



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

**SINGLE AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 1998**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



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## REPORT OF INDEPENDENT ACCOUNTANTS

Mental Health and Recovery Services Board  
Seneca County  
600 North River Road  
Tiffin, Ohio 44883-1173

To the Board:

We have audited the accompanying general-purpose financial statements of the Mental Health and Recovery Services Board, Seneca County, (the Board) as of and for the year ended December 31, 1998, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Mental Health and Recovery Services Board, Seneca County, as of December 31, 1998, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 1999 on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the Board, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

**Jim Petro**  
Auditor of State

September 29, 1999

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**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
DECEMBER 31, 1998**

	<b>Governmental Fund Types</b>	
	<b>General</b>	<b>Special Revenue</b>
<b>Assets:</b>		
Current Assets:		
Pooled Cash and Equivalents	\$349,908	\$1,730,165
Prepaid Items	1,430	
Accrued Interest		
Due From Other Governments		137,716
Advances to Other Funds		836
Property, Plant and Equipment:		
Land		
Buildings		
Furniture and Equipment		
Amounts to be Provided from General Government Resources		
<b>Total Assets</b>	<b>\$351,338</b>	<b>\$1,868,717</b>
<b>Liabilities:</b>		
Current Liabilities:		
Accounts Payable	\$321	\$1,050
Contracts Payable	1,005	137,370
Due to Other Governments	6,224	
Accrued Salaries and Benefits	4,819	
Compensated Absences Payable	1,325	
Advances From Other Funds		836
Total Liabilities	13,694	139,256
<b>Fund Balances:</b>		
Investment in General Fixed Assets		
Fund Balance-Reserved for Encumbrances	69,130	555,072
Fund Balance-Reserved for Prepays	1,430	
Fund Balance-Reserved for Advances		836
Fund Balance-Unreserved, Undesignated	267,084	1,173,553
Total Fund Balances	337,644	1,729,461
<b>Total Liabilities and Fund Balances</b>	<b>\$351,338</b>	<b>\$1,868,717</b>

*Notes to the general-purpose financial statements are an integral part of this statement.*



Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	General Fixed Assets	General Long-term Obligations	
\$20,481			\$2,100,554
			1,430
41			41
			137,716
			836
	\$12,043		12,043
	637,957		637,957
	44,666		44,666
		\$35,120	35,120
<b>\$20,522</b>	<b>\$694,666</b>	<b>\$35,120</b>	<b>\$2,970,363</b>
			\$1,371
			138,375
			6,224
			4,819
		\$35,120	36,445
			836
		35,120	188,070
	\$694,666		694,666
			624,202
			1,430
			836
\$20,522			1,461,159
20,522	694,666		2,782,293
<b>\$20,522</b>	<b>\$694,666</b>	<b>\$35,120</b>	<b>\$2,970,363</b>

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**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Expendable Trust</u>	
<b>Revenues:</b>				
Intergovernmental	\$482,706	\$3,942,755		\$4,425,461
Investment Income			\$496	496
Miscellaneous	3,358	3,000		6,358
Total Revenue	<u>486,064</u>	<u>3,945,755</u>	<u>496</u>	<u>4,432,315</u>
<b>Expenditures:</b>				
Current Operations:				
Personal Services	172,364			172,364
Supplies	8,088			8,088
Contract Services	116,928	3,961,727		4,078,655
Other	327,100			327,100
Capital Outlay	1,515			1,515
Total Expenditures	<u>625,995</u>	<u>3,961,727</u>		<u>4,587,722</u>
Excess of Revenues Over (Under) Expenditures	(139,931)	(15,972)	496	(155,407)
Fund Equity at Beginning of Year	<u>477,575</u>	<u>1,745,433</u>	<u>20,026</u>	<u>2,243,034</u>
<b>Fund Equity at End of Year</b>	<b><u>\$337,644</u></b>	<b><u>\$1,729,461</u></b>	<b><u>\$20,522</u></b>	<b><u>\$2,087,627</u></b>

*Notes to the general-purpose financial statements are an integral part of this statement.*

**COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES-BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND TYPE  
YEAR ENDED DECEMBER 31, 1998**

