



Mary Taylor, CPA  
Auditor of State



**MENTAL HEALTH & RECOVERY SERVICES BOARD  
MUSKINGUM COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis .....	9
Statement of Activities – Cash Basis.....	10
Governmental Financial Statements:	
Statement of Cash Basis Assets and Cash Basis Fund Balance .....	11
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balance .....	12
Statement of Cash Receipts, Cash Disbursements, and Change in Cash Basis Fund Balance – Budget and Actual (Budget Basis) .....	13
Notes to the Basic Financial Statements .....	15
Federal Awards Expenditures Schedule.....	23
Notes to the Federal Awards Expenditures Schedule .....	24
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	25
Independent Accountants' Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	27
Schedule of Findings – <i>OMB Circular A-133 § .505</i> .....	29

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Mental Health & Recovery Services Board  
Muskingum County  
1205 Newark Road  
Zanesville, Ohio 43701

To the Members of the Board:

We have audited the accompanying financial statements of the governmental activities and the major fund of the Mental Health & Recovery Services Board, Muskingum County, Ohio (the Board), as of and for the year ended December 31, 2007, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities and major fund of the Mental Health & Recovery Services Board, Muskingum County, Ohio, as of December 31, 2007, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2008, on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the Board's basic financial statements. The Federal Awards Expenditures Schedule is required by 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 basic financial statements. We subjected this Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

July 10, 2008

**Mental Health & Recovery Services Board  
Muskingum County**

Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
Unaudited

---

The discussion and analysis of the Mental Health & Recovery Services Board, Muskingum County (the Board), financial performance provides an overall review of the Board's financial activities for the year ended December 31, 2007, within the limitations of the Board's cash basis of accounting. The intent of this discussion and analysis is to look at the Board's financial performance as a whole. Readers should also review the notes to the basic financial statements and the basic financial statements to enhance their understanding of the Board's financial performance.

**Financial Highlights**

Key financial highlights for the year 2007 are as follows:

- Net assets increased \$149,368.
- General receipts accounted for \$8,476,815 in receipts or 45 percent of all receipts. Program specific receipts in the form of operating grants and contributions accounted for \$10,533,771 or 55 percent of total receipts of \$19,010,586.
- The Board had \$18,861,218 in disbursements related to governmental activities; only \$10,533,771 of these disbursements was offset by program specific operating grants and contributions. General receipts of \$8,476,815 were adequate to provide for the remainder of these programs.
- The Board's major fund had \$19,010,586 in receipts and \$18,861,218 in disbursements. The cash balance increased \$149,368.

**Using this Annual Financial Report**

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

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

**Reporting the Board as a Whole**

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

While this document contains information used by the Board to provide programs and services for its service area, the view of the Board as a whole looks at all financial transactions and asks the question, "How did we do financially during calendar year 2007?" The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis answer this question. These two statements report the Board's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Board as a whole, the financial position of the Board has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

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

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

**Mental Health & Recovery Services Board  
Muskingum County**

Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
Unaudited  
(Continued)

---

**Reporting the Board's Governmental Financial Statements**

*Governmental Financial Statements*

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

**The Board as a Whole**

Recall that the Statement of Net Assets – Cash Basis provides the perspective of the Board as a whole. Table 1 provides a summary of the Board's net assets for 2007 compared to 2006.

**Table 1  
Net Assets – Cash Basis**

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	<u>\$4,712,603</u>	<u>\$4,562,695</u>
<b>Net Assets</b>		
Unrestricted	<u>\$4,712,603</u>	<u>\$4,562,695</u>
<b>Total Net Assets</b>	<u>\$4,712,603</u>	<u>\$4,562,695</u>

Total assets increased \$149,368. The increase is due primarily to some increase in federal funding for Medicaid and state funding. The Board continues to attempt to retain the services of its network of providers in a time of rising costs.

Table 2 shows the changes in net assets for the year ended December 31, 2007, and comparisons to December 31, 2006.



