



Dave Yost • Auditor of State

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

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis	11
Statement of Activities – Cash Basis.....	12
Governmental Financial Statements:	
Statement of Assets and Fund Balance - Cash Basis - Governmental Fund	13
Statement of Receipts, Disbursements and Changes in Fund Balance - Cash Basis – Governmental Fund	14
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual (Budget Basis) General Fund	15
Notes to the Basic Financial Statements	17
Federal Awards Expenditures Schedule.....	27
Notes to the Federal Awards Expenditures Schedule	28
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	29
Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	31
Schedule of Findings – OMB Circular A-133 § .505	33

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Mental Health & Recovery Services Board, Muskingum County, Ohio (the Board), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Board's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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 & Recovery Services Board, Muskingum County, Ohio, as of December 31, 2014, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the Board's financial statements that collectively comprise its basic financial statements. The Schedule of Federal Award Expenditures presents additional analysis as 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 financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We applied no procedures to the Management's Discussion & Analysis presented on pages 5-9 of the report, and accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

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
Columbus, Ohio

August 3, 2015

This page intentionally left blank.

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

Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

The discussion and analysis of the Mental Health & Recovery Services Board's (the Board), financial performance provides an overall review of the Board's financial activities for the year ended December 31, 2014, within the limitations of the Board's cash basis of accounting. The intent of this discussion and analysis is to look at the Board's financial performance as a whole. Readers should also review the notes to the basic financial statements and the basic financial statements to enhance their understanding of the Board's financial performance.

Financial Highlights

Key financial highlights for the year 2014 are as follows:

- Net position increased \$353,960.
- General receipts accounted for \$7,259,286 in receipts or 86 percent of all receipts. Program specific receipts in the form of operating grants and contributions accounted for \$1,152,157 or 14 percent of total receipts of \$8,411,443.
- The Board had \$8,057,483 in disbursements related to governmental activities;\$1,152,157 of these disbursements was offset by program specific operating grants and contributions. General receipts of \$7,259,286 were adequate to provide for the remainder of these programs.
- The Board's major fund had \$8,411,443 in receipts and \$8,057,483 in disbursements. The cash balance increased \$353,960.

Using this Annual Financial Report

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

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

Reporting the Board as a Whole

Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis

While this document contains information used by the Board to provide programs and services for its service area, the view of the Board as a whole looks at all financial transactions and asks the question, "How did we do financially during calendar year 2014?" The Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis answer this question. These two statements report the Board's net position and changes in those assets. This change in net position is important because it tells the reader that, for the Board as a whole, the financial position of the Board has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

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

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

Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited
(Continued)

Reporting the Board as a Whole (Continued)

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

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

Reporting the Board's Governmental Financial Statements

Governmental Financial Statements

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

The Board as a Whole

Recall that the Statement of Net Position – Cash Basis provides the perspective of the Board as a whole. Table 1 provides a summary of the Board's net position for 2014 compared to 2013.

**Table 1
Net Position – Cash Basis**

	Governmental Activities	
	2013	2014
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$6,349,382</u>	<u>\$6,703,342</u>
Net Position		
Unrestricted	<u>\$6,349,382</u>	<u>\$6,703,342</u>
Total Net Position	<u>\$6,349,382</u>	<u>\$6,703,342</u>

Total assets increased \$353,960. The increase is due primarily to increased state revenue. The Board continues to attempt to control costs in a time of rising costs.

Table 2 shows the changes in net position for the year ended December 31, 2014, and comparisons to December 31, 2013.

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

Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited
(Continued)

**Table 2
Changes in Net Position**

	Governmental Activities	
	2013	2014
Receipts		
Program Cash Receipts		
Operating Grants and Contributions	\$1,607,546	\$1,152,157
Total Program Cash Receipts	<u>1,607,546</u>	<u>1,152,157</u>
General Receipts		
Property Taxes Levied for General Purposes	2,258,510	2,205,237
Entitlements – Unrestricted	4,200,782	5,054,049
Total General Receipts	<u>6,459,292</u>	<u>7,259,286</u>
Total Receipts	<u>8,066,838</u>	<u>8,411,443</u>
Disbursements:		
Mental Health and Dependency Rehabilitation	<u>8,181,896</u>	<u>8,057,483</u>
Total Disbursements	<u>8,181,896</u>	<u>8,057,483</u>
Change in Net Position	<u>(\$115,058)</u>	<u>\$353,960</u>

In 2014, 86 percent of the Board's total receipts were from general receipts, consisting mainly of property taxes and unrestricted state entitlements. Program cash receipts accounted for 14 percent of the Board's total receipts in year 2014. These receipts consist primarily of federal operating grants.

