prevention and Treatment of Substance Abuse – CFDA #93.959
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

PAINT VALLEY ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH 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
OCTOBER 15, 2013**