**Mental Health & Recovery Services Board  
Muskingum County**

Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
Unaudited  
(Continued)

**Table 2  
Changes in Net Assets**

	<b>Governmental Activities</b>	
	<b>2007</b>	<b>2006</b>
<b>Receipts</b>		
Program Cash Receipts		
Operating Grants and Contributions	\$10,533,771	\$10,362,465
Total Program Cash Receipts	\$10,533,771	\$10,362,465
General Receipts		
Property Taxes Levied for General Purposes	\$2,105,936	\$2,136,462
Entitlements – Unrestricted	\$6,370,610	\$5,864,622
Refunds	\$269	\$51
Total General Receipts	\$8,476,815	\$8,001,135
<b>Total Receipts</b>	<b>\$19,010,586</b>	<b>\$18,363,600</b>
<b>Disbursements:</b>		
Mental Health and Dependency Rehabilitation	\$18,861,218	\$18,604,207
<b>Total Disbursements</b>	<b>\$18,861,218</b>	<b>\$18,604,207</b>
<b>Change in Net Assets</b>	<b>\$149,368</b>	<b>(\$240,607)</b>

In 2007, 45 percent of the Board's total receipts were from general receipts, consisting mainly of property taxes and unrestricted state entitlements. Program cash receipts accounted for 55 percent of the Board's total receipts in year 2007. These receipts consist primarily of Medicaid and its matching funds, and federal operating grants. The Board received more Medicaid funding in 2007 than in 2006.

The significant increase in mental health and dependency rehabilitation disbursements is mainly attributable to an increase of out of network contract services disbursements. Payments to contract service providers are based on Medicaid billings and timing of grants.

The Statement of Activities – Cash Basis shows the cost of program services and the operating grants and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services. In other words, it identifies the cost of those services supported by property tax receipts and unrestricted state entitlements.

**Mental Health & Recovery Services Board  
Muskingum County**

Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
Unaudited  
(Continued)

**Table 3  
Governmental Activities**

	<b>Total Cost of Services 2007</b>	<b>Net Cost of Services 2007</b>	<b>Total Cost of Services 2006</b>	<b>Net Cost of Services 2006</b>
Mental Health and Dependency Rehabilitation:				
Salaries	\$419,603	\$368,969	\$421,625	\$368,570
Supplies	11,049	11,049	10,842	10,842
Materials	508	508	661	661
Equipment	14,507	14,507	9,610	9,610
Contracts – Repairs	583	583	1,451	1,451
Contracts-Services	18,195,342	7,712,205	17,990,255	7,681,928
Rentals	22,500	22,500	22,500	22,500
Advertising and Printing	16,120	16,120	3,243	3,243
Travel and Expenses	22,198	22,198	19,822	19,044
Public Employee's Retirement	57,911	57,911	55,727	55,727
Worker's Compensation	9,715	9,715	6,652	6,652
Insurance	14,297	14,297	21,974	21,974
Other Expenses	36,683	36,683	39,845	39,845
Medicare	4,816	4,816	0	0
Utilities	35,386	35,386	0	0
<b>Total Disbursements</b>	<b>\$18,861,218</b>	<b>\$8,327,447</b>	<b>\$18,604,207</b>	<b>\$8,241,742</b>

The dependence upon state entitlements for governmental activities is apparent as 44 percent of mental health and dependency rehabilitation costs are supported through unrestricted state entitlements and other general receipts.

**The Board's Governmental Financial Statements**

The Board's governmental financial statements are accounted for using the cash basis of accounting. The governmental financial statements had total receipts of \$19,010,586 and disbursements of \$18,861,218. The financial statements had a increase in the cash balance of \$149,368.

**Budgeting Highlights**

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

During the course of 2007, the Board amended its appropriations, and the budgetary statement reflects both the original and final appropriated amounts.

**Mental Health & Recovery Services Board  
Muskingum County**

Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
Unaudited  
(Continued)

---

**Debt and Capital Asset Acquisitions**

In 2004, the Board entered into a contract/note with the Ohio Department of Mental Health concerning the residential facility on Liberty School Road in Cambridge, Ohio. See note 6 for additional details.

**Economic Factors**

The Board contracts with nine provider agencies to deliver mental health and substance abuse services to the residents of Coshocton, Guernsey, Morgan, Muskingum, Noble and Perry counties.

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

**Contacting the Board's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and providers with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Rod Hollingsworth, Executive Director, at Mental Health and Recovery Services Board, 1205 Newark Road, Zanesville, Ohio 43701.

