



Dave Yost • Auditor of State

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

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Dave Yost • 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, 2010, 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 2, 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, 2010, and the changes in cash financial position and the budgetary comparison for the General Fund for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2011, 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.

Accounting principles generally accepted in the United States of America require this presentation to include Management's Discussion and Analysis, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Board's basic financial statements taken as a whole. The Federal Awards Expenditures Schedule (the Schedule) provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

June 27, 2011

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

Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

The discussion and analysis of the Mental Health & Recovery Services Board (the Board), financial performance provides an overall review of the Board's financial activities for the year ended December 31, 2010, 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 2010 are as follows:

- Net assets increased \$1,235,390.
- General receipts accounted for \$7,693,977 in receipts or 37 percent of all receipts. Program specific receipts in the form of operating grants and contributions accounted for \$13,032,181 or 63 percent of total receipts of \$20,726,158.
- The Board had \$19,490,768 in disbursements related to governmental activities; only \$13,032,181 of these disbursements was offset by program specific operating grants and contributions. General receipts of \$7,693,977 were adequate to provide for the remainder of these programs.
- The Board's major fund had \$20,726,158 in receipts and \$19,490,768 in disbursements. The cash balance increased \$1,235,390.

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 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 2010?" 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.

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

Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited
(Continued)

Reporting the Board as a Whole (Continued)

Statement of Net Assets – Cash Basis and Statement of Activities – Cash Basis (Continued)

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

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 2010 compared to 2009.

**Table 1
Net Assets – Cash Basis**

	Governmental Activities	
	2010	2009
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$6,050,420</u>	<u>\$4,815,030</u>
Net Assets		
Unrestricted	<u>\$6,050,420</u>	<u>\$4,815,030</u>
Total Net Assets	<u>\$6,050,420</u>	<u>\$4,815,030</u>

Total assets increased \$1,235,390. The increase is due primarily to major decreases in non-Medicaid contract services disbursements. The Board continues to attempt to control costs in a time of rising costs and less funding.

Table 2 shows the changes in net assets for the year ended December 31, 2010, and comparisons to December 31, 2009.

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

Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited
(Continued)

**Table 2
Changes in Net Assets**

	Governmental Activities	
	2010	2009
Receipts		
Program Cash Receipts		
Operating Grants and Contributions	\$13,032,181	\$13,116,061
Total Program Cash Receipts	<u>13,032,181</u>	<u>13,116,061</u>
General Receipts		
Property Taxes Levied for General Purposes	2,165,551	2,120,164
Entitlements – Unrestricted	5,528,426	4,837,146
Total General Receipts	<u>7,693,977</u>	<u>6,957,310</u>
Total Receipts	<u>20,726,158</u>	<u>20,073,371</u>
Disbursements:		
Mental Health and Dependency Rehabilitation	19,490,768	20,434,354
Total Disbursements	<u>19,490,768</u>	<u>20,434,354</u>
Change in Net Assets	<u>\$1,235,390</u>	<u>(\$360,983)</u>

In 2010, 37 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 63 percent of the Board's total receipts in year 2010. These receipts consist primarily of Medicaid and its matching funds, and federal operating grants.

The decrease in mental health and dependency rehabilitation disbursements is mainly attributable to a decrease in non-Medicaid contract services disbursements and reduced one time construction costs. 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, 2010
Unaudited
(Continued)

**Table 3
Governmental Activities**

	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
Mental Health and Dependency Rehabilitation:				
Salaries	\$408,629	\$358,867	\$428,934	\$377,079
Supplies	6,440	6,440	8,221	8,221
Materials	506	506	342	342
Equipment	0	0	2,578	2,578
Contracts - Repairs	1,075	1,075	1,387	1,387
Contracts - Services	18,699,442	5,766,138	19,168,390	6,558,866
Rentals	23,100	23,100	23,050	23,050
Advertising and Printing	1,793	1,793	1,912	1,912
Travel and Expenses	14,762	14,762	17,498	17,498
Public Employee's Retirement	57,260	57,260	60,556	60,556
Worker's Compensation	10,912	10,912	10,779	10,779
Construction	29,580	(19,535)	476,208	21,526
Insurance	145,926	145,926	148,071	148,071
Other Expenses	28,583	28,583	28,517	28,517
Medicare	4,608	4,608	4,956	4,956
Utilities	37,195	37,195	32,351	32,351
Tax Settlement Deduction	20,957	20,957	20,604	20,604
Total Disbursements	\$19,490,768	\$6,458,587	\$20,434,354	\$7,318,293

The dependence upon state entitlements for governmental activities is apparent as 37 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 \$20,726,158 and disbursements of \$19,490,768. The financial statements had a increase in the cash balance of \$1,235,390.

