



Mary Taylor, CPA  
Auditor of State



**MENTAL HEALTH AND RECOVERY BOARD  
BELMONT COUNTY**

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# Dave Yost • Auditor of State

## 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, 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 the major fund of the Mental Health and Recovery Board, Belmont County, Ohio, as of December 31, 2010, and the change in cash financial position and the 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 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 and required budgetary comparison schedule*, 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 Expenditure 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 Federal Awards Expenditure 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

July 15, 2011

**Mental Health and Recovery Board**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010  
Unaudited

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The discussion and analysis of the Mental Health and Recovery Board's (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. 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 2010 are as follows:

- Net assets of governmental activities increased \$568,331 or 24.9 percent.
- The Board's general receipts accounted for \$4,343,592 in receipts or 47.0 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 \$4,905,617 or 53.0 percent of total receipts of \$9,249,209.
- The Board had \$8,680,878 in disbursements related to governmental activities; only \$4,905,617 of these disbursements was offset by program specific operating grants and contributions. General receipts of \$4,343,592 were adequate to provide for these programs.
- The Board's major fund had \$9,249,209 in receipts and \$8,680,878 in disbursements. The cash fund balance increased \$568,331.

**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, 2010  
Unaudited

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**Reporting the Board as a Whole**

The Statement of Net Assets – Cash Basis and Statement of Activities – Cash Basis reflect how the Board did financially during 2010, 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 population base, 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 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 restricted money 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 sections of the entity-wide statements.

**Mental Health and Recovery Board**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010  
Unaudited

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**The Board as a Whole**

Table 1 provides a summary of the Board's net assets for 2010 compared to 2009 on a cash basis:

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

	<b>Governmental Activities</b>	
	<b>2010</b>	<b>2009</b>
<b>Cash Basis Assets</b>		
Cash and Cash Equivalents	\$2,852,719	\$2,284,388
<b>Net Assets</b>		
Unrestricted	\$2,852,719	\$2, 284,388
<b>Total Net Assets</b>	\$2,852,719	\$2, 284,388

As mentioned previously, net assets of governmental activities increased \$568,331 or 24.9 percent during 2010. The Board's revenue comes primarily from its two major fund providers, the Ohio Department of Mental Health and the Ohio Department of Alcohol and Drug Addiction Services, and is awarded on a state fiscal year basis. The timing of requests for reimbursement and the corresponding cash receipts can fluctuate within the audit period. The receipt of the equivalent of thirteen months of regular Medicaid funding and an additional one-time allocation made available as a result of increased federal reimbursement for Medicaid has inflated the Board's cash position at December 31, 2010.

**Mental Health and Recovery Board**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010  
Unaudited

Table 2 reflects the changes in net assets on a cash basis in 2010 and 2009 for governmental activities:

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

	<b>Governmental Activities 2010</b>	<b>Governmental Activities 2009</b>
<b>Receipts:</b>		
Program Cash Receipts		
Operating Grants and Contributions	\$4,905,617	\$4,251,841
<b>Total Program Cash Receipts</b>	<b>4,905,617</b>	<b>4,251,841</b>
General Receipts		
Property Taxes Levied for General Purposes	989,289	971,154
Entitlements – Unrestricted	3,326,472	4,240,486
Other Receipts	27,831	34,591
<b>Total General Receipts</b>	<b>4,343,592</b>	<b>5,246,231</b>
<b>Total Receipts</b>	<b>9,249,209</b>	<b>9,498,072</b>
<b>Disbursements:</b>		
Mental Health and Dependency Rehabilitation:		
Salaries	277,909	278,683
Supplies	5,274	5,402
Equipment	0	10,189
Contracts – Repairs	7,445	8,320
Contracts – Services	8,210,832	9,140,261
Travel and Expenses	9,272	12,333
Public Employee's Retirement	38,885	37,882
Worker's Compensation	4,380	6,813
Medicare	3,052	3,064
Other Expenses	123,829	84,389
<b>Total Disbursements</b>	<b>8,680,878</b>	<b>9,587,336</b>
<b>Change in Net Assets</b>	<b>\$568,331</b>	<b>(\$89,264)</b>

Program receipts represent 53.0 percent of total receipts and are primarily comprised of restricted operating grants and contributions.

General receipts represent 47.0 percent of the Board's total receipts, and of this amount, 22.8 percent are local taxes. State subsidies and entitlements make up the majority of the Board's general receipts (76.6 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for the 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 contract services accounting for \$8,210,832, or approximately 94.6 percent of total cash disbursements.