**This page intentionally left blank.**

**Mental Health & Recovery Services Board  
Muskingum County**

*Statement of Net Assets - Cash Basis  
December 31, 2007*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$4,712,063</u>
<i>Total Assets</i>	<u>4,712,063</u>
<b>Net Assets</b>	
Unrestricted	<u>4,712,063</u>
<i>Total Net Assets</i>	<u><u>\$4,712,063</u></u>

See accompanying notes to the basic financial statements

**Mental Health & Recovery Services Board  
Muskingum County**

*Statement of Activities - Cash Basis  
For the Fiscal Year Ended December 31, 2007*

	Cash Disbursements	Program Cash Receipts Operating Grants and Contributions	Net (Disbursements) Receipts and Changes in Net Assets Governmental Activities
<b>Governmental Activities</b>			
Mental Health and Dependency Rehabilitation:			
Salaries	\$419,603	\$50,634	(\$368,969)
Supplies	11,049		(11,049)
Materials	508		(508)
Equipment	14,507		(14,507)
Contracts - Repairs	583		(583)
Contracts - Services (Net of \$87,618 in contract agency reimbursements)	18,195,342	10,483,137	(7,712,205)
Rentals	22,500		(22,500)
Advertising and Printing (Net of \$300 in reimbursements)	16,120		(16,120)
Travel and Expenses (Net of \$107 in agency reimbursements)	22,198		(22,198)
Public Employee's Retirement	57,911		(57,911)
Worker's Compensation	9,715		(9,715)
Insurance (Net of \$1,472,886 in contract agency reimbursements)	14,297		(14,297)
Other Expenses(Net of \$2,844 in contract agency reimbursements)	36,683		(36,683)
Medicare	4,816		(4,816)
Utilities (Net of \$25 in reimbursements)	35,386		(35,386)
	<u>\$18,861,218</u>	<u>\$10,533,771</u>	<u>(8,327,447)</u>
<i>Total Governmental Activities</i>			
<b>General Receipts</b>			
Property Taxes Levied for General Purposes			2,105,936
Entitlements - Unrestricted			6,370,610
Refunds			269
			<u>8,476,815</u>
<i>Total General Receipts</i>			
Change in Net Assets			149,368
<i>Net Assets Beginning of Year</i>			<u>4,562,695</u>
<i>Net Assets End of Year</i>			<u>\$4,712,063</u>

See accompanying notes to the basic financial statements

**Mental Health & Recovery Services Board  
Muskingum County**

*Statement of Cash Basis Assets and Cash Basis Fund Balance - Governmental Fund  
December 31, 2007*

	<u><b>General Fund</b></u>
<b>Cash Basis Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$4,712,063</u>
<i>Total Assets</i>	<u><u>\$4,712,063</u></u>
<b>Cash Basis Fund Balance</b>	
Reserved for Encumbrances	\$1,688,822
Unreserved, Undesignated	<u>3,023,241</u>
<i>Total Cash Basis Fund Balance</i>	<u><u>\$4,712,063</u></u>

See accompanying notes to the basic financial statements

**Mental Health & Recovery Services Board  
Muskingum County**

*Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balance  
Governmental Funds  
For the Fiscal Year Ended December 31, 2007*

	<b>General Fund</b>
<b>Cash Receipts</b>	
Taxes	\$2,105,936
Grants	16,904,381
Refunds	269
	19,010,586
 <i>Total Cash Receipts</i>	 19,010,586
 <b>Cash Disbursements</b>	
Current:	
Salaries	419,603
Supplies	11,049
Materials	508
Equipment	14,507
Contracts - Repairs	583
Contracts - Services (Net of \$87,618 in contract agency reimbursements)	18,195,342
Rentals	22,500
Advertising and Printing (Net of \$300 in reimbursements)	16,120
Travel and Expenses (Net of \$107 in reimbursements)	22,198
Public Employee's Retirement	57,911
Worker's Compensation	9,715
Insurance (Net of \$1,472,886 in contract agency reimbursements)	14,297
Other Expenses(Net of \$2,844 in contract agency reimbursements)	36,683
Medicare	4,816
Utilities (Net of \$25 in reimbursements)	35,386
	18,861,218
 <i>Total Cash Disbursements</i>	 18,861,218
 <i>Excess of Cash Receipts Over/(Under) Cash Disbursements</i>	 149,368
 <i>Cash Basis Fund Balance Beginning of Year</i>	 4,562,695
 <i>Cash Basis Fund Balance End of Year</i>	 \$4,712,063