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

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

Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited
(Continued)

**Table 3
Governmental Activities**

	Total Cost of Services 2013	Net Cost of Services 2013	Total Cost of Services 2014	Net Cost of Services 2014
Mental Health and Dependency Rehabilitation:				
Salaries	\$384,257	\$335,288	\$366,269	\$341,630
Supplies	5,000	5,000	6,903	6,903
Materials	498	498	252	252
Equipment	10,351	10,351	160	160
Contracts - Repairs	876	876	20	20
Contracts - Services	7,343,012	5,784,503	7,565,328	6,437,814
Professional Services	0	0	114,166	114,166
Rentals	23,100	23,100	23,100	23,100
Advertising and Printing	19,106	19,106	14,196	14,196
Travel and Expenses	17,623	17,555	17,842	17,838
Public Employee's Retirement	54,613	54,613	51,381	51,381
Worker's Compensation	7,003	7,003	3,512	3,512
Insurance	232,556	232,556	(205,413)	(205,413)
Other Expenses	31,394	31,394	31,803	31,803
Medicare	5,466	5,466	5,199	5,199
Utilities	22,794	22,794	38,897	38,897
Tax Settlement Deduction	24,247	24,247	23,868	23,868
Total Disbursements	\$8,181,896	\$6,574,350	\$8,057,483	\$6,905,326

The dependence upon state entitlements and local levies for governmental activities is apparent as 86 percent of mental health and dependency rehabilitation costs are supported through unrestricted state entitlements and other general receipts.

The Board's Governmental Financial Statements

The Board's governmental financial statements are accounted for using the cash basis of accounting. The governmental financial statements had total receipts of \$8,411,443 and disbursements of \$8,057,483. The financial statements had an increase in the cash balance of \$353,960.

Budgeting Highlights

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

During the course of 2014, the Board amended its appropriations, and the budgetary statement reflects both the original and final appropriated amounts.

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

Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited
(Continued)

Debt and Capital Asset Acquisitions

In 2004 and in 2009 the Board entered into a contract/note with the Ohio Department of Mental Health concerning the residential facility on Liberty School Road in Cambridge, Ohio. See Note 6 for additional details. In addition, the Board entered into another contract/note with the Ohio Department of Mental Health for the renovation of the outpatient facility in Morgan County in 2009.

Economic Factors

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

The Board will be challenged to maintain the current level of services and programs due to the reductions in state and federal funding. The Board and its administration must maintain careful financial planning and prudent fiscal management in order to balance the budget annually.

Contacting the Board's Financial Management

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

This page intentionally left blank.

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

*Statement of Net Position - Cash Basis
December 31, 2014*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 6,703,342</u>
<i>Total Assets</i>	<u>6,703,342</u>
Net Position	
Unrestricted	<u>6,703,342</u>
<i>Total Net Assets</i>	<u><u>\$ 6,703,342</u></u>

See accompanying notes to the basic financial statements

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

*Statement of Activities - Cash Basis
For the Fiscal Year Ended December 31, 2014*

	Cash Disbursements	Program Cash Receipts Operating Grants and Contributions	Net (Disbursements) Receipts and Changes in Net Position Governmental Activities
Governmental Activities			
Mental Health and Dependency Rehabilitation:			
Salaries	\$ 366,269	\$ 24,639	\$ (341,630)
Supplies (Net of \$140 in reimbursements)	6,903		(6,903)
Materials	252		(252)
Equipment	160		(160)
Contracts - Repairs	20		(20)
Contracts - Services (Net of \$51,851 in contract agency reimbursements)	7,565,328	1,127,514	(6,437,814)
Professional Services (Net of \$750 in reimbursement)	114,166		(114,166)
Rentals	23,100		(23,100)
Advertising and Printing	14,196		(14,196)
Travel and Expenses (Net of \$32 in agency reimbursements)	17,842	4	(17,838)
Public Employee's Retirement	51,381		(51,381)
Worker's Compensation (Net of \$2,949 in reimbursements)	3,512		(3,512)
Insurance (Net of \$2,036,143 in contract agency reimbursements)	(205,413)		205,413
Other Expenses	31,803		(31,803)
Medicare	5,199		(5,199)
Utilities (Net of \$45 in reimbursements)	38,897		(38,897)
Tax Settlement Deduction	23,868		(23,868)
<i>Total Governmental Activities</i>	\$ 8,057,483	\$ 1,152,157	\$ (6,905,326)
 General Receipts			
Property Taxes Levied for General Purposes			\$ 2,205,237
Entitlements - Unrestricted			5,054,049
<i>Total General Receipts</i>			7,259,286
Change in Net Position			353,960
<i>Net Position Beginning of Year</i>			6,349,382
<i>Net Position End of Year</i>			\$ 6,703,342