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 2010, 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, 2010
Unaudited
(Continued)

Debt and Capital Asset Acquisitions

In 2004 and in 2009 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 5 for additional details. In addition, the Board entered into another contract/note with the Ohio Department of Mental Health during 2009 for the renovation of the outpatient facility in Morgan County.

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 reductions in state funding. 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 the Mental Health and Recovery Services Board, 1205 Newark Road, Zanesville, Ohio 43701 at 454-8557 or email at rodh@mhrs.org.

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

*Statement of Net Assets - Cash Basis
December 31, 2010*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$6,050,420</u>
<i>Total Assets</i>	<u><u>\$6,050,420</u></u>
Net Assets	
Unrestricted	<u>\$6,050,420</u>
<i>Total Net Assets</i>	<u><u>\$6,050,420</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, 2010*

	Program Cash Receipts	Net (Disbursements) Receipts and Changes in Net Assets
	Cash	Governmental
	Disbursements	Activities
Governmental Activities		
Mental Health and Dependency Rehabilitation:		
Salaries (Net of \$3,088 in contract agency reimbursements)	\$408,629	(\$358,867)
Supplies	6,440	(6,440)
Materials	506	(506)
Contracts - Repairs	1,075	(1,075)
Contracts - Services (Net of \$48,500 in contract agency reimbursements)	18,699,442	(5,766,138)
Rentals	23,100	(23,100)
Advertising and Printing	1,793	(1,793)
Travel and Expenses (Net of \$702 in agency reimbursements)	14,762	(14,762)
Public Employee's Retirement	57,260	(57,260)
Worker's Compensation	10,912	(10,912)
Construction	29,580	19,535
Insurance (Net of \$1,652,544 in contract agency reimbursements)	145,926	(145,926)
Other Expenses	28,583	(28,583)
Medicare	4,608	(4,608)
Utilities (Net of \$122 in reimbursements)	37,195	(37,195)
Tax Settlement Deduction	20,957	(20,957)
<i>Total Governmental Activities</i>	\$19,490,768	(6,458,587)
General Receipts		
Property Taxes Levied for General Purposes		2,165,551
Entitlements - Unrestricted		5,528,426
<i>Total General Receipts</i>		7,693,977
Change in Net Assets		1,235,390
<i>Net Assets Beginning of Year</i>		4,815,030
<i>Net Assets End of Year</i>		\$6,050,420

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, 2010*

	<u>General Fund</u>
Cash Basis Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$6,050,420</u>
<i>Total Assets</i>	<u><u>\$6,050,420</u></u>
Cash Basis Fund Balance	
Reserved for Encumbrances	\$1,154,775
Unreserved, Undesignated	<u>4,895,645</u>
<i>Total Cash Basis Fund Balance</i>	<u><u>\$6,050,420</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 Fund
For the Fiscal Year Ended December 31, 2010*

	General Fund
Cash Receipts	
Taxes	\$2,165,551
Grants	18,560,607
	20,726,158
 <i>Total Cash Receipts</i>	 20,726,158
 Cash Disbursements	
Current:	
Salaries(Net of \$3,088 in contract agency reimbursements)	408,629
Supplies	6,440
Materials	506
Contracts - Repairs	1,075
Contracts - Services (Net of \$48,500 in contract agency reimbursements)	18,699,442
Rentals	23,100
Advertising and Printing	1,793
Travel and Expenses (Net of \$702 in reimbursements)	14,762
Public Employee's Retirement	57,260
Worker's Compensation	10,912
Construction	29,580
Insurance (Net of \$1,652,544 in contract agency reimbursements)	145,926
Other Expenses	28,583
Medicare	4,608
Utilities (Net of \$122 in reimbursements)	37,195
Tax Settlement Deduction	20,957
	19,490,768
 <i>Total Cash Disbursements</i>	 19,490,768
 <i>Excess of Cash Receipts Over/(Under) Cash Disbursements</i>	 1,235,390
 <i>Cash Basis Fund Balance Beginning of Year</i>	 4,815,030
	4,815,030
 <i>Cash Basis Fund Balance End of Year</i>	 \$6,050,420
	\$6,050,420