See accompanying notes to the basic financial statements



**Mental Health & Recovery Services Board  
Muskingum County**

*Statement of Cash Receipts, Cash Disbursements, and Changes  
In Cash Basis Fund Balance - Budget and Actual (Budget Basis)  
General Fund*

*For the Fiscal Year Ended December 31, 2007*

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Cash Receipts</b>				
Property Taxes	\$1,853,062	\$1,910,530	\$2,105,936	\$195,406
Grants	16,199,492	16,852,103	16,904,381	52,278
Reimbursements	1,432,000	1,408,474	1,524,756	116,282
Refunds	0	41,587	41,602	15
<i>Total Cash Receipts</i>	<u>19,484,554</u>	<u>20,212,694</u>	<u>20,576,675</u>	<u>363,981</u>
<b>Cash Disbursements</b>				
Current:				
Salaries	432,670	436,570	419,603	16,967
Supplies	19,730	19,730	12,049	7,681
Materials	900	900	659	241
Equipment	12,000	19,000	14,507	4,493
Contracts - Repairs	4,300	4,300	583	3,717
Contracts - Services	18,965,634	21,840,003	19,966,583	1,873,420
Rentals	22,500	22,500	22,500	0
Advertising and Printing	6,550	19,550	16,420	3,130
Travel and Expenses	23,070	25,070	24,055	1,015
Public Employee's Retirement	59,975	59,975	57,911	2,064
Worker's Compensation	8,850	12,050	12,024	26
Unemployment Compensation	2,000	2,000	0	2,000
Insurance	1,445,350	1,493,126	1,487,183	5,943
Other Expenses	42,500	44,500	39,927	4,573
Medicare	6,275	6,275	4,816	1,459
Utilities	41,700	41,700	37,311	4,389
<i>Total Cash Disbursements</i>	<u>21,094,004</u>	<u>24,047,249</u>	<u>22,116,131</u>	<u>1,931,118</u>
<i>Net Change in Cash Basis Fund Balance</i>	(1,609,450)	(3,834,555)	(1,539,456)	2,295,099
<i>Cash Basis Fund Balance Beginning of Year</i>	2,953,247	2,953,247	2,953,247	0
Prior Year Encumbrances Appropriated	<u>1,609,450</u>	<u>1,609,450</u>	<u>1,609,450</u>	<u>0</u>
<i>Cash Basis Fund Balance End of Year</i>	<u>\$2,953,247</u>	<u>\$728,142</u>	<u>\$3,023,241</u>	<u>\$2,295,099</u>

See accompanying notes to the basic financial statements

**This page intentionally left blank.**

**Mental Health & Recovery Services Board  
Muskingum County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended December 31, 2007

---

***Note 1 - Description of the Reporting Entity***

The constitution and laws of the State of Ohio establish the rights and privileges of the Mental Health & Recovery Services Board, Muskingum County (the Board), as a body corporate and politic. An eighteen member Board is the governing body. Members shall be residents of the Board's six-county area. The Director of the Ohio Department of Mental Health shall appoint four members, the Director of the Ohio Department of Alcohol and Drug Addiction Services shall appoint four members, and the remaining ten members shall be appointed by the County Commissioners of Coshocton, Guernsey, Morgan, Muskingum, Noble and Perry counties proportionate to population. The Board provides alcohol, drug addiction, and mental health services and programs to citizens of the Board area. These services are provided primarily through contracts with not-for-profit agencies.

The Board participates in the Eastern Alliance Council of Governments which is defined as a jointly governed organization. Additionally information concerning the jointly governed organization is discussed in Note 12.

The Board's management believes these financial statements present all activities for which the Board is financially accountable.

***Reporting Entity***

A reporting entity is comprised of the primary government, component units and other organizations included ensuring that the basic financial statements are not misleading. The primary government of the Board consists of all funds, departments, boards and agencies that are not legally separate from the Board.

