



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

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**MENTAL HEALTH AND RECOVERY SERVICES BOARD
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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Members of the Board:

We have audited the accompanying financial statement of the Mental Health and Recovery Services Board, Muskingum County, Ohio, (the Board) as of and for the year ended December 31, 1999. This financial statement is the responsibility of the Board's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Board prepares its financial statement on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balance and reserve for encumbrances of the Mental Health and Recovery Services Board, Muskingum County, Ohio, as of December 31, 1999, and its cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2000, 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 grants.

Our audit was performed for the purpose of forming an opinion on the financial statement of the Board, taken as a whole. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by 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 financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

This report is intended solely for the information and use of the audit committee, management, the Board and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

July 11, 2000

**MENTAL HEALTH AND RECOVERY SERVICES BOARD
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCE
FOR THE YEAR ENDED DECEMBER 31, 1999**

Cash Receipts:

Taxes	\$1,702,123
Intergovernmental	9,191,088
Gifts, Donations, and Bequests	1,127
Fees	<u>11,370</u>
 Total Cash Receipts	 <u>10,905,708</u>

Cash Disbursements:

Salaries	372,010
Supplies	11,351
Materials	273
Equipment	15,453
Contracts - Repair	7,533
Contracts - Services	10,709,741
Rentals	25,875
Advertising and Printing	15,958
Travel and Expenses	15,260
Public Employee's Retirement	51,399
Workers' Compensation	15,542
Unemployment Compensation	280
Other Expenses	<u>1,021,296</u>
 Total Cash Disbursements	 <u>12,261,971</u>

Total Cash Receipts Over/(Under) Cash Disbursements (1,356,263)

Other Financing Receipts/(Disbursements):

Refunds	1,306
Reimbursements	851,240
Other Sources	<u>21,660</u>
 Total Other Financing Receipts/(Disbursements)	 <u>874,206</u>

Excess of Cash Receipts and Other Financing
Receipts Over/(Under) Cash Disbursements
and Other Financing Disbursements (482,057)

Cash Balance, January 1 1,707,741

Cash Balance, December 31 \$1,225,684

Reserve for Encumbrances, December 31 \$37,508

The notes to the financial statement are an integral part of this statement.

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**MENTAL HEALTH AND RECOVERY SERVICES BOARD
NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Mental Health and Recovery Services Board, Muskingum County, (the Board) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Board serves Coshocton, Guernsey, Morgan, Muskingum, Noble, and Perry Counties and operates under the direction of an eighteen-member appointed Board. The Muskingum County Auditor and County Treasurer are responsible for fiscal control of the resources of the Board which are maintained in the Mental Health and Recovery Services Board Fund, a Muskingum County agency fund. The Board provides alcohol, drug addiction and mental health services and programs, primarily through contracts with private and public agencies. The Board also provides forensic evaluation services to adult felony courts, and residential services to youth experiencing emotional problems which prevent them from living at home.

The Board's management believes the financial statement presents all activities for which the Board is financially accountable.

B. Basis of Accounting

The financial statement follows the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

The statement includes adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash

As required by Ohio Revised Code, the Board's cash is held and invested by the Muskingum County Treasurer, who acts as custodian for Board monies. The Board's assets are held in the County's cash and investment pool, and are valued at the County Treasurer's reported carrying amount.

D. Budgetary Process

The Ohio Revised Code requires the Board adopt an annual budget.

1. Appropriations

Budgetary expenditures (i.e., disbursements and encumbrances) may not exceed appropriations at the function level of control, and appropriations may not exceed estimated resources. The Board must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD
 NOTES TO THE FINANCIAL STATEMENT
 DECEMBER 31, 1999
 (Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Board to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 1999 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

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

F. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Board.

2. CASH BALANCES WITH FISCAL AGENT

The cash deposits of the Mental Health and Recovery Services Board are maintained by the Muskingum County Treasurer. The Board's cash balance is pooled with other County monies and deposited in an "active" interest bearing account. The Board's portion of this pool is displayed on the financial statement as "Fund Cash Balance".

The "active" interest bearing account was covered by federal deposit insurance and collateral held by the pledging institution's trust department in the name of the County.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 1999, follows:

1999 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$12,354,036	\$11,779,914	\$574,122

**MENTAL HEALTH AND RECOVERY SERVICES BOARD
 NOTES TO THE FINANCIAL STATEMENT
 DECEMBER 31, 1999
 (Continued)**

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$14,060,913	\$12,299,479	\$1,761,434

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statement as Intergovernmental Receipts. Payments are due to the various Counties by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the various Counties by each April 30.

