



**Auditor of State  
Betty Montgomery**





Mary Taylor, CPA  
Auditor of State

January 12, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

*Mary Taylor*

MARY TAYLOR, CPA  
Auditor of State

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**MENTAL HEALTH AND RECOVERY BOARD  
BELMONT COUNTY**

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# Auditor of State Betty Montgomery

## INDEPENDENT ACCOUNTANTS' REPORT

Mental Health and Recovery Board  
Belmont County  
99 North Sugar Street  
St. Clairsville, Ohio 43950

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 and Recovery Board, Belmont County, Ohio (the Board), as of and for the year ended December 31, 2005, 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 the major fund of the Mental Health and Recovery Board, Belmont County, Ohio, as of December 31, 2005, and the respective changes in cash financial position and the respective budgetary comparison for the Mental Health and Recovery Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2005, the Board revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2006, 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.

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

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 not a required part of the basic financial statements. We subjected the Federal Awards Expenditures 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 black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

October 30, 2006



**Mental Health and Recovery Board**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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This discussion and analysis of the Mental Health and Recovery Board's financial performance provides an overall review of the Board's financial activities for the year ended December 31, 2005, within the limitations of the Board's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Board's financial performance.

**Financial Highlights**

Key financial highlights for 2005 are as follows:

- Net assets of governmental activities increased \$665,622 or 31.1 percent.
- The Board's general receipts accounted for \$6,269,002 in receipts or 63.2 percent of all receipts, and are primarily property taxes and unrestricted grants and entitlements. Program specific receipts in the form of operating grants and contributions accounted for \$3,643,904 or 36.8 percent of total receipts of \$9,912,906.
- The Board had \$9,247,284 in disbursements related to governmental activities; only \$3,643,904 of these disbursements were offset by program specific operating grants and contributions. General receipts of \$6,269,002 were adequate to provide for these programs.
- The Board's major fund had \$9,912,906 in receipts and \$9,247,284 in disbursements. The cash fund balance increased \$665,622.

**Using the Basic Financial Statement**

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

**Report Components**

The Statement of Net Assets – Cash Basis and Statement of Activities – Cash Basis provide information about the cash activities of the Board as a whole.

Fund financial statements provide a greater level of detail. A fund was created and maintained on the financial records of the Board. These statements present financial information by fund.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

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

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

**Mental Health and Recovery Board**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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**Reporting the Board as a Whole**

The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis reflect how the Board did financially during 2005, within the limitations of the cash basis of accounting. The Statement of Net Assets – Cash Basis presents the cash balance of the governmental activities of the Board at year end. The Statement of Activities – Cash Basis compares cash disbursements with program receipts for the governmental program. Program receipts include operating grants and contributions restricted to meeting the operational requirements of the particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Board's general receipts.

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

In the Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis, the Board's activities consist of:

Governmental activities. The Board's mental health and dependency rehabilitation program services are reported here. State and federal grants and income from property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**Reporting the Board's Fund**

Fund financial statements provide detailed information about the Board's major fund – not the Board as a whole. The Board established the Mental Health and Recovery Fund to manage its activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The fund of the Board is governmental.

Governmental Fund – The Board's activities are reported in a governmental fund. The governmental fund financial statements provide a detailed view of the Board's governmental operations and the basic service it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Board's program. The Board's only major governmental fund is the Mental Health and Recovery Fund. The program reported in the governmental fund is closely related to those reported in the governmental activities section of the entity-wide statements.

**Mental Health and Recovery Board**  
 Management's Discussion and Analysis  
 For the Year Ended December 31, 2005  
 Unaudited

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**The Board as a Whole**

Table 1 provides a summary of the Board's net assets for 2005 compared to 2004 on a cash basis:

**Table 1**  
**Net Assets – Cash Basis**

	<b>Governmental Activities</b>	
	<b>2005</b>	<b>2004</b>
<b>Assets</b>		
Cash and Cash Equivalents	\$2,803,010	\$2,137,388
<b>Total Assets</b>	2,803,010	2,137,388
<b>Net Assets</b>		
Unrestricted	2,803,010	2,137,388
<b>Total Net Assets</b>	\$2,803,010	\$2,137,388

As mentioned previously, net assets of governmental activities increased \$665,622 or 31.1 percent during 2005. The primary reason contributing to the increase in the cash balance is due to the timing of cash receipts and disbursements. The Board's revenue from its two major fund providers, the Ohio Department of Mental Health and the Ohio Department of Alcohol and Drug Addiction Services, is awarded on a state fiscal year basis. While funding has remained relatively stagnant for a number of fiscal years, a disproportionate amount of cash was received during the audit period.