Component units are legally separate organizations for which the Board is financially accountable. Component units may also include 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. The Board has no component units.

***Note 2 - Summary of Significant Accounting Policies***

These financial statements and notes are presented on a cash basis of accounting. The Board recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. 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 Government Accounting Standards Board (GASB) pronouncements.

Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the fund and entity wide statements versus budgetary expenditures are due to: 1) encumbrances outstanding at the beginning and end of the fiscal year, and 2) budgetary expenditures reflect gross expenditures where cash disbursements reflect amounts net of reimbursements from provider agencies.

***A. Fund Accounting***

The Board uses one fund (General Fund) to report its financial position and results of operations. The General Fund is an independent fiscal and accounting entity with a self-balancing set of accounts. The General Fund is used to account for the Board's general operations.

**Mental Health & Recovery Services Board  
Muskingum County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended December 31, 2007  
(Continued)

---

**Note 2 - Summary of Significant Accounting Policies (continued)**

**B. Basis of Presentation**

The Board's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and governmental financial statements providing more detailed financial information.

**Government-wide Financial Statements:** The Statement of Net Assets presents the financial condition of the governmental activities of the Board at year-end. The Statement of Activities presents a comparison between direct disbursements and program cash receipts for the program of the Board's governmental activities. Direct disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program cash receipts include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program cash receipts are presented as general receipts of the Board. The comparison of direct disbursements with program cash receipts identifies the extent to which each governmental function is self-financing or draws from the general receipts of the Board.

**Governmental Financial Statements:** Governmental financial statements are intended to report more detailed information about the Board. While the focus of governmental financial statements is on major funds, the Board only utilizes one fund, resulting in the governmental financial statements reporting that is similar to that of the government-wide financial statements.

**C. Basis of Accounting**

The Government-wide Statement of Net Assets and Statement of Activities and the Governmental Financial Statements are presented using the cash basis of accounting. This basis recognizes cash assets, net assets/fund equity, receipts, and disbursements when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of the cash basis of accounting, certain assets and their related receipts and certain liabilities and their disbursements are not recorded in these financial statements. If the Board utilized the basis of accounting recognized as generally accepted, the governmental financial statements for governmental funds would use the modified accrual basis of accounting, while the governmental financial statements for proprietary fund types would use the accrual basis of accounting.

**D. Cash, Cash Equivalents and Investments**

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

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificate of deposits or short-term investments with an original maturity of three months or less. The Board values investments and cash equivalents at cost.

**E. Fund Balance Reserves**

The Board reserves those portions of fund balance which are legally segregated for a specific future use or which are not available for appropriation or expenditure. Fund reserves have been established for encumbrances.

**Mental Health & Recovery Services Board  
Muskingum County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended December 31, 2007  
(Continued)

---

**Note 2 - Summary of Significant Accounting Policies (continued)**

**F. Budgetary Data**

Ohio law requires all funds, other than agency funds, to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which use 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 amounts that the Board may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The Board uses the function as its legal level of control.

The certificate of estimated resources may be amended during the year if the Board fiscal officer projects increases or decreases in receipts. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budget in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

The Board may amend appropriations throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation for that fund covering the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budget represent the final appropriation the Board passed during the year.

**Note 3 – Change in Accounting Principles**

The Muskingum County Auditor serves as the fiscal agent for the Board. The Board's employees are paid through Muskingum County's payroll system and the following Muskingum County note disclosure is included as it relates to the Board.

For 2007, Muskingum County has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions".

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this Statement for both the OPERS and the STRS post-employment healthcare plans in the amount of \$84,611 and \$0, respectively, which are the same as the previously reported liabilities.

**Note 4 - Property Taxes**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board adopts rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Taxes. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

**Mental Health & Recovery Services Board  
Muskingum County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended December 31, 2007  
(Continued)

---

**Note 4 – Property Taxes (continued)**

Public utilities are also taxed on personal and real property located within the Board.

Property owners assess tangible personal property tax. They must file a list of tangible property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Board.

The Mental Health & Recovery Services levy for Muskingum County expires December 31, 2008. In calendar year 2007, this levy generated \$1,152,398. The Muskingum County Commissioners have approved the placement of a one mill 5-year renewal levy on the November 4, 2008 ballot for the Mental Health & Recovery Services Board. The Mental Health & Recovery Services Board has reviewed needed operational reductions and informed contract providers of reductions in their allocations, should the levy not be approved.

