



OHIO AUDITOR OF STATE
KEITH FABER



**MENTAL HEALTH & RECOVERY SERVICES BOARD
SERVING COSHOCTON, GUERNSEY, MORGAN, MUSKINGUM, NOBLE AND PERRY COUNTIES
MUSKINGUM COUNTY
DECEMBER 31, 2020**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Mental Health & Recovery Services Board
Serving Coshocton, Guernsey, Morgan, Muskingum, Noble and Perry Counties
Muskingum County
1500 Coal Run Road
Zanesville, Ohio 43701

To the Members of the Board:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities and major fund of the Mental Health & Recovery Services Board Serving Coshocton, Guernsey, Morgan, Muskingum, Noble and Perry Counties, Muskingum County, Ohio (the Board), as of and for the year ended December 31, 2020, 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 such 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 major fund of the Board, as of December 31, 2020, 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.

Emphasis of Matter

As discussed in Note 13 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Board. We did not modify our opinion regarding this matter.

Other Matters

Supplementary Information

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards (the Schedule) presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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.

Other Information

We applied no procedures to Management's Discussion and Analysis as listed in the Table of Contents. Accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2021, 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.



Keith Faber
Auditor of State
Columbus, Ohio

June 15, 2021

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

Management's Discussion and Analysis
For the Year Ended December 31, 2020
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, 2020, 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. 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 2020 are as follows:

- Net position increased by \$1,086,788.
- General receipts accounted for \$9,104,982 in receipts or 77 percent of all receipts. Program specific receipts in the form of operating grants and contributions accounted for \$2,681,197 or 23 percent of total receipts of \$11,786,179.
- The Board had \$10,699,391 in disbursements related to governmental activities; \$2,681,197 of these disbursements was offset by program specific operating grants and contributions. General receipts of \$9,104,982 were adequate to provide for the remainder of these programs.
- The Board's major fund had \$11,786,179 in receipts and \$10,699,391 in disbursements. The cash balance increased \$1,086,788.

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 2020?" 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 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, 2020
Unaudited

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 2020 compared to 2019.

**Table 1
Net Position – Cash Basis**

	Governmental Activities	
	2020	2019
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$10,129,312</u>	<u>\$9,042,524</u>
Net Position		
Unrestricted	<u>\$10,129,312</u>	<u>\$9,042,524</u>
Total Net Position	<u>\$10,129,312</u>	<u>\$9,042,524</u>

Total assets increased \$1,086,788. The increase is due primarily to increased grant funding. 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, 2020, and comparisons to December 31, 2019.

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

Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

**Table 2
Changes in Net Position**

	Governmental Activities	
	2020	2019
Receipts		
Program Cash Receipts		
Operating Grants and Contributions	\$2,681,197	\$2,894,075
Total Program Cash Receipts	2,681,197	2,894,075
General Receipts		
Property Taxes Levied for General Purposes	3,843,415	3,332,899
Entitlements – Unrestricted	5,261,567	4,560,765
Total General Receipts	9,104,982	7,893,664
Total Receipts	11,786,179	10,787,739
Disbursements:		
Mental Health and Dependency Rehabilitation	10,699,391	10,111,452
Total Disbursements	10,699,391	10,111,452
 Change in Net Position	 \$1,086,788	 \$676,287

In 2020, 77 percent of the Board's total receipts were from general receipts, consisting mainly of property taxes. Program cash receipts accounted for 23 percent of the Board's total receipts in year 2020. These receipts consist primarily of state 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.

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

Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

**Table 3
Governmental Activities**

	Total Cost of Services 2020	Net Cost of Services 2020	Total Cost of Services 2019	Net Cost of Services 2019
Mental Health and Dependency Rehabilitation:				
Salaries	\$444,509	\$386,249	\$462,703	\$408,465
Supplies	5,611	5,611	5,843	5,843
Materials	452	452	853	853
Equipment	1,145	1,145	94,577	94,577
Contracts - Repairs	151	151	110	110
Contracts - Services	8,638,781	6,015,844	9,228,763	6,388,926
Professional Services - Board	54,887	54,887	31,378	31,378
Professional Services - Agency	31,228	31,228	(13,718)	(13,718)
Rentals	38,000	38,000	39,925	39,925
Advertising and Printing	10,627	10,627	7,262	7,262
Travel and Expenses	4,193	4,193	11,518	11,518
Public Employee's Retirement	62,834	62,834	66,093	66,093
Worker's Compensation	(6,610)	(6,610)	1,213	1,213
Insurance - Board	73,275	73,275	68,413	68,413
Other Expenses	29,463	29,463	40,760	40,760
Medicare	6,455	6,455	6,530	6,530
Utilities	34,235	34,235	31,689	31,689
COVID-19	1,239,673	1,239,673	0	0
Tax Settlement Deduction	30,482	30,482	27,540	27,540
Total Disbursements	\$10,699,391	\$8,018,194	\$10,111,452	\$7,217,377