See accompanying notes to the basic financial statements

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

*Statement of Assets and Fund Balance - Cash Basis
Governmental Fund
December 31, 2014*

	<u>General Fund</u>
Cash Basis Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 6,703,342</u>
<i>Total Assets</i>	<u><u>\$ 6,703,342</u></u>
Cash Basis Fund Balance	
Unassigned	<u>\$ 6,703,342</u>
<i>Total Cash Basis Fund Balance</i>	<u><u>\$ 6,703,342</u></u>

See accompanying notes to the basic financial statements

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

*Statement of Receipts, Disbursements, and Changes in Fund Balance - Cash Basis
Governmental Fund
For the Fiscal Year Ended December 31, 2014*

	General Fund
Cash Receipts	
Taxes	\$ 2,205,237
Grants	6,206,206
 <i>Total Cash Receipts</i>	 8,411,443
 Cash Disbursements	
Current:	
Salaries	366,269
Supplies (Net of \$140 in reimbursements)	6,903
Materials	252
Equipment	160
Contracts - Repairs	20
Contracts - Services (Net of \$51,851 in contract agency reimbursements)	7,565,328
Professional Services (Net of \$750 in reimbursements)	114,166
Rentals	23,100
Advertising and Printing	14,196
Travel and Expenses (Net of \$32 in reimbursements)	17,842
Public Employee's Retirement	51,381
Worker's Compensation (Net of \$2,949 in reimbursement)	3,512
Insurance (Net of \$2,036,143 in contract agency reimbursements)	(205,413)
Other Expenses	31,803
Medicare	5,199
Utilities (Net of \$45 in reimbursements)	38,897
Tax Settlement Deduction	23,868
 <i>Total Cash Disbursements</i>	 8,057,483
 <i>Excess of Cash Receipts Over/(Under) Cash Disbursements</i>	 353,960
 <i>Cash Basis Fund Balance Beginning of Year</i>	 6,349,382
 <i>Cash Basis Fund Balance End of Year</i>	 \$ 6,703,342

See accompanying notes to the basic financial statements

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

*Statement of Receipts, Disbursements, and Changes
In Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended December 31, 2014*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Cash Receipts				
Property Taxes	\$ 2,077,000	\$ 2,153,725	\$ 2,205,237	\$ 51,512
Grants	5,568,097	6,153,482	6,206,206	52,724
Reimbursements	1,964,050	1,915,696	2,091,910	176,214
<i>Total Cash Receipts</i>	<u>9,609,147</u>	<u>10,222,903</u>	<u>10,503,353</u>	<u>280,450</u>
Cash Disbursements				
Current:				
Salaries	363,855	368,855	366,269	2,586
Supplies	8,000	8,000	7,043	957
Materials	700	700	252	448
Equipment	10,000	10,000	160	9,840
Contracts - Repairs	1,500	1,500	20	1,480
Contracts - Services	6,900,752	13,200,933	7,617,179	5,583,754
Professional Services	106,000	131,700	114,916	16,784
Rentals	23,100	23,100	23,100	-
Advertising and Printing	43,050	43,050	14,196	28,854
Travel and Expenses	21,000	24,000	17,874	6,126
Public Employee's Retirement	50,950	51,450	51,381	69
Worker's Compensation	9,500	9,500	6,461	3,039
Unemployment Compensation	2,000	2,000	-	2,000
Insurance	1,969,910	1,969,910	1,830,730	139,180
Other Expenses	31,450	37,450	31,803	5,647
Medicare	5,280	5,280	5,199	81
Utilities	35,400	44,400	38,942	5,458
Tax Settlement Deduction	26,700	26,700	23,868	2,832
<i>Total Cash Disbursements</i>	<u>9,609,147</u>	<u>15,958,528</u>	<u>10,149,393</u>	<u>5,809,135</u>
<i>Net Change in Cash Basis Fund Balance</i>	-	(5,735,625)	353,960	6,089,585
<i>Cash Basis Fund Balance Beginning of Year</i>	6,349,382	6,349,382	6,349,382	-
Prior Year Encumbrances Appropriated	-	-	-	-
<i>Cash Basis Fund Balance End of Year</i>	<u>\$ 6,349,382</u>	<u>\$ 613,757</u>	<u>\$ 6,703,342</u>	<u>\$ 6,089,585</u>

See accompanying notes to the basic financial statements

This page intentionally left blank.