**Note 5 - Deposits and Investments**

Ohio law restricts deposits and investments to the following:

1. Commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts;
2. Money market deposits;
3. Savings accounts or certificates of deposit;
4. United States Treasury securities, or securities of its agencies or instrumentalities the federal government guarantees;
5. No-load money market mutual funds consisting exclusively of obligations described in (4) above and repurchase agreements secured by such obligations;
6. Bonds and obligations of the State of Ohio or Ohio local governments;
7. The State Treasurer's investment pool (STAROhio, a Rule 2-a7-like pool);
8. Certain bankers' acceptances and commercial paper notes; and
9. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

An investment must mature within five years from the purchase date unless matched to a specific obligation or debt of the Board and must be purchased with the expectation it will be held to maturity. Investments may only be made through specified dealers and institutions.

**Deposits.** The Muskingum County Auditor serves as the fiscal agent for the Board. The Muskingum County Treasurer invests all County funds, as well as funds of those entities for which the County Auditor serves as fiscal agent. The Board maintains no control over the investment of its cash. At year-end, the carrying amount of the Board's deposits was \$4,712,063.

The Board's deposits, maintained by the Muskingum County Treasurer, are either insured by the Federal Deposit Insurance Corporation or were considered collateralized by securities held by the pledging institutions' trust departments in Muskingum County's name and all State statutory requirements for the deposit of money had been followed.

**Mental Health & Recovery Services Board  
Muskingum County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended December 31, 2007  
(Continued)

**Note 6 - Risk Management**

**Commercial Insurance**

The Board has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Automobile;
- Directors, officers, trustees and organization liability;
- Employment practices liability ;
- Medical professional liability; and
- Public employee blanket bond including faithful performance and position.

The Board provides health, vision, life, and long-term disability insurance to full-time employees through private carriers.

**Note 7 – Debt**

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
Promissory Note	\$133,568	variable 4% - 11%

The promissory note was issued in December 2003 to finance the acquisition and development of 9.89 acres of real property at 9259 Liberty School Road, Cambridge, Ohio. The property was converted into a 16 bed residential facility. Renovations were completed and the facility was operational in October 2004. The note is collateralized by an open-ended mortgage on the property financed and held by a financial institution.

The Liberty Manor residential facility is operated by the Board and the Mental Health and Recovery Services Board serving Belmont, Harrison and Monroe Counties, Ohio. The Eastern Alliance Council of Governments, of which these two Boards are members, acts as the fiscal agent. By agreement, the Muskingum County Mental Health and Recovery Services Board is to be reimbursed the amount of the loan repayments for the above debt from funds received from the residents as payment of rent.

Amortization of the above debt, including interest, is scheduled as follows:

	Promissory Note
Year ending December 31:	
2007	\$11,879
2008	11,879
2009	11,879
2010	11,879
2011	11,879
2012-2024	138,936
Total	\$198,331

On March 11, 2004, the Mental Health & Recovery Services Board entered into a contract/note with the Ohio Department of Mental Health for \$150,000. The note is secured by a mortgage deed on the property located at 9259 Liberty School Road, Cambridge, Ohio. The payment of principal will be forgiven by the Ohio Department of Mental Health in 480 equal installments beginning the first day of April 2004 and forgivable upon the first day of each month thereafter until and including the first day of April 2044 providing there is no transfer by sale, gift, devise, operation of law or otherwise of the title in all or part of

**Mental Health & Recovery Services Board  
Muskingum County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended December 31, 2007  
(Continued)

---

**Note 7 – Debt (continued)**

the said premises. If such a transfer should occur, the remaining balance shall be immediately due and payable to the Ohio Department of Mental Health. The Mental Health & Recovery Services Board received 90% or \$135,000 of this state funding on May 10, 2004. The final 10% or \$15,000 was paid on December 3, 2004, after completion of the renovation.

**Note 8 – Defined Benefit Pension Plans**

**Ohio Public Employees Retirement System**

As indicated in Note 3, the Muskingum County Auditor serves as the fiscal agent for the Board. The Board's employees are paid through Muskingum County's payroll system and the following Muskingum County note disclosure is included as it relates to the Board.