The various Counties are responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Board.

5. RETIREMENT SYSTEMS

The Board's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999, PERS members contributed 8.5% of their gross salaries. The Board contributed an amount equal to 13.55% of participants' gross salaries. The Board has paid all contributions required through December 31, 1999.

6. RISK MANAGEMENT

The Board has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions
- Public officials' liability insurance
- Medical professional liability
- Fidelity bond on employees

The Board also provides health, life, and long-term disability insurance, and vision coverage to full-time employees through a private carrier. The Board makes this health, life, and long-term disability insurance, and vision coverage available to the participating provider agencies in the six county area and serves as the fiscal agent to account for this process. The Board pays the initial premium and bills the participating provider agencies monthly for their share of the premiums.

MENTAL HEALTH AND RECOVERY SERVICES BOARD
NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 1999
(Continued)

7. CONTINGENT LIABILITIES

There is no pending litigation outstanding against the Board.

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1999**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass-Through Entity Number	Disbursements
UNITED STATES DEPARTMENT OF JUSTICE			
<i>Passed through Ohio Attorney General's Office</i>			
Crime Victim Assistance	16.575	99-VAGENE094	\$19,311
<i>Passed through Office of Criminal Justice Services</i>			
Byrne Formula Grant Program	16.579	98-DG-D02-7179	19,098
		98-DG-D02-7331	10,974
		98-DG-F02-7207	<u>25,120</u>
Total Byrne Formula Grant Program			<u>55,192</u>
Total United States Department of Justice			74,503
UNITED STATES DEPARTMENT OF EDUCATION			
<i>Passed through Ohio Department of Alcohol and Drug Addiction Services</i>			
Safe and Drug-Free Schools and Communities	84.186	60-60170-01- DFS-P-99-9636	<u>20,000</u>
Total United States Department of Education			20,000
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed through Ohio Department of Mental Health</i>			
Medical Assistance Program	93.778	N/A	1,527,673
<i>Passed through Ohio Department of Alcohol and Drug Addiction Services</i>			
Medical Assistance Program	93.778	N/A	<u>164,081</u>
Total Medical Assistance Program			1,691,754
<i>Passed through Ohio Department of Mental Health</i>			
Social Services Block Grant	93.667	N/A	180,006
Block Grants for Community Mental Health Services	93.958	N/A	124,454
<i>Passed through Ohio Department of Alcohol and Drug Addiction Services</i>			
Block Grants for the Prevention and Treatment of Substance Abuse	93.959	N/A	<u>1,036,005</u>
Total United States Department of Health and Human Services			<u>3,032,219</u>
Total Federal Awards Expenditures			<u><u>\$3,126,722</u></u>

The accompanying notes to this Schedule are an integral part of this Schedule.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD
NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1999**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures summarizes activity of the Mental Health and Recovery Services Board's federal award programs. The Schedule has been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

NOTE B - SUBRECIPIENTS

The Board passes through certain federal assistance received from the Ohio Department of Mental Health, the Ohio Department of Alcohol and Drug Addiction Services, and the Office of Criminal Justice Services 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 OMB 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 - LOCAL CONTRIBUTIONS

Cash receipts from the U.S. Department of Justice are commingled with local monies. It is assumed federal monies are expended first.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the Board 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.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Members of the Board:

We have audited the accompanying financial statement of the Mental Health and Recovery Services Board, Muskingum County, Ohio, (the Board) as of and for the year ended December 31, 1999, and have issued our report thereon dated July 11, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Board's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, the Board, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

July 11, 2000

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

Mental Health and 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 and 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 are applicable to its major federal program for the year ended December 31, 1999. The Board's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Board's management. 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 generally accepted auditing standards; 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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that 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 are applicable to its major federal program for the year ended December 31, 1999. We noted one instance of noncompliance that does not require inclusion in this report that we have reported to the management of the Board in a separate letter dated July 11, 2000.

Internal Control Over Compliance

The management of the Board is responsible for establishing and maintaining effective internal control over compliance with 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 have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, the Board, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

July 11, 2000

**MENTAL HEALTH AND RECOVERY SERVICES BOARD
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 1999**

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 other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance 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 other reportable internal control weakness conditions 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?	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 STATEMENT
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

There were no findings related to the financial statement.

3. FINDINGS FOR FEDERAL AWARDS

There were no findings related to federal awards.



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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
AUGUST 31, 2000**