**Mental Health and Recovery Board**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

Table 2 reflects the changes in net assets on a cash basis in 2005 and 2004 for governmental activities:

**Table 2**  
**Changes in Net Assets**

	<b>Governmental Activities 2005</b>	<b>Governmental Activities 2004</b>
<b>Receipts:</b>		
Program Cash Receipts		
Operating Grants and Contributions	\$3,643,904	\$5,900,099
<b>Total Program Cash Receipts</b>	<b>3,643,904</b>	<b>5,900,099</b>
General Receipts		
Property Taxes Levied for General Purposes	975,328	971,705
Grants and Entitlements not Restricted for Specific Purposes	5,194,629	2,355,274
Other Receipts	99,045	87,217
<b>Total General Receipts</b>	<b>6,269,002</b>	<b>3,414,196</b>
<b>Total Receipts</b>	<b>9,912,906</b>	<b>9,314,295</b>
<b>Disbursements:</b>		
Mental Health and Dependency Rehabilitation:		
Salaries	234,734	235,509
Supplies	6,608	5,867
Equipment	6,473	600
Contracts – Repairs	15,235	7,219
Contracts – Services	8,820,130	8,450,863
Advertising and Printing	0	255
Travel and Expenses	14,531	14,622
Public Employee's Retirement	31,727	30,623
Worker's Compensation	3,185	3,009
Medicare	2,479	2,586
Other Expenses	112,182	309,652
<b>Total Disbursements</b>	<b>9,247,284</b>	<b>9,060,805</b>
<b>Change in Net Assets</b>	<b>\$665,622</b>	<b>\$253,490</b>

Program receipts represent only 36.8 percent of total receipts and are primarily comprised of restricted operating grants and contributions.

General receipts represent 63.2 percent of the Board's total receipts, and of this amount, 15.6 percent are local taxes. State and federal grants and entitlements make up the balance of the Board's general receipts (82.9 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for Mental Health and Dependency Rehabilitation program represent the overhead costs of running the Board and the contract - services provided for the Board activities by not-for-profit agencies. The majority of cash disbursements were for contracts - services which account for \$8,820,130 or 95.4 percent of total cash disbursements.

**Mental Health and Recovery Board**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

**Governmental Activities**

If you look at the Statement of Activities – Cash Basis on page 10, you will see that the first column lists the mental health and dependency rehabilitation program services provided by the Board. The next column identifies the costs of providing these services. The major program disbursements for governmental activities were for contracts - services, which accounted for 95.4 percent of all cash disbursements. The next column on the Statement entitled Program Cash Receipts identifies operating grants and contributions received by the Board that must be used to provide a specific service. The Net (Disbursements) Receipts and Changes in Net Assets column compares the program cash receipts to the cost of the service. This “net cost” amount represents the cost of the program service which ends up being paid from the general receipts, which consist of property taxes, unrestricted grants and state entitlements, and other receipts. A comparison between the total cost of services and the net cost is presented in Table 3.

**Table 3**  
**Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2005	2004	2005	2004
Mental Health and Dependency Rehabilitation:				
Salaries	\$234,734	\$235,509	\$234,734	\$235,509
Supplies	6,608	5,867	6,608	5,867
Equipment	6,473	600	6,473	600
Contracts – Repairs	15,235	7,219	15,235	7,219
Contracts – Services	8,820,130	8,450,863	5,176,226	2,550,764
Advertising and Printing	0	255	0	255
Travel and Expenses	14,531	14,622	14,531	14,622
Public Employee's Retirement	31,727	30,623	31,727	30,623
Worker's Compensation	3,185	3,009	3,185	3,009
Medicare	2,479	2,586	2,479	2,586
Other Expenses	112,182	309,652	112,182	309,652
<b>Total Disbursements</b>	<b>\$9,247,284</b>	<b>\$9,060,805</b>	<b>\$5,603,380</b>	<b>\$3,160,706</b>

The dependence upon property taxes and unrestricted grants and entitlements is apparent as over 60.6 percent of governmental activities are supported through these general receipts.