Plan Description – The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2007, members in state and local classifications contributed 9.5% of covered payroll.

The County's contribution rate for 2007 was 13.85 percent. For the period January 1 through June 30, a portion of the County's contribution equal to 5 percent of covered payroll was allocated to fund the post-employment health care plan; for the period July 1 through December 31, 2007 this amount was increased to 6 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the County of 14 percent.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$2,881,675, \$3,021,972, and \$3,056,549 respectively; 96 percent has been contributed for 2007 and 100 percent for 2006 and 2005. Contributions to the member-directed plan for 2007 were \$59,072 made by the County and \$40,519 made by the plan members.



**Mental Health & Recovery Services Board  
Muskingum County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended December 31, 2007  
(Continued)

---

**Note 9 – Post- Employment Benefits**

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

As indicated in Note 3, the Muskingum County Auditor serves as the fiscal agent for the Board. The Board's employees are paid through Muskingum County's payroll system and the following Muskingum County note disclosure is included as it relates to the Board.

Plan Description – OPERS maintains a cost sharing multiple employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part b premium reimbursement.

To qualify for post-employment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2007, local government employers contributed 13.85 percent of covered payroll. Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of the employer contributions which was allocated to fund post-employment health care was 5.00 percent of covered payroll from January 1 through June 30, 2007, and 6.00 percent from July 1 to December 31, 2007.

The retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2007, 2006, and 2005 were \$1,882,152, \$1,424,316 and \$1,236,272 respectively; 96 percent has been contributed for 2007 and 100 percent for 2006 and 2005.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

**Mental Health & Recovery Services Board  
Muskingum County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended December 31, 2007  
(Continued)

---

**Note 10 – Reimbursements**

The Board makes a number of cash disbursements on behalf of provider agencies and is later reimbursed for these out-of-pocket expenses. Cash disbursements made on behalf of provider agencies include payments made for insurance coverage, contract services (audit costs) and office supplies.

The Statement of Activities – Cash Basis and the Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balance include neither the reimbursements from provider agencies nor the cash disbursements made on behalf of provider agencies. The Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balance – Budget and Actual (Budget Basis) does include the reimbursement activity since the Board includes this activity within its budget. The budgetary statement also includes encumbrances as disbursements since encumbrances are required by law when purchase commitments are made.

**Note 11 - Contingencies**

**A. 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 by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Board. However, in the opinion of management, any such disallowed claims would not have a material adverse effect on the overall financial position of the Board at December 31, 2007.

**Note 12- Jointly Governed Organization**

The Board is a member of the Eastern Alliance Council of Governments (Council), which is a jointly governed organization, consisting of three Alcohol, Drug Addiction and Mental Health Services Boards serving Jefferson, Coshocton, Guernsey, Morgan, Muskingum, Noble, Perry, Belmont, Harrison, and Monroe Counties. The Council was established under Chapter 167 of the Ohio Revised Code. The purpose of the Council is to promote cooperative agreements and coordinated action among members, state departments, and other local service entities, develop and implement joint quality improvement activities on a regional basis, plan, develop, fund and administer joint residential programming for target populations, and optimize comprehensive planning and program development.

The Council is managed by a board of trustees composed of the Executive Director, or Director's designee, from each of its members. The continued existence of the Council is not dependent on the Board's continued participation and the Board has no equity interest or financial responsibility for the Council. During 2007, the Board contributed \$5,000 for projects and reimbursements. In addition, debt payments were made on behalf of the Board by the Council as discussed in Note 6.