**Mental Health and Recovery Board**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010  
Unaudited

**Governmental Activities**

If you look at the Statement of Activities – Cash Basis, you will see that the first column details the mental health and dependency 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 contract services, which accounted for 94.6 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 must be paid from the general receipts, which consists 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	
	2010	2009	2010	2009
Mental Health and Dependency Rehabilitation:				
Salaries	\$277,909	\$278,683	\$277,909	\$278,683
Supplies	5,274	5,402	5,274	5,402
Equipment	0	10,189	0	10,189
Contracts – Repairs	7,445	8,320	7,445	8,320
Contracts – Services	8,210,832	9,140,261	3,305,215	4,888,420
Travel and Expenses	9,272	12,333	9,272	12,333
Public Employees' Retirement	38,885	37,882	38,885	37,882
Worker's Compensation	4,380	6,813	4,380	6,813
Medicare	3,052	3,064	3,052	3,064
Other Expenses	123,829	84,389	123,829	84,389
<b>Total Disbursements</b>	<b>\$8,680,878</b>	<b>\$9,587,336</b>	<b>\$3,775,261</b>	<b>\$5,335,495</b>

In 2010, the Mental Health and Recovery Board depended upon property taxes and unrestricted grants to support 43.5 percent of its governmental activities.

**The Board's Fund**

The Board's only governmental fund had total receipts of \$9,249,209 and disbursements of \$8,680,878. The fund balance increased \$568,331, mainly as a result of the timing of cash receipts. 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 has actually decreased over the past two years. This has necessitated the reduction of funding to service providers and caused a negative impact on services to the community. This is evident from the \$929,429 reduction in the Contract Service expenditure. However, the receipt of the equivalent of thirteen months of regular Medicaid funding and an additional one-time allocation made available as a result of increased federal reimbursement for Medicaid has artificially inflated the Board's revenue for the audit period. When viewed on a state fiscal year basis, the Board actually had a decrease in its fund balance.

**Mental Health and Recovery Board**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010  
Unaudited

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**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 2010, the Board transferred appropriations between accounts, and the budgetary statement reflects both the original and final appropriated amounts. Total appropriations were not amended to include additional monies for expenditure. The revenue budget was not amended.

**Current Issues**

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

As stated previously, the reductions in state funding have necessitated decreased allocations to service providers causing less service to be available to the community. This trend is expected to continue in the next biennial budget. 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 reflect the Board's accountability for the money it receives. Questions concerning any of the information should be directed to Sandra Kelner, Fiscal Officer, at 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, 2010*

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and Cash Equivalents	<u>\$2,852,719</u>
<i>Total Assets</i>	<u><u>\$2,852,719</u></u>
<b>Net Assets</b>	
Unrestricted	<u>\$2,852,719</u>
<i>Total Net Assets</i>	<u><u>\$2,852,719</u></u>

**Mental Health and Recovery Board**  
*Statement of Activities - Cash Basis*  
For the Year Ended December 31, 2010

	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	\$277,909		(277,909)
Supplies	5,274		(5,274)
Contracts - Repairs	7,445		(7,445)
Contracts - Services	8,210,832	\$4,905,617	(3,305,215)
Travel and Expenses	9,272		(9,272)
Public Employee's Retirement	38,885		(38,885)
Worker's Compensation	4,380		(4,380)
Medicare	3,052		(3,052)
Other Expenses	123,829		(123,829)
	<u>\$8,680,878</u>	<u>\$4,905,617</u>	<u>(3,775,261)</u>
 <b>General Receipts</b>			
Property Taxes Levied for General Purposes			989,289
Grants and Entitlements not Restricted to Specific Programs			3,326,472
Other Receipts			27,831
			<u>4,343,592</u>
<i>Total General Receipts</i>			<u>4,343,592</u>
Change in Net Assets			568,331
<i>Net Assets Beginning of Year</i>			<u>2,284,388</u>
<i>Net Assets End of Year</i>			<u>\$2,852,719</u>

**Mental Health and Recovery Board**  
*Statement of Cash Basis Assets and Cash Basis Fund Balance*  
*Governmental Fund*  
*December 31, 2010*

	<b>Mental Health and Recovery Fund</b>
<b>Cash Basis Assets</b>	
Cash and Cash Equivalents	\$2,852,719
<i>Total Cash Basis Assets</i>	\$2,852,719
<b>Cash Basis Fund Balance</b>	
Reserved for Encumbrances	\$115,750
Unreserved, Undesignated, Reported in Special Revenue Fund	2,736,969
<i>Total Cash Basis Fund Balance</i>	\$2,852,719

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, 2010*

	<b>Mental Health and Recovery Fund</b>
<b>Cash Receipts</b>	
Taxes	\$989,289
Grants	8,232,089
Other Receipts	27,831
<i>Total Cash Receipts</i>	9,249,209
<b>Cash Disbursements</b>	
Current:	
Salaries	277,909
Supplies	5,274
Equipment	
Contracts - Repairs	7,445
Contracts - Services	8,210,832
Travel and Expenses	9,272
Public Employee's Retirement	38,885
Worker's Compensation	4,380
Medicare	3,052
Other Expenses	123,829
<i>Total Cash Disbursements</i>	8,680,878
<i>Excess of Cash Receipts (Under) Cash Disbursements</i>	568,331
<i>Cash Basis Fund Balance Beginning of Year</i>	2,284,388
<i>Cash Basis Fund Balance End of Year</i>	\$2,852,719

**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 Year Ended December 31, 2010*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Cash Receipts</b>				
Property Taxes	\$800,000	\$800,000	\$989,289	\$189,289
Grants	7,125,000	7,125,000	8,232,089	1,107,089
Other Receipts	75,000	75,000	27,831	(47,169)
<i>Total Cash Receipts</i>	<u>8,000,000</u>	<u>8,000,000</u>	<u>9,249,209</u>	<u>1,249,209</u>
<b>Cash Disbursements</b>				
Current:				
Salaries	284,336	284,336	277,909	6,427
Supplies	7,050	7,050	6,024	1,026
Equipment	7,500	7,500	0	7,500
Contracts - Repairs	15,950	15,950	14,945	1,005
Contracts - Services	9,463,683	9,463,683	8,310,832	1,152,851
Advertising and Printing	1,000	1,000	0	1,000
Travel and Expenses	16,000	16,000	11,772	4,228
Public Employee's Retirement	39,808	39,808	38,885	923
Worker's Compensation	8,000	8,000	4,380	3,620
Unemployment Compensation	150,000	0	0	0
Medicare	0	3,143	3,052	91
Other Expenses	3,934	150,791	128,829	21,962
<i>Total Cash Disbursements</i>	<u>9,997,261</u>	<u>9,997,261</u>	<u>8,796,628</u>	<u>1,200,633</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements	<u>(1,997,261)</u>	<u>(1,997,261)</u>	<u>452,581</u>	<u>2,449,842</u>
<i>Cash Basis Fund Balance Beginning of Year</i>	2,218,914	2,218,914	2,218,914	0
Prior Year Encumbrances Appropriated	<u>65,474</u>	<u>65,474</u>	<u>65,474</u>	<u>0</u>
<i>Cash Basis Fund Balance End of Year</i>	<u>\$287,127</u>	<u>\$287,127</u>	<u>\$2,736,969</u>	<u>\$2,449,842</u>

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**Mental Health and Recovery Board**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended December 31, 2010

**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 displays 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 non-exchange 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 reports 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, 2010

**Note 2 – Summary of Significant Accounting Policies (Continued)**

**A. Basis of Presentation (Continued)**

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

**Mental Health and Recovery Board**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended December 31, 2010

**Note 2 – Summary of Significant Accounting Policies (Continued)**

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. Deposits and investment disclosures for the County as a whole may be obtained from the County.

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. Employer Contributions to Cost-Sharing Pension Plans

The Board recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

H. 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.

I. 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. Fund balance reserves have been established for encumbrances.

**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 (Budget 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	\$115,750
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**Mental Health and Recovery Board**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended December 31, 2010

**Note 4 – Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the service area. Property tax receipts received in 2010 for real and public utility taxes represents collections of 2009 taxes. Property tax payments received during 2010 for tangible personal property (other than public utility property) is for 2010 taxes.

2010 real property taxes are levied after October 1, 2010 on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2010 real property taxes are collected in and intended to finance 2011.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2010 public utility property taxes which became a lien on December 31, 2009, are levied after October 1, 2010, and are collected in 2011 with real property taxes.

**Note 5 – Risk Management**

**Commercial Insurance**

The Board has obtained commercial insurance for the following risks:

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

**Note 6 – Defined Benefit Pension Plan**

Plan Description - 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, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set in the Ohio Revised Code, are not to exceed 10 percent. For the year ended December 31, 2010, members in state and local classifications contribute 10 percent of covered payroll. For 2010, member and employer contribution rates were consistent across all three plans.

**Mental Health and Recovery Board**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended December 31, 2010

**Note 6 – Defined Benefit Pension Plan (Continued)**

The Board's contribution rate for 2010 was 14 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010 and 5.0 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. Employer contribution rates are actuarially determined.