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

Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2014

Note 1 - Description of the Reporting Entity

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

The Board participates in the Eastern Alliance Council of Governments which is defined as a jointly governed organization. Additionally information concerning the jointly governed organization is discussed in Note 11.

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

Reporting Entity

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

Component units are legally separate organizations for which the Board is financially accountable. Component units may also include organizations that are fiscally dependent on the Board in that the Board approves their budget, the issuance of their debt or the levying of their taxes. The Board has no component units.

Note 2 - Summary of Significant Accounting Policies

These financial statements and notes are presented on a cash basis of accounting. The Board recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements.

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

A. Fund Accounting

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

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

Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2014
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation

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

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

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

C. Basis of Accounting

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

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

D. Cash, Cash Equivalents and Investments

The County Treasurer is the custodian for the Board's cash and investments. The County's cash and investment pool holds the Board's cash and investments, which are reported at the County Treasurer's carrying amount. Deposits and investments disclosures for the County as a whole may be obtained from the County. The Muskingum County Treasurer's office is located in the Muskingum County Court House at 4th and Main Street, Zanesville, Ohio 43701. The phone number is (740) 455-7109.

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

Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2014
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

E. Budgetary Data

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

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

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

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Board is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Non-spendable The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2014
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

Assigned Amounts in the assigned fund balance classification are intended to be used by the Board for specific purposes but do not meet the criteria to be classified as restricted or committed. In the general fund, assigned amounts represent intended uses established by the Board or a Board official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications.

The Board applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 - Fund Balances

Fund balance is classified as non-spendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the Board is bound to observe constraints imposed upon the use of the resources in its fund. At December 31, 2014, the entire fund balance of \$6,703,342 was presented as unassigned.

Note 4 - Property Taxes

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

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

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

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

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

Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2014
(Continued)

Note 5 - Risk Management

Commercial Insurance

The Board has obtained commercial insurance for the following risks:

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

Settled claims have not exceeded this commercial coverage in any of the past three years and there was no significant reduction in coverage from the prior year.

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

Note 6 - Debt

Debt outstanding at December 31, 2014 was as follows:

Promissory Note	\$90,472	variable 4% - 11%
-----------------	----------	-------------------

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

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

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

Year ending December 31:	Promissory Note
2015	\$11,879
2016	11,879
2017	11,879
2018	11,879
2019	11,879
2020-2024	55,783
Total	\$115,178

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

Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2014
(Continued)

Note 6 – Debt (Continued)

On March 11, 2004, the Board entered into a contract/note with the Ohio Department of Mental Health for \$150,000. The note is secured by a mortgage deed on the property located at 9259 Liberty School Road, Cambridge, Ohio. The payment of principal will be forgiven by the Ohio Department of Mental Health and Addiction Services in 480 equal installments beginning the first day of April 2004 and forgivable upon the first day of each month thereafter until and including the first day of April 2044 providing there is no transfer by sale, gift, devise, operation of law or otherwise of the title in all or part of the said premises. If such a transfer should occur, the remaining balance shall be immediately due and payable to the Ohio Department of Mental Health and Addiction Services. The Board received 90% or \$135,000 of this state funding on May 10, 2004. The final 10% or \$15,000 was paid on December 3, 2004, after completion of the renovation.

On May 14, 2009, the Board entered into another contract/note with the Ohio Department of Mental Health for \$171,710. The note is secured by a mortgage deed on the property located at 9259 Liberty School Road, Cambridge, Ohio. The payment of principal will be forgiven by the Ohio Department of Mental Health and Addiction Services in 480 equal installments beginning the first day of May 2009 and forgivable upon the first day of each month thereafter until and including the first day of May 2049 providing there is no transfer by sale, gift, devise, operation of law or otherwise of title in all or part of the said premises. If such transfer should occur, the remaining balance shall be immediately due and payable to the Ohio Department of Mental Health and Addiction Services. The Board will receive 100 percent state funding for this project. The Board received \$128,680 and \$42,110 in state funding on July 30, 2009 and October 6, 2009, respectively. The Board received the final payment on April 28, 2010 for \$920.