**MENTAL HEALTH & RECOVERY SERVICES BOARD  
MUSKINGUM COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2007**

<b>FEDERAL GRANTOR/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Disbursements</b>
<b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>			
<i>Passed Through Ohio Department of Mental Health:</i> Substance Abuse and Mental Health Services	33-TSIG-07-01	93.243	\$18,215
<i>Passed Through Ohio Department of Mental Health:</i> Promoting Safe and Stable Families	36-CS-06-01	93.556	63,639
	N/A		<u>79,766</u>
Total Promoting Safe and Stable Families			<u>143,405</u>
<i>Passed Through Ohio Department of Mental Health:</i> Social Services Block Grant	N/A	93.667	94,338
	N/A		<u>74,805</u>
Total Social Services Block Grant			<u>169,143</u>
<i>Passed Through Ohio Department of Mental Health:</i> State Children's Insurance Program	N/A	93.767	306,259
<i>Passed Through Ohio Department of Alcohol and Drug Addiction Services:</i> State Children's Insurance Program	N/A	93.767	62,919
Total State Children's Insurance Program			<u>369,178</u>
<i>Passed Through Ohio Department of Mental Health:</i> Medical Assistance Program	N/A	93.778	4,493,441
<i>Passed Through Ohio Department of Alcohol and Drug Addiction Services:</i> Medical Assistance Program	N/A	93.778	530,559
Total Medical Assistance Program			<u>5,024,000</u>
<i>Passed Through Ohio Department of Mental Health:</i> Block Grants for Community Mental Health Services	N/A	93.958	168,959
<i>Passed Through Ohio Department of Alcohol and Drug Addiction Services:</i> Block Grants for Prevention and Treatment of Substance Abuse	N/A	93.959	769,834
Women's Comprehensive Recovery Program	60-03058-WOMEN-T-07-9000		168,690
	60-1431-WOMEN-T-08-9000		190,157
Total Block Grants for Prevention and Treatment of Substance Abuse			<u>1,128,681</u>
Total United States Department of Health and Human Services			<u>7,021,581</u>
<b>Total Federal Awards Expenditures</b>			<b><u><u>\$7,021,581</u></u></b>

*The Notes to the Federal Awards Expenditures Schedule are an integral part of this Schedule.*

**MENTAL HEALTH & RECOVERY SERVICES BOARD  
MUSKINGUM COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the Mental Health & Recovery Services Board's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - SUBRECIPIENTS**

The Board passes-through certain Federal assistance received from the Ohio Department of Mental Health and the Ohio Department of Alcohol and Drug Addition to not-for-profit agencies (subrecipients). As described in Note A, the Board records expenditures of Federal awards to subrecipients when paid in cash.

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

**NOTE C - MATCHING REQUIREMENTS**

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

**NOTE D – COMMINGLED ASSISTANCE**

The amounts reported in the Promoting Safe and Stable Families Program (CFDA No. 93.556) include both federal and state monies which were commingled at the state level and not separately identified to the Board during the period. Therefore, the accompanying schedule includes the total awards expended under this program regardless of source.



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Mental Health & Recovery Services Board  
Muskingum County  
1205 Newark Road  
Zanesville, Ohio 43701

To the Members of the Board:

We have audited the financial statements of the governmental activities and the major fund of the Mental Health & Recovery Services Board, Muskingum County, Ohio (the Board), as of and for the year ended December 31, 2007, which collectively comprise the Board's basic financial statements and have issued our report thereon dated July 10, 2008, wherein we noted the Board's financial statements and notes follow a comprehensive accounting basis other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Board's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Board's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Board's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Board's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Board's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Board's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the audit committee, management, the Mental Health & Recovery Services Board, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

July 10, 2008



# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Mental Health & Recovery Services Board  
Muskingum County  
1205 Newark Road  
Zanesville, Ohio 43701

To the Members of the Board:

#### Compliance

We have audited the compliance of the Mental Health & Recovery Services Board, Muskingum County, Ohio (the Board), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended December 31, 2007. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the Board's major federal program. The Board's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Board's compliance based on our audit.

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

In our opinion, the Mental Health & Recovery Services Board, Muskingum County, Ohio, complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2007.

#### Internal Control Over Compliance

The Board's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Board's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701-2157  
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the Board's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the audit committee, management, the Mental Health & Recovery Services Board, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

July 10, 2008



**MENTAL HEALTH & RECOVERY SERVICES BOARD  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2007**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Medical Assistance Program (Medicaid: Title XIX) CFDA #93.778
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

No findings to report.

**3. FINDINGS FOR FEDERAL AWARDS**

No findings to report.





**Mary Taylor, CPA**  
Auditor of State

**MENTAL HEALTH AND RECOVERY SERVICES BOARD**

**MUSKINGUM COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 29, 2008**