**Mental Health and Recovery Board**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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**The Board's Fund**

The Board's only governmental fund had total receipts of \$9,912,906 and disbursements of \$9,247,284. The fund balance increased \$665,622, as a result of the timing of cash receipts and disbursements. The Board's revenue from its two major fund providers, the Ohio Department of Mental Health and the Ohio Department of Alcohol and Drug Addiction Services, is awarded on a state fiscal year basis. While funding has remained relatively stagnant for a number of fiscal years, a disproportionate amount of cash was received during the audit period.

**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 2005, the Board amended its appropriations, and the budgetary statement reflects both the original and final appropriated amounts. The difference between final budgeted appropriations and actual disbursements was not significant.

**Current Issues**

The Board contracts with seven provider agencies to deliver mental health and substance abuse services to the residents of Belmont, Harrison, and Monroe Counties.

As state hospital inpatient costs continue to increase, less money will be available for community care. Therefore, the Board will be challenged to maintain the current level of services and programs. 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, investors, and creditors with a general overview of the Board's finances and to reflect the Board's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Sandra Kelner, Fiscal Officer, Mental Health and Recovery Board, 99 North Sugar Street, St. Clairsville, Ohio 43950.

**Mental Health and Recovery Board**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2005*

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and Cash Equivalents	<u>\$2,803,010</u>
<i>Total Assets</i>	<u>2,803,010</u>
<b>Net Assets</b>	
Unrestricted	<u>2,803,010</u>
<i>Total Net Assets</i>	<u><u>\$2,803,010</u></u>

See accompanying notes to the basic financial statements

**Mental Health and Recovery Board**  
*Statement of Activities - Cash Basis*  
For the Year Ended December 31, 2005

	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	\$234,734	\$	(\$234,734)
Supplies	6,608		(6,608)
Equipment	6,473		(6,473)
Contracts - Repairs	15,235		(15,235)
Contracts - Services	8,820,130	3,643,904	(5,176,226)
Travel and Expenses	14,531		(14,531)
Public Employee's Retirement	31,727		(31,727)
Worker's Compensation	3,185		(3,185)
Medicare	2,479		(2,479)
Other Expenses	112,182		(112,182)
<i>Total Governmental Activities</i>	<u>\$9,247,284</u>	<u>\$3,643,904</u>	<u>(5,603,380)</u>
 <b>General Receipts</b>			
Property Taxes Levied for General Purposes			975,328
Grants and Entitlements not Restricted to Specific Programs			5,194,629
Other Receipts			99,045
<i>Total General Receipts</i>			<u>6,269,002</u>
Change in Net Assets			665,622
<i>Net Assets Beginning of Year</i>			<u>2,137,388</u>
<i>Net Assets End of Year</i>			<u>\$2,803,010</u>

See accompanying notes to the basic financial statements



**Mental Health and Recovery Board**  
*Statement of Cash Basis Assets and Cash Basis Fund Balance*  
*Governmental Fund*  
*For the Year Ended December 31, 2005*

	<b>Mental Health and Recovery Fund</b>
<b>Cash Basis Assets</b>	
Cash and Cash Equivalents	\$2,803,010
<i>Total Cash Basis Assets</i>	2,803,010
<b>Cash Basis Fund Balance</b>	
Reserved for Encumbrances	112,000
Unreserved, Undesignated	2,691,010
<i>Total Cash Basis Fund Balance</i>	\$2,803,010

See accompanying notes to the basic financial statements

**Mental Health and Recovery Board**  
*Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balance*  
*Governmental Fund*  
*For the Year Ended December 31, 2005*