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>			
Intergovernmental	\$477,980	\$482,706	\$4,726
Investment Income		291	291
Other		3,067	3,067
		<u>3,067</u>	<u>3,067</u>
Total Revenues	<u>477,980</u>	<u>486,064</u>	<u>8,084</u>
<b>Expenditures:</b>			
Personal Services	185,009	171,160	13,849
Supplies	12,200	10,385	1,815
Equipment	11,550	11,547	3
Contract Services	208,815	156,218	52,597
Other	201,365	170,045	31,320
		<u>170,045</u>	<u>31,320</u>
Total Expenditures	<u>618,939</u>	<u>519,355</u>	<u>99,584</u>
Excess of Revenues Over (Under) Expenditures	<u>(140,959)</u>	<u>(33,291)</u>	<u>107,668</u>
<b>Other Financing Sources (Uses):</b>			
Advances-In		6,095	6,095
Advances-Out			
Advances-Out			
		<u>6,095</u>	<u>6,095</u>
Total Other Financing Sources (Uses)		<u>6,095</u>	<u>6,095</u>
Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	<u>(140,959)</u>	<u>(27,196)</u>	<u>113,763</u>
Fund Balance (Deficit) at Beginning of Year	289,321	289,321	
Prior Year Encumbrances Not Expended	17,325	17,325	
	<u>17,325</u>	<u>17,325</u>	
<b>Fund Balance at End of Year</b>	<u><b>\$165,687</b></u>	<u><b>\$279,450</b></u>	<u><b>\$113,763</b></u>

*Notes to the general-purpose financial statements are an integral part of this statement.*

<u>Special Revenue Funds</u>			<u>Expendable Trust Funds</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
\$4,319,072	\$4,012,097	(\$306,975)			
15,000	3,000	(12,000)	\$480	\$500	\$20
<u>4,334,072</u>	<u>4,015,097</u>	<u>(318,975)</u>	<u>480</u>	<u>500</u>	<u>20</u>
10,000		10,000			
4,514,467	4,137,680	376,787			
1,500	1,006	494			
<u>4,525,967</u>	<u>4,138,686</u>	<u>387,281</u>			
<u>(191,895)</u>	<u>(123,589)</u>	<u>68,306</u>	<u>480</u>	<u>500</u>	<u>20</u>
	82,561	82,561			
	<u>(88,656)</u>	<u>(88,656)</u>			
	<u>(6,095)</u>	<u>(6,095)</u>			
<u>(191,895)</u>	<u>(129,684)</u>	<u>62,211</u>	<u>480</u>	<u>500</u>	<u>20</u>
1,048,736	1,048,736		19,981	19,981	
117,622	117,622				
<u><b>\$974,463</b></u>	<u><b>\$1,036,674</b></u>	<u><b>\$62,211</b></u>	<u><b>\$20,461</b></u>	<u><b>\$20,481</b></u>	<u><b>\$20</b></u>

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1998**

**1. REPORTING ENTITY**

The Mental Health and Recovery Services Board (MHRS) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Board is a joint county alcohol, drug addiction and mental health service district as defined by § 340.01, Revised Code.

The Board provides services to and is a joint venture of Sandusky, Seneca and Wyandot Counties. The counties share in the equity of the MHRS based on the percentages of the population within the three counties. The population for each of the joint venture participants is: Sandusky County, 61,963 (43%), Seneca, 59,733 (41%) and Wyandot, 22,254 (16%).

The Board operates under the direction of an eighteen-member board. Ten members of the Board are appointed by the boards of county commissioners from the respective counties of which members are residents, four members are appointed by the State of Ohio, Department of Mental Health and four members are appointed by the State of Ohio, Department of Alcohol and Drug Addiction Services.

The Seneca County Auditor and the Seneca County Treasurer are responsible for accountability of records and cash assets of the Board which are maintained in the funds described below. The Board provides community mental health facilities, services and programs to the service district. This is accomplished primarily by contracts with private and public agencies.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources. The more significant of the Board's accounting policies are described below.

**A. Basis of Presentation**

The MHRS Board uses funds and account groups to report on its financial position and the results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain MHRS functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the MHRS Board are grouped into the following generic fund types under the broad fund categories which are governmental, proprietary and fiduciary.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998**  
**(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**1. Governmental Fund Types**

Governmental funds are those through which most governmental functions of the Board are financed. The acquisition, use and balances of the Board's expendable financial resources and the related current liabilities (except those accounted for in trust funds) are accounted for through governmental funds. Generally only current assets, current liabilities and fund equity are included on their balance sheet. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of "available spendable resources" during a period. The following are the Board's governmental fund types:

**General Fund**

The general fund is used to account for all financial resources of the Board except those required to be accounted for in another fund. The general fund balance is available to the Board for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Special Revenue Funds**

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditure for specified purposes.

**2. Fiduciary Fund Types**

These funds are used to account for assets held by the Board in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The following is the Board's fiduciary fund type:

**Expendable Trust Fund**

These funds are accounted for in essentially the same manner as governmental funds. Current assets, liabilities and fund equity are included on the balance sheet. The operating statement presents sources (revenues and other financing sources) and uses (expenditures and other financing uses) of "available spendable resources" during a period.