The Board's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2010, 2009, and 2008 were \$25,012, \$23,688, and \$21,946, respectively. For 2010, 85 percent has been contributed and the full amount has been contributed for 2009 and 2008.

**Note 7 – Postemployment Benefits**

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans. The Traditional Pension Plan—a cost sharing, multi-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have ten years or more 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 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.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2010, local government employers contributed 14 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for local employers. Each year, the OPERS retirement board determines the portion of the employer contribution 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 of covered payroll from January 1 through February 28, 2010 and 5.0 percent of covered payroll 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.

**Mental Health and Recovery Board**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended December 31, 2010

**Note 7 – Postemployment Benefits (Continued)**

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 retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and coverage selected. Active members do not make contributions to the post employment health care plan.

The Board's contribution allocated to fund post-employment health care benefits for the years ended December 31, 2010, 2009 and 2008 were \$13,895, \$15,238 and \$16,460 respectively. For 2010, 85 percent has been contributed and the full amount has been contributed for 2009 and 2008.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. These rates increases allowed additional funds to be allocated to the health care plan.

**Note 8 – 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, 2010**

<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-WP101Z	84.186B	<u>\$21,500</u>
Total U.S. Department of Education			21,500
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<i>Passed Through Ohio Department of Mental Health:</i>			
Community-Based Child Abuse Prevention Grants	05-CS-10-03 05-CS-11-03	93.590	25,867 <u>9,908</u>
Total Community-Based Child Abuse Prevention Grants			35,775
Social Services Block Grant	C-08-10-03 C-08-11-03	93.667	65,761 <u>21,655</u>
Total Social Services Block Grant			87,416
State Children's Insurance Program	N/A	93.767	196,411
Medical Assistance Program	N/A	93.778	2,614,320
Medical Assistance Program - ARRA	N/A		<u>445,753</u>
Total Medical Assistance Program			3,060,073
Block Grants for Community Mental Health Services	N/A - FY10 N/A - FY11	93.958	236,952 <u>178,281</u>
Total Block Grants for Community Mental Health Services			<u>415,233</u>
Total Passed Through Ohio Department of Mental Health			3,794,908
<i>Passed Through Ohio Department of Alcohol and Drug Addiction Services:</i>			
State Children's Insurance Program	N/A	93.767	17,637
Medical Assistance Program	N/A	93.778	308,028
Medical Assistance Program - ARRA	N/A		<u>42,390</u>
Total Medical Assistance Program			350,418
Block Grants for Prevention and Treatment of Substance Abuse	COME-ADA-WP04LC COME-ADA-WP04LC	93.959	295,704 <u>225,867</u>
Total Block Grants for Prevention and Treatment of Substance Abuse			<u>521,571</u>
Total Passed Through Ohio Department of Alcohol and Drug Addiction Services			<u>889,626</u>
Total U.S. Department of Health and Human Services			<u>4,684,534</u>
<b>Total Federal Awards Expenditure Schedule</b>			<b><u><u>\$4,706,034</u></u></b>

*The accompanying notes 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, 2010**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Mental Health and Recovery Board's (the Board's) federal award programs' disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B – SUBRECIPIENTS**

The Board passes certain federal awards received from the Ohio Department of Mental Health Services and the Ohio Department of Alcohol and Drug Addiction Services to other governments or not-for-profit agencies (sub-recipients). As Note A describes, the Board reports expenditures of Federal awards to sub-recipients when paid in cash.

As a sub-recipient, the Board has certain compliance responsibilities, such as monitoring its sub-recipients to help assure they use these sub-awards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that sub-recipients achieve the award's performance goals.

**NOTE C – MATCHING REQUIREMENTS**

Certain Federal programs require the Board to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Board has 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 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, 2010, which collectively comprise the Board's basic financial statements and have issued our report thereon dated July 15, 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*.

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Phone: 740-594-3300 or 800-441-1389 Fax: 740-594-2110  
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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, and 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

July 15, 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 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 each of its major federal programs 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 each of its major federal programs 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

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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, 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, flowing style.

**Dave Yost**  
Auditor of State

July 15, 2011

**MENTAL HEALTH AND RECOVERY BOARD  
BELMONT COUNTY**

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

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Medical Assistance Program - C.F.D.A. # 93.778 Block Grants for Community Mental Health Services - C.F.D.A. # 93.958
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

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# Dave Yost • Auditor of State

**BELMONT COUNTY 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  
AUGUST 9, 2011**