	<b>Mental Health and Recovery Fund</b>
<b>Receipts</b>	
Taxes	\$975,328
Grants	8,838,533
Other Receipts	99,045
<i>Total Cash Receipts</i>	9,912,906
<b>Disbursements</b>	
Current:	
Salaries	234,734
Supplies	6,608
Equipment	6,473
Contracts - Repairs	15,235
Contracts - Services	8,820,130
Travel and Expenses	14,531
Public Employee's Retirement	31,727
Worker's Compensation	3,185
Medicare	2,479
Other Expenses	112,182
<i>Total Cash Disbursements</i>	9,247,284
<i>Excess of Cash Receipts Over Cash Disbursements</i>	665,622
<i>Cash Basis Fund Balance Beginning of Year</i>	2,137,388
<i>Cash Basis Fund Balance End of Year</i>	\$2,803,010

See accompanying notes to the basic financial statements

**Mental Health and Recovery Board**  
*Statement of Cash Receipts, Cash Disbursements, and Changes  
 In Cash Basis Fund Balance - Budget and Actual (Budget Basis)  
 Mental Health and Recovery Fund  
 For the Fiscal Year Ended December 31, 2005*

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
<b>Receipts</b>				
Property Taxes	\$800,000	\$800,000	\$975,328	\$175,328
Grants	7,125,000	7,125,000	8,838,533	1,713,533
Other Receipts	75,000	75,000	99,045	24,045
<i>Total Cash Receipts</i>	<u>8,000,000</u>	<u>8,000,000</u>	<u>9,912,906</u>	<u>1,912,906</u>
<b>Disbursements</b>				
Current:				
Salaries	241,802	241,802	234,734	7,068
Supplies	8,400	8,400	8,108	292
Equipment	7,500	7,500	6,473	1,027
Contracts - Repairs	17,690	17,690	16,235	1,455
Contracts - Services	8,985,604	9,385,604	8,920,130	465,474
Advertising and Printing	1,750	1,750	0	1,750
Travel and Expenses	19,500	19,500	18,031	1,469
Public Employee's Retirement	32,764	32,764	31,727	1,037
Worker's Compensation	4,000	4,000	3,185	815
Medicare	2,677	2,677	2,479	198
Other Expenses	194,150	194,150	118,182	75,968
<i>Total Cash Disbursements</i>	<u>9,515,837</u>	<u>9,915,837</u>	<u>9,359,284</u>	<u>556,553</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements	<u>(1,515,837)</u>	<u>(1,915,837)</u>	<u>553,622</u>	<u>2,469,459</u>
<i>Cash Basis Fund Balance Beginning of Year</i>	2,027,748	2,027,748	2,027,748	0
Prior Year Encumbrances Appropriated	<u>109,640</u>	<u>109,640</u>	<u>109,640</u>	<u>0</u>
<i>Cash Basis Fund Balance End of Year</i>	<u>\$621,551</u>	<u>\$221,551</u>	<u>\$2,691,010</u>	<u>\$2,469,459</u>

See accompanying notes to the basic financial statements

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**Mental Health and Recovery Board**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended December 31, 2005

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**Note 1 - Reporting Entity**

The Mental Health and Recovery Board, Belmont County (the Board), is a body politic and corporate established to exercise the rights and privileges the constitution and laws of the State of Ohio convey to it.

The Board is directed by an eighteen-member Board. Members shall be residents of the district. 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 Belmont, Harrison, and Monroe 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.

**A. Primary Government**

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.

**B. Component Units**

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. No separate governmental units meet the criteria for inclusion as a component unit.

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

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Board's accounting policies.

**A. Basis of Presentation**

The Board's basic financial statements consist of government-wide financial statements, including a statement of net assets – cash basis and a statement of activities – cash basis, and fund financial statements which provide a more detailed level of financial information.

The statement of net assets – cash basis and the statement of activities – cash basis display information about the Board as a whole. These statements include the financial activities of the primary government. The statements distinguish the activities of the Board that are governmental in nature. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets – cash basis presents the cash balance of the governmental activities of the Board at year end. The statement of activities compares disbursements and program receipts for each program or function of the Board's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Board is responsible. The Board has only one function, Mental Health and Dependency Rehabilitation with associated objects. Program receipts include grants and contributions that are restricted to meeting the operational requirements of a particular program.