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, 2010*

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Cash Receipts				
Property Taxes	\$1,807,371	\$2,159,189	\$2,165,551	\$6,362
Grants	16,724,712	18,329,039	18,560,607	231,568
Reimbursements	1,613,930	1,691,294	1,704,956	13,662
Refunds	0	0	0	0
<i>Total Cash Receipts</i>	<u>20,146,013</u>	<u>22,179,522</u>	<u>22,431,114</u>	<u>251,592</u>
Cash Disbursements				
Current:				
Salaries	448,395	448,395	411,717	36,678
Supplies	12,700	12,700	6,940	5,760
Materials	800	800	506	294
Equipment	3,000	3,000	0	3,000
Contracts - Repairs	3,000	3,000	2,675	325
Contracts - Services	18,651,244	22,151,244	19,897,342	2,253,902
Rentals	23,100	23,100	23,100	0
Advertising and Printing	3,250	3,250	1,943	1,307
Travel and Expenses	20,900	20,900	16,639	4,261
Public Employee's Retirement	62,775	62,775	57,260	5,515
Worker's Compensation	12,650	12,650	10,912	1,738
Unemployment Compensation	2,000	2,000	0	2,000
Insurance	1,624,330	1,820,830	1,798,470	22,360
Other Expenses	33,250	33,250	29,083	4,167
Medicare	5,500	5,500	4,608	892
Construction	30,580	30,580	29,580	1,000
Utilities	42,300	42,300	38,767	3,533
Tax Settlement Deduction	23,200	23,200	20,957	2,243
<i>Total Cash Disbursements</i>	<u>21,002,974</u>	<u>24,699,474</u>	<u>22,350,499</u>	<u>2,348,975</u>
<i>Net Change in Cash Basis Fund Balance</i>	(856,961)	(2,519,952)	80,615	2,600,567
<i>Cash Basis Fund Balance Beginning of Year</i>	3,958,069	3,958,069	3,958,069	0
Prior Year Encumbrances Appropriated	856,961	856,961	856,961	0
<i>Cash Basis Fund Balance End of Year</i>	<u>\$3,958,069</u>	<u>\$2,295,078</u>	<u>\$4,895,645</u>	<u>\$2,600,567</u>

See accompanying notes to the basic financial statements

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

Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2010

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 10.

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, 2010
(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

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 County. The Muskingum County Treasurer's office is located in the Muskingum County Court House at 4th and Main Street, Zanesville, Ohio 43701. The phone number is (740) 455-7109.

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, 2010
(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 - 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.

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.

Note 4 - 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.

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

Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2010
(Continued)

Note 4 - Risk Management (Continued)

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

Note 5 – Debt

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
Promissory Note	\$117,059	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:	
2011	\$11,879
2012	11,879
2013	11,879
2014	11,879
2015	11,879
2016-2024	103,299
Total	\$162,694

On March 11, 2004, the 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 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 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.

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

Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2010
(Continued)

Note 5 – Debt (Continued)

On May 14, 2009, the Board entered into another contract/note with the Ohio Department of Mental Health for \$171,710. 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 May 2009 and forgivable upon the first day of each month thereafter until and including the first day of May 2049 providing there is no transfer by sale, gift, devise, operation of law or otherwise of title in all or part of the said premises. If such transfer should occur, the remaining balance shall be immediately due and payable to the Ohio Department of Mental Health. The Board will receive 100 percent state funding for this project. The Board received \$128,680 and \$42,110 in state funding on July 30, 2009 and October 6, 2009, respectively. The Board received the final payment on April 28, 2010 for \$920.