The dependence upon local levies for governmental activities is apparent as 77 percent of mental health and dependency rehabilitation costs are supported through unrestricted funds 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 \$11,786,179 and disbursements of \$10,699,391. The financial statements had an increase in the cash balance of \$1,086,788.

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

Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

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 2020, the Board amended its appropriations, and the budgetary statement reflects both the original and final appropriated amounts.

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 7 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 uncertainty 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 Misty Cromwell, Executive Director, at Mental Health and Recovery Services Board, 1500 Coal Run Road, Zanesville, Ohio 43701, Phone (740) 454-8557.

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

*Statement of Net Position - Cash Basis
December 31, 2020*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$10,129,312</u>
<i>Total Assets</i>	<u>10,129,312</u>
Net Position	
Unrestricted	<u>10,129,312</u>
<i>Total Net Assets</i>	<u><u>\$10,129,312</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, 2020*

	<u>Cash Disbursements</u>	<u>Program Cash Receipts Operating Grants and Contributions</u>	<u>Net (Disbursements) Receipts and Changes in Net Position Governmental Activities</u>
Governmental Activities			
Mental Health and Dependency Rehabilitation:			
Salaries (Net of \$13,245 in reimbursements)	\$444,509	\$58,260	(\$386,249)
Supplies (Net of \$102 in reimbursements)	5,611	0	(5,611)
Materials	452	0	(452)
Equipment	1,145	0	(1,145)
Contract Repairs	151	0	(151)
Contract Services - Agency (Net of \$82,367 in reimbursements)	8,638,781	2,622,937	(6,015,844)
Professional Services - Board (Net of \$200 in reimbursements)	54,887	0	(54,887)
Professional Services - Agency (Net of \$71,674 in reimbursements)	31,228	0	(31,228)
Rentals	38,000	0	(38,000)
Advertising and Printing	10,627	0	(10,627)
Travel and Expenses	4,193	0	(4,193)
Public Employee's Retirement	62,834	0	(62,834)
Worker's Compensation (Net of \$12,064 in reimbursements)	(6,610)	0	6,610
Insurance - Board (Net of \$11,635 in reimbursements)	73,275	0	(73,275)
Other Expenses	29,463	0	(29,463)
Medicare	6,455	0	(6,455)
Utilities	34,235	0	(34,235)
Covid-19	1,239,673	0	(1,239,673)
Tax Settlement Deduction	30,482	0	(30,482)
<i>Total Governmental Activities</i>	<u>\$10,699,391</u>	<u>\$2,681,197</u>	<u>(\$8,018,194)</u>

General Receipts	
Property Taxes Levied for General Purposes	3,843,415
Entitlements - Unrestricted	<u>5,261,567</u>
<i>Total General Receipts</i>	<u>9,104,982</u>
Change in Net Position	1,086,788
<i>Net Position Beginning of Year</i>	<u>9,042,524</u>
<i>Net Position End of Year</i>	<u>\$10,129,312</u>

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, 2020*

	<u>General Fund</u>
Cash Basis Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$10,129,312</u>
<i>Total Assets</i>	<u><u>\$10,129,312</u></u>
Cash Basis Fund Balance	
Assigned	\$830,344
Unassigned	<u>9,298,968</u>
<i>Total Cash Basis Fund Balance</i>	<u><u>\$10,129,312</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, 2020*