**3. Account Groups**

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

**General Fixed Assets Account Group**

The general fixed assets account group is used to account for all fixed assets of the Board.



**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998**  
**(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**3. Account Groups (Continued)**

**General Long-Term Debt Account Group**

The general long-term debt account group is used to account for all long-term debt of the Board.

**B. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) in net current assets.

The modified accrual basis of accounting is followed for the governmental and expendable trust funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. Available means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current year. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

**1. Revenue Recognition**

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: earnings on investments, federal and state grants, state levied shared taxes, fines and forfeitures and charges for current services. Major revenue sources not susceptible to accrual include licenses, permits and miscellaneous revenue which are not considered measurable until received.

**2. Expenditure Recognition**

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related liability is incurred except for costs of accumulated unpaid vacation and sick leave which are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees, and inventory costs which are reported as expenditures when purchased rather than when consumed. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998**  
**(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Budgetary Process**

An appropriation measure is adopted by the Board on or before the first Monday of April in each year for the period January 1 to December 31 of the following year. The appropriation measure, together with an itemized estimate of the sources of revenue available to the Board for the next fiscal year, is submitted to the county auditor, who in turn submits it to the county budget commission.

The county budget commission reviews the appropriation measure and may reduce any item in the appropriation measure, but may not increase any item or the aggregate amount of all items in the appropriation measure.

The appropriation measure, as amended by the county budget commission, controls expenditures by the Board for the period January 1 to December 31 of the following year. The Board may, by resolution, transfer funds from one item to another in the appropriation measure, reduce or increase any item, create new items, and make additional appropriations or reduce total appropriations, subject to the availability of funds and to the approval of the county budget commission.

The Board is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

**D. Budgetary Basis of Accounting**

While reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts and disbursements. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations at the object level.

The Combined Statement of Revenues, expenditures and Changes in Fund Balances-Budget (Non-GAAP Basis) and Actual, All Governmental Fund Types and Expendable Trust Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that: (1) Revenues are recorded when received in cash (budget basis), as opposed to when susceptible to accrual (GAAP basis), (2) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP Basis), and (3) outstanding year end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP). Adjustments necessary to convert the results of operations at the end of the year on budgetary basis to GAAP basis are as follows:

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998**  
**(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Budgetary Basis of Accounting (Continued)**

Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses Governmental Fund Types and Expendable Trust Funds			
	General	Special Revenue	Expendable Trust
GAAP Basis	(\$139,931)	(\$15,972)	\$496
Net Adjustment for Revenue Accruals	6,095	151,903	4
12/31/98 Encumbrances	(70,457)	( 693,492)	
Net Adjustment for Expenditure Accruals	141,850	(194,677)	
12/31/97 Encumbrances	35,247	622,554	
Budget Basis	(\$27,196)	(\$129,684)	\$500

**E. Compensated Absences**

GASB Statement 16 specifies that a liability should be accrued for leave benefits that meet the following conditions: (1) The employer's obligation relating to employees' rights to receive compensation for future absences is attributed to employees services already rendered. (2) The obligation relates to rights that vest or accumulate. (3) Payment of the compensation is probable. (4) The amount can be reasonably estimated.

The Board records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The Board records a liability for accumulated unused sick leave for eligible employees in the period the employee becomes eligible to receive payment. The current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accrued wages and benefits" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term debt account group.

**F. Total Columns on General-Purpose Financial Statements**

Total Columns on the general-purpose financial statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**3. POOLED CASH AND INVESTMENTS**

The Seneca County Auditor acts as fiscal officer and the Seneca County Treasurer acts as custodian of the monies of the Board. It is impracticable at this time to differentiate the Board monies from the county's cash and investment pool, and therefore, disclosure of pooled cash and investments has only been made in the Seneca County Comprehensive Annual Financial Report for the year ended December 31, 1998.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998**  
**(Continued)**

**4. RECEIVABLES**

Receivables at December 31, 1998 consisted of interest and intergovernmental receivables arising from grants, entitlements and shared revenues. All receivables are considered collectible in full. Principal items of intergovernmental receivables are grants from Medicaid, Title XX and Federal Drug Free Schools and Communities.

**5. PROPERTY PLANT, EQUIPMENT AND DEPRECIATION**

General fixed assets (fixed assets used in governmental fund type operations) are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds and the related assets are reported in the general fixed assets account group at historical cost or estimated historical cost if actual cost information is not available. Assets in the general fixed assets account group are not depreciated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency of the asset are capitalized at cost in the general fixed asset account group.