**Mental Health and Recovery Board**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended December 31, 2005

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Receipts which are not classified as program receipts are presented as general receipts of the Board, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program is self-financing on a cash basis or draws from the general receipts of the Board.

During the year, the Board segregates transactions related to the Board's function or activity in a separate fund in order to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Board at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. The Board has only one fund which is its major fund.

**B. Fund Accounting**

The Board uses a fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The fund of the Board is governmental.

Mental Health and Recovery Fund - This fund accounts for a county-wide property tax levy and federal and state grants that are primarily used to pay the costs of contracts with local mental health agencies that provide services to the public.

**C. Basis of Accounting**

The Board's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Board's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

**D. Budgetary 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 object as its legal level of control.

The certificate of estimated resources may be amended during the year if the Board's 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.

**Mental Health and Recovery Board**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended December 31, 2005

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The amounts reported as the final budget represent the final appropriation the Board passed during the year.

**E. Cash**

As required by Ohio Revised Code, the Belmont 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 certificates of deposits or short-term investments with an original maturity of three months or less. The Board values investments and cash equivalents at cost.

**F. Accumulated Leave**

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

**G. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Board's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

**H. Fund Balance Reserves**

The Board reserves any portion of the fund balance which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods.

**Note 3 - Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balance – Budget and Actual (Budgetary Basis) presented for the Mental Health and Recovery Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as expenditures (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to:

Mental Health and Recovery Fund	\$112,000
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**Note 4 – Deposits and Investments**

Ohio law restricts deposits and investments to the following:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States, or any book entry, zero coupon United States treasury security that is a direct obligation of the United States;

**Mental Health and Recovery Board**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended December 31, 2005

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2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds;
7. The State Treasurer's investment pool (STAROhio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange either securities or cash, equal value for equal value;
9. Commercial paper notes, corporate notes and bankers' acceptances; and
10. Debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government. All interest and principal shall be denominated and payable in United States funds.

Reverse repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Bankers' acceptances must mature within 180 days. Commercial paper and corporate notes must mature within 270 days. All other investments must mature within five years from the date of settlement unless matched to a specific obligation or debt of the Board. Investments must be purchased with the expectation that they will be held to maturity. Investments may only be made through specified dealers and institutions.

**Deposits:** The Belmont County Treasurer serves as the fiscal agent for the Board and the investments of the County funds, including the Board's cash. The Board maintains no control over the investment of its cash. At year end, the carrying amount of the Board's deposits was \$2,803,010.

Custodial credit risk for deposits is the risk that in the event of bank failure, the Board will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the Board's deposits maintained by the Belmont County Treasurer were exposed to custodial credit risk because they were uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject Belmont County Treasurer to a successful claim by the FDIC.

#### **Note 5 – 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 Grants. 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.



**Mental Health and Recovery Board**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended December 31, 2005

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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 6 – Risk Management**

**Commercial Insurance**

The Board has obtained commercial insurance for the following risks:

- Comprehensive property and general liability; and
- Errors and omissions.

**Note 7 – Defined Benefit Pension Plans**

**Ohio Public Employees Retirement System**

The Board 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.

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, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The employer contribution rate for pension benefits for 2005 was 9.55 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Board's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$9,389, \$9,420, and \$8,754, respectively; 100 percent has been contributed for 2005, 2004, and 2003, respectively.

**Note 8 – Postemployment Benefits**

**Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an

**Mental Health and Recovery Board**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended December 31, 2005

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Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual Board contributions for 2005 which were used to fund postemployment benefits were \$9,389. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