	General Fund
Cash Receipts	
Taxes	\$3,843,415
Grants	7,942,764
	11,786,179
Cash Disbursements	
Current:	
Salaries (Net of \$13,245 in reimbursements)	444,509
Supplies (Net of \$102 in reimbursements)	5,611
Materials	452
Equipment	1,145
Contract Repairs	151
Contract Services - Agency (Net of \$82,367 in reimbursements)	8,638,781
Professional Services - Board (Net of \$200 in reimbursements)	54,887
Professional Services - Agency (Net of \$71,674 in reimbursements)	31,228
Rentals	38,000
Advertising and Printing	10,627
Travel and Expenses	4,193
Public Employee's Retirement	62,834
Worker's Compensation (Net of \$12,064 in reimbursements)	(6,610)
Insurance - Board (Net of \$11,635 in reimbursements)	73,275
Other Expenses	29,463
Medicare	6,455
Utilities	34,235
Covid-19	1,239,673
Tax Settlement Deduction	30,482
	10,699,391
<i>Total Cash Disbursements</i>	<i>10,699,391</i>
<i>Excess of Cash Receipts Over/(Under) Cash Disbursements</i>	<i>1,086,788</i>
<i>Cash Basis Fund Balance Beginning of Year</i>	<i>9,042,524</i>
<i>Cash Basis Fund Balance End of Year</i>	<i>\$10,129,312</i>

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, 2020*

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
Cash Receipts				
Property Taxes	\$2,984,296	\$2,984,296	\$3,843,415	\$859,119
Grants	6,105,187	6,105,187	7,942,764	1,837,577
Reimbursements	164,000	164,000	191,287	27,287
<i>Total Cash Receipts</i>	<u>9,253,483</u>	<u>9,253,483</u>	<u>11,977,466</u>	<u>2,723,983</u>
Cash Disbursements				
Current:				
Salaries	445,490	460,490	457,754	2,736
Supplies	8,586	10,171	6,454	3,717
Materials	700	700	452	248
Equipment	12,124	14,247	3,040	11,207
Contract Repairs	500	500	500	0
Contract Services - Agency	8,625,232	9,991,382	9,490,267	501,115
Professional Services - Board	37,745	116,490	69,282	47,208
Professional Services - Agency	202,608	242,915	121,719	121,196
Rentals	47,400	49,200	45,600	3,600
Advertising and Printing	13,500	13,500	11,054	2,446
Travel and Expenses	22,441	27,882	8,449	19,433
Public Employee's Retirement	65,000	65,000	62,834	2,166
Worker's Compensation	7,000	7,000	5,453	1,547
Unemployment Compensation	2,000	2,000	0	2,000
Insurance - Board	85,050	85,050	84,910	140
Other Expenses	46,095	46,390	39,899	6,491
Medicare	7,000	7,000	6,455	545
Utilities	37,478	38,496	36,744	1,752
Covid-19	0	3,500,000	1,239,673	2,260,327
Contingencies	0	4,030,059	0	4,030,059
Tax Settlement Deduction	35,000	35,000	30,482	4,518
<i>Total Cash Disbursements</i>	<u>9,700,949</u>	<u>18,743,472</u>	<u>11,721,021</u>	<u>7,022,451</u>
<i>Net Change in Fund Balance</i>	(447,466)	(9,489,989)	256,445	9,746,434
<i>Unencumbered Fund Balance Beginning of Year</i>	8,595,059	8,595,059	8,595,059	0
Prior Year Encumbrances Appropriated	447,465	447,465	447,465	0
<i>Unencumbered Fund Balance End of Year</i>	<u>\$8,595,058</u>	<u>(\$447,465)</u>	<u>\$9,298,969</u>	<u>\$9,746,434</u>

See accompanying notes to the basic financial statements.

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

Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2020

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 12.

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, 2020
(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, 2020
(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, 2020
(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.

G. Capital Assets

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

H. 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.

I. 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 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

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, 2020, \$830,344 of the fund balance was classified as assigned and the remaining \$9,298,968 was presented as unassigned.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Cash Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General 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 cash disbursements (budget basis) rather than as restricted, committed or assigned fund balance (cash basis). The General Fund encumbrances outstanding at year end (budgetary basis) amounted to \$830,344.

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

Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2020
(Continued)

Note 5 - Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board adopts rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as 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.

The assessed values of real property and public utility property upon which 2018 property tax receipts were based come from assessed values of the six participating counties of the Board which are Coshocton, Guernsey, Morgan, Muskingum, Noble and Perry counties.