Fixed asset values were initially determined assigning original acquisition costs. Donated fixed assets are capitalized at estimated fair value on the date donated.

	Balance 1/1/98	Additions	Deletions	Balance 12/31/98
Land	\$12,043			\$12,043
Buildings	637,957			637,957
Equipment	43,633	\$1,033		44,666
<b>Total</b>	<b>\$693,633</b>	<b>\$1,033</b>		<b>\$694,666</b>

**6. RETIREMENT COMMITMENTS**

**A. Defined Benefit Pension Plans**

All Seneca County employees with the exception of certain part-time and seasonal employees, and teachers who work for the Board of Mental Retardation and Developmental Disabilities, participate in the Public Employees Retirement System of Ohio ("System"), a cost sharing multiple-employer public employee retirement system operated by the State of Ohio. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rates are 8.5 percent. The 1998 employer contribution rate for the period January 1 to December 31, 1998 was 13.55% of covered payroll. MHRS employees' total contributions for the years ended December 31, 1998, 1997 and 1996 were \$11,456, \$11,101, and \$16,478 respectively; 100 percent of the dollar amount billed to each employer has been contributed. The unpaid contributions for MHRS were \$4,297.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998**  
**(Continued)**

**6. RETIREMENT COMMITMENTS (Continued)**

**B. Compensated Absences**

MHRS employees earn vacation and sick leave at varying rates depending on length of service and department policy. All accumulated, unused vacation time, not to exceed vacation earned in three years, is paid upon separation if the employee has at least one year of service with MHRS. Sick leave time may be accrued without limit. Accumulated, unused sick leave is paid at varying rates depending on length of service to employees who retire. As of December 31, 1998, the liability for compensated absences was \$35,120.

Amounts expected to be paid from current resources are accrued in the appropriate fund. Long-term liabilities related to compensated absences are recorded in the General Long-Term Debt Account Group.

**C. Other Post-Employment Benefits**

Public Employees Retirement System of Ohio provides post retirement health care coverage to age and service retirants with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 1998 employer contribution rate was 13.55% of covered payroll; 4.2% was the portion that was used to fund health care for the year 1998.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to PERS.

OPEB are financed through employer contributions and investments earning there on. The contributions allocated to retiree health and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

Expenditures for OPEB during 1998 were \$440,596,663. As of December 31, 1998, the unaudited estimated net assets available for future OPEB payments were \$9,447,325,318. The number of benefit recipients eligible for OPEB at December 31, 1998 was 115,579.

During 1998, the Retirement Board adopted a new calculation method for determining employer contributions applies to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998**  
**(Continued)**

**7. INSURANCE**

The Board maintains comprehensive insurance coverage with private carriers for real property and building contents. Real property and contents are fully insured.

**8. LONG-TERM DEBT**

Compensated absences reported in the "accrued wages and benefits" account will be paid from the fund from which the employees' salaries are paid. Amounts reported in the General Long-Term Debt Account Group will be recognized as a liability of a governmental fund when due.

	Outstanding 12/31/97	Additions	Deductions	Outstanding 12/31/98
Compensated Absences	\$31,544	\$3,576		\$35,120

**9. CONTINGENT LIABILITIES**

The Board has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies for their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the Board believes such disallowances, if any, will be immaterial.

**10. YEAR 2000 ISSUE**

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the government's operations as early as fiscal 1999.

Seneca County serves as the fiscal agent for the Board and is responsible for remediating its accounting system.

The State of Ohio distributes a substantial sum of money to the Board in the form of Federal and state grant payments. The State is responsible for remediating these systems.

Seneca County is solely responsible for any costs associated with the accounting system used to record the financial transactions of the Board. The State is solely responsible for any costs associated with their system.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Board is or will be Year 2000 ready, that the Board's remediation efforts will be successful in whole or in part, or that parties with whom the Board does business will be year 2000 ready.

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
DECEMBER 31, 1998**

<b>FEDERAL GRANTOR</b> <i>Pass-through Grantor</i> Program Title	CFDA Number	Pass Through Entity Number	Federal Disbursements
<b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</b> <i>Passed Through Ohio Department of Mental Health</i>			
Medicaid Assistance Program - Title XIX	93.778	MH-FY97	\$1,847
		MH-FY98	537,221
		MH-FY99	165,799
		ADA-FY97	1,891
		ADA-FY98	<u>66,475</u>
Total - Medicaid Assistance Program - Title XIX			773,233
Social Services Block Grant - Title XX	93.667	MH-42-0198	97,950
		MH-42-0199	<u>85,000</u>
Total Social Services Block Grant - Title XX			182,950
Alcohol, Drug Abuse and Mental Health Services Block Grant			
Alcohol and Drug Abuse