## **Note 9 – Contingencies**

### **Grants**

Amounts grantor agencies pay to the Board are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**MENTAL HEALTH AND RECOVERY BOARD  
BELMONT COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2005**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b>U.S. DEPARTMENT OF EDUCATION:</b>			
<i>Passed Through Ohio Department of Alcohol and Drug Addiction Services</i>			
Safe and Drug-Free Schools and Communities - State Grants	COME-ADA-WP041Z	84.186B	\$ 7,825
	COME-ADA-WP051Z	84.186B	<u>90,000</u>
Total Safe and Drug-Free Schools and Communities - State Grants			<u>97,825</u>
Total U.S. Department of Education			<u>97,825</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<i>Passed Through Ohio Department of Mental Health Services:</i>			
Public Health and Social Services Emergency Fund	IBHS-HRSA-05	93.003	7,446
Promoting Safe and Stable Families	05-CS-05-01	93.556	59,983
	05-CS-06-01	93.556	<u>19,533</u>
Total Promoting Safe and Stable Families			79,516
Social Services Block Grant	N/A - FY05	93.667	77,023
	N/A - FY06	93.667	<u>51,470</u>
Total Social Services Block Grant			128,493
State Children's Health Insurance Program	N/A	93.767	130,266
Medical Assistance Program	N/A	93.778	2,524,000
Block Grants for Community Mental Health Services:			
Block Grant Base	N/A - FY06	93.958	14,167
Community Plan Block Grant	N/A - FY05	93.958	50,698
Children/Adolescent Block Grant Core	N/A - FY05	93.958	14,927
Rapid Infusion Block Grant	N/A	93.958	<u>1,882</u>
Total Block Grants for Community Mental Health Services			<u>81,674</u>
<i>Total Passed Through Ohio Department of Mental Health Services</i>			<u>2,951,395</u>
<i>Passed Through Ohio Department of Alcohol and Drug Addiction Services:</i>			
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	COME-ADA-WP051Z	93.243	65,655
State Children's Health Insurance Program	N/A	93.767	22,612
Medical Assistance Program	N/A	93.778	161,196
Block Grants for Prevention and Treatment of Substance Abuse:			
Substance Abuse Prevention Treatment Block Grant	COME-ADA-WP051Z	93.959	159,436
	COME-ADA-WP061Z	93.959	<u>126,815</u>
Total Substance Abuse Prevention Treatment Block Grant			286,251
Residential Treatment for Women	COME-ADA-WP051Z	93.959	122,907
	COME-ADA-WP061Z	93.959	<u>122,910</u>
Total Residential Treatment for Women			245,817
Total Block Grants for Prevention and Treatment of Substance Abuse			<u>532,068</u>
<i>Total Passed Through Ohio Department of Alcohol and Drug Addiction Services</i>			<u>781,531</u>
Total U.S. Department of Health and Human Services			<u>3,732,926</u>
<b>Total Federal Awards Expenditures</b>			<b><u>\$ 3,830,751</u></b>

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

**MENTAL HEALTH AND RECOVERY BOARD  
BELMONT COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the 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 Addiction 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 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 that 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.



**Auditor of State  
Betty Montgomery**

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

Mental Health and Recovery Board  
Belmont County  
99 North Sugar Street  
St. Clairsville, Ohio 43950

To the Members of the Board:

We have audited the financial statements of the governmental activities and the major fund of the Mental Health and Recovery Board, Belmont County, Ohio (the Board), as of and for the year ended December 31, 2005, which collectively comprise the Board's basic financial statements and have issued our report thereon dated October 30, 2006. 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 to determine our auditing procedures to express our opinions on the basic financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

**Compliance and Other Matters**

As part of reasonably assuring whether the Board's basic 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*.

Mental Health and Recovery Board  
Belmont County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of the audit committee, management, the Board, 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 "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

October 30, 2006



## Auditor of State Betty Montgomery

### 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

Mental Health and Recovery Board  
Belmont County  
99 North Sugar Street  
St. Clairsville, Ohio 43950

To the Members of the Board:

#### Compliance

We have audited the compliance of the Mental Health and Recovery Board, Belmont 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, 2005. 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 the 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 and Recovery Board complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2005.

#### Internal Control Over Compliance

The Board's management 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 directly and materially affect a major federal program 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.

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

Mental Health and Recovery Board  
Belmont County  
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  
Page 2

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 reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We intend this report solely for the information and use of the audit committee, management, the Board, 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 "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

October 30, 2006



**MENTAL HEALTH AND RECOVERY BOARD  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2005**

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

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

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None





**Mary Taylor, CPA**  
Auditor of State

**MENTAL HEALTH AND RECOVERY BOARD**

**BELMONT 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  
JANUARY 18, 2007**