The Board previously implemented Governmental Accounting Standards Board (GASB) Statement No. 77, "Tax Abatement Disclosures". This GASB pronouncement had no effect on beginning net position as reported December 31, 2020. Tax abatement entered into by the six participating counties result in reduced tax revenue for the Board however, the impact of these abatements on the Board's tax revenues is not considered to be significant.

Note 6 - Risk Management

Commercial Insurance

The Board has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Automobile Liability;
- 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.

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

Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2020
(Continued)

Note 7 - Debt

The Board had no outstanding debt at December 31, 2020.

The promissory note retired on June 8, 2017 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 Muskingum County Mental Health and Recovery Services Board acts as fiscal agent. The Eastern Council of Governments retired the loan as of June 8, 2017.

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, McConnelsville, 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.

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

Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2020
(Continued)

Note 8 - Defined Benefit Pension Plan

Plan Description – 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 – Board employees, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Board employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member’s career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member’s career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The initial amount of a member’s pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

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

Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2020
(Continued)

Note 8 - Defined Benefit Pension Plan (Continued)

When a traditional plan benefit recipient has received benefits for 12 months, an annual cost-of-living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment of the defined benefit portion of their pension benefit. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
2020 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
 2020 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	0.0
Total Employer	14.0 %
Employee	10.0 %

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

Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2020
(Continued)

Note 8 - Defined Benefit Pension Plan (Continued)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Board's contractually required contributions for the years ended December 31, 2020, 2019 and 2018, were \$62,834, \$63,974, and \$60,092, respectively. The full amount has been contributed for 2020, 2019 and 2018.

Note 9 - 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 postemployment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS CAFR referenced below for additional information.

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 health care coverage is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, 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 the statutory authority requiring public employers to fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active employees. In 2020, local government employers contributed at a rate of 14 percent of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

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

Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2020
(Continued)

Note 9 - Post-Employment Benefits (Continued)

Each year, the OPERS Board determines the portion of the employer contributions rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the RMA for participants in the Member-Directed Plan for 2020 was 4.0 percent.

Substantially all the Board's contributions allocated to fund postemployment health care benefits relates to the cost sharing, multiple employer trusts. The Board's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2019 and 2018 were \$36,557 and \$34,338, respectively. The full amount has been contributed for 2019 and 2018.

Note 10 - 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 contract services (audit and billing 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.

Note 11 - 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, 2020.

Note 12 - 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.

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

Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2020
(Continued)

Note 13 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the District. In addition, the impact on the District's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2020, the District received COVID-19 Demonstration Grant funding in the amount of \$77,293. Of the amounts received, \$77,293 was sub-granted to other governments. These amounts are reflected as COVID-19 expenditures on the accompanying financial statements.

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Passed Through Ohio Department of Mental Health and Addiction Services</i>				
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	N/A	\$24,162	\$24,162
Emergency Grants to Address Mental and Substance Use Disorders During COVID-19	93.665	N/A	53,131	53,131
Social Services Block Grant	93.667	N/A	84,008	84,008
State Opioid Response Grant (SOR)	93.788	N/A	746,488	746,488
Block Grants for Community Mental Health Services	93.958	N/A	192,915	192,915
Block Grant for Forensic		N/A	20,925	20,925
Community Mental Health Service		N/A	2,586	2,586
Total Block Grants for Community Mental Health Services			<u>216,426</u>	<u>216,426</u>
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	687,771	687,771
Women's Comprehensive Recovery Program		2000034	282,317	282,317
Total Block Grants for Prevention and Treatment of Substance Abuse			<u>970,088</u>	<u>970,088</u>
Total Expenditures of Federal Awards			<u>\$2,094,303</u>	<u>\$2,094,303</u>

The accompanying notes are an integral part of the Schedule.

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

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR § 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Mental Health & Recovery Services Board (the Board) under programs of the federal government for the year ended December 31, 2020. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Board, it is not intended to and does not present the financial position or changes in net position of the Board.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The Board has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - SUBRECIPIENTS

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 (subrecipients). As Note B describes, the Board reports expenditures of Federal awards to subrecipients when paid in cash.

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

NOTE E - 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.