On May 14, 2009, the Board entered into a contract/note with the Ohio Department of Mental Health for \$420,100. The note is secured by a mortgage deed on the property located at 915 South Riverside Drive, McConnelsville, Ohio. The payment of principal will be forgiven by the Ohio Department of Mental Health in 480 equal installments beginning the first day of May 2009 and forgivable upon the first day of each month thereafter until and including the first day of May 2049 providing there is no transfer by sale, gift, devise, operation of all of otherwise of the title in all or part of 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 Board will receive 100 percent state funding for this project. The Board received state funding in the amounts of \$79,417 on August 3, 2009, \$100,123 on October 6, 2009, \$82,123 on November 17, 2009, \$110,241 on December 22, 2009 and the final payment of \$48,196 on April 28, 2010.

Note 6 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to 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.

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. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

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

Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2010
(Continued)

Note 6 – Defined Benefit Pension Plans (Continued)

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2010, members in state and local classifications contributed 10.0 percent of covered payroll.

The County's contribution rate for 2010 was 14.0 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2010, 2009, and 2008 were \$2,723,207, \$2,505,810, and \$2,162,872 respectively; 94 percent has been contributed for 2010 and 100 percent for 2009 and 2008. Contributions to the member-directed plan for 2010 were \$76,322 made by the County and \$54,516 made by the plan members.

Note 7 – Post-Employment Benefits

Ohio Public Employees Retirement System (OPERS)

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 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.

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

Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2010
(Continued)

Note 7 – Post-Employment Benefits (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2010, local government employers contributed 14.0 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 portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010.

The OPERS 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.

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2010, 2009, and 2008 were \$1,559,229, \$1,829,177, and \$2,162,872 and respectively; 94 percent has been contributed for 2010 and 100 percent for 2009 and 2008.

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.

Note 8 – 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 9 - 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, 2010.

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

Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2010
(Continued)

Note 10 - 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 2010, the Board contributed \$7,445 for reimbursements. In addition, debt payments were made on behalf of the Board by the Council as discussed in Note 5.

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

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2010**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Pass-Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Alcohol and Drug Addiction Services:</i>			
Safe and Drug-Free Schools and Communities	62-1422-DFSCA-P-10-0940	84.186	\$18,727
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department of Alcohol and Drug Addition Services:</i>			
Social Services Block Grant	N/A	93.667	169,331
State Children's Insurance Program	N/A	93.767	64,633
<i>Passed Through Ohio Department of Mental Health:</i>			
State Children's Insurance Program	N/A	93.767	<u>416,342</u>
Total State Children's Insurance Program			480,975
Medical Assistance Program	N/A	93.778	6,170,813
ARRA - Medical Assistance Program	N/A	93.778	976,878
<i>Passed Through Ohio Department of Alcohol and Drug Addiction Services:</i>			
Medical Assistance Program	N/A	93.778	778,236
ARRA - Medical Assistance Program	N/A	93.778	<u>123,100</u>
Total Medical Assistance Program			8,049,027
<i>Passed Through Ohio Department of Mental Health:</i>			
Block Grants for Prevention and Treatment of Substance Abuse	N/A	93.959	164,715
<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	720,746
Women's Comprehensive Recovery Program	60-1431-Women's-T-08-9000		<u>322,116</u>
Total Block Grants for Prevention and Treatment of Substance Abuse			<u>1,207,577</u>
Total U.S. Department of Health and Human Services			<u>9,906,910</u>
Total Federal Awards Expenditures			<u><u>\$9,925,637</u></u>

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, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports 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 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, 2010, which collectively comprise the Board's basic financial statements and have issued our report thereon dated June 27, 2011, wherein we noted the Board uses a comprehensive accounting basis other than generally accepted accounting principles. 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 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 more than a reasonable possibility that a material misstatement of the Board's financial statements will not be prevented, or detected, and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 management, the audit committee, Board members, federal awarding agencies and pass-through entities, and others within the Board. We intend it for no one other than these specified parties.

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

June 27, 2011



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY 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 could directly and materially affect the Board's major federal program for the year ended December 31, 2010. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the Board's major federal programs. 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 the Comptroller General of the United States' *Government Auditing Standards*; 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 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 Board complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2010.

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, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining 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 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.

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 deficiencies, 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 Board members, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

June 27, 2011

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

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MUSKINGUM 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 14, 2011**