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

Note 7 - Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

Plan Description – The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the traditional pension plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the member-directed plan.

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

Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2014
(Continued)

Note 7 - Defined Benefit Pension Plan (Continued)

Ohio Public Employees Retirement System (Continued)

OPERS provide retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional pension and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, 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, 2014, members in state and local divisions contributed 10 percent of covered payroll. Members in the state and local divisions may participate in all three plans. For 2014, member and employer contribution rates were consistent across all three plans.

The Board's 2014 contribution rate was 14 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of the County's contribution allocated to health care for members in both the Traditional and Combined Plans was 2 percent for 2014. Effective January 1, 2015, the portion of employer contributions allocated to health care remains at 2 percent. Employer contribution rates are actuarially determined.

The Board's required contributions for pension obligations to the traditional pension and combined plans for the years ended December 31, 2014, 2013 and 2012 were \$51,049, \$53,086, and \$54,105, respectively. For 2014, 92 percent has been contributed. The full amount has been contributed for 2013 and 2012.

Note 8 - Post-Employment Benefits

Ohio Public Employees Retirement System (OPERS)

The Muskingum County Auditor serves as the fiscal agent for the Board. The Board's employees are paid through Muskingum County's payroll system.

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans. The Traditional Pension Plan—a cost-sharing, multiple-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 and combined pension 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 and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2014
(Continued)

Note 8 - Post-Employment Benefits (Continued)

Ohio Public Employees Retirement System (OPERS) (Continued)

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, 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). The Ohio Revised Code provides the statutory authority requiring public employers to 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 2014, local government employers contributed 14.0 percent of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code.

Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional and Combined Plans was 2 percent for 2014. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2014. Effective January 1, 2015, the portion of employer contributions allocated to healthcare remains at 2 percent, as recommended by the OPERS Actuary.

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

The Board's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2014, 2013, and 2012 were \$29,171, \$15,168, and \$15,459, respectively. For 2014, 92 percent has been contributed. The full amount has been contributed for 2013 and 2012.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing on January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

Note 9 - Reimbursements

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

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

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

Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2014
(Continued)

Note 10 - Contingencies

A. Grants

The Board receives financial assistance from federal and state agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Board. However, in the opinion of management, any such disallowed claims would not have a material adverse effect on the overall financial position of the Board at December 31, 2014.

Note 11 - Jointly Governed Organization

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

The Council is managed by a board of trustees composed of the Executive Director, or Director's designee, from each of its members. The continued existence of the Council is not dependent on the Board's continued participation and the Board has no equity interest or financial responsibility for the Council. During 2014, debt payments were made on behalf of the Board by the Council as discussed in Note 6.

This page intentionally left blank.

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

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2014**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Pass-Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department of Mental Health and Addiction Services</i>			
Social Services Block Grant	N/A	93.667	\$ 196,557
Block Grants for Community Mental Health Services	N/A	93.958	204,852
Block Grants for Prevention and Treatment of Substance Abuse	N/A	93.959	447,456
Block Grant Community Coalition Drug Free	60-1547-DFCC-P14-0035		19,696
Women's Comprehensive Recovery Program	60-1431-Women's-T-14-9000		177,000
Total Block Grants for Prevention and Treatment of Substance Abuse			<u>644,152</u>
Total Federal Awards Expenditures			<u>\$ 1,045,561</u>

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

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

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SUB-RECIPIENTS

The Board passes certain federal awards received from the Ohio Department of Mental Health and 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 AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Members of the Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities and the major fund of the Mental Health & Recovery Services Board, Muskingum County, Ohio (the Board), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated August 3, 2015, wherein we noted the Board uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Board's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Board's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Board's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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
Columbus, Ohio

August 3, 2015



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Members of the Board:

Report on Compliance for the Major Federal Program

We have audited the Mental Health & Recovery Services Board's, Muskingum County, Ohio (the Board's) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Board's major federal program for the year ended December 31, 2014. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the Board's major federal program.

Management's Responsibility

The Board's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the Board's compliance for the Board's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Board's major program. However, our audit does not provide a legal determination of the Board's compliance.

Opinion on the Major Federal Program

In our opinion, the Board complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2014.

Report on Internal Control Over Compliance

The Board's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Board's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Board's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only described the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

August 3, 2015

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Program (list): <ul style="list-style-type: none"> • Block Grants for Prevention and Treatment of Substance Abuse - CFDA #93.959 	
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

This page intentionally left blank.



Dave Yost • Auditor of State

MUSKINGUM COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 20, 2015**