OHIO AUDITOR OF STATE KEITH FABER



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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
Serving Coshocton, Guernsey, Morgan, Muskingum, Noble and Perry Counties
Muskingum County
1500 Coal Run 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 cash-basis financial statements of the governmental activities and the major fund of the Mental Health & Recovery Services Board Serving Coshocton, Guernsey, Morgan, Muskingum, Noble and Perry Counties, Muskingum County, Ohio (the Board), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated June 15, 2021, wherein we noted the Board uses a special purpose framework other than generally accepted accounting principles. Additionally, we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Board.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Board's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinion 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider finding 2020-001 to be a material weakness.

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 financial statements. 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*.

Board's Response to Findings

The Board's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. We did not subject the Board's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

June 15, 2021

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Mental Health & Recovery Services Board
Serving Coshocton, Guernsey, Morgan, Muskingum, Noble and Perry Counties
Muskingum County
1500 Coal Run 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 Serving Coshocton, Guernsey, Morgan, Muskingum, Noble and Perry Counties, Muskingum County, Ohio (the Board), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Mental Health & Recovery Services Board's major federal program for the year ended December 31, 2020. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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 Mental Health & Recovery Services Board Serving Coshocton, Guernsey, Morgan, Muskingum, Noble and Perry Counties 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, 2020.

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 the Uniform Guidance, 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 describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

June 15, 2021

**MENTAL HEALTH & RECOVERY SERVICES BOARD
SERVING COSHOCTON, GUERNSEY, MORGAN, MUSKINGUM, NOBLE AND PERRY COUNTIES
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2020**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(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 weaknesses in internal control 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 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Block Grants for Prevention and Treatment of Substance Abuse - CFDA #93.959
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

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

FINDING NUMBER 2020-001

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

**MENTAL HEALTH & RECOVERY SERVICES BOARD
SERVING COSHOCTON, GUERNSEY, MORGAN, MUSKINGUM, NOBLE AND PERRY COUNTIES
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2020
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2020-001 (Continued)

Material Weakness (Continued)

We noted the following errors on the Board's Financial Statements for the Fiscal Year Ended December 31, 2020:

- On the Statement of Activities, receipts were improperly recorded as Program Receipts and General Receipts. Operating Grants and Contributions for Salaries were reported as \$91,223 rather than \$58,260 and Operating Grants and Contributions for Contract Services were reported as \$7,851,540 rather than \$2,622,937. Additionally, Entitlements - Unrestricted should have been reported at \$5,261,567 rather than (\$7,942,762). These errors also caused a variance in the Net Position End of Year of \$7,942,764.
- Grant receipts of \$7,942,764 were excluded from the Statement of Receipts, Disbursements, and Changes in Fund Balance.
- Final budget disbursements reported on the Statement of Receipts, Disbursements, and Changes in Fund Balances - Budget and Actual were overstated by \$382,878 due to amounts including current outstanding encumbrances rather than the prior year carry over appropriations. Total final appropriations were reported as \$19,126,350 when they should have only been reported as \$18,743,472.

Failure to properly report financial activity could result in material misstatements occurring and remaining undetected and fail to provide management with an accurate picture of the Board's financial position and operations. These adjustments have been agreed to by management and have been posted to the financial statements.

The Board should take the necessary steps to ensure that all receipts are properly recorded and classified and that the proper amounts are recorded for final appropriations on their filed financial statements.

Officials' Response: See Corrective Action Plan.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.



Mental Health & Recovery Services Board

Serving Coshocton, Guernsey, Morgan, Muskingum, Noble & Perry Counties

1500 Coal Run Road • Zanesville, OH 43701
Phone: (740) 454-8557 Fax: (740) 454-6580
www.mhrs.org

Misty Cromwell, Executive Director

CORRECTIVE ACTION PLAN **2 CFR § 200.511(c)** **December 31, 2020**

Finding Number:	2020-001
Planned Corrective Action:	Ensure that all amounts are properly reported on the financial statement including consideration of reporting on a regulatory basis in the future.
Anticipated Completion Date:	06/30/2021
Responsible Contact Person:	Rhonda Hanes, Fiscal Operations Director

OHIO AUDITOR OF STATE KEITH FABER



**MENTAL HEALTH & RECOVERY SERVICES (MHRS) BOARD OF COSHOCTON, GUERNSEY,
MORGAN, MUSKINGUM, NOBLE & PERRY COUNTIES**

MUSKINGUM COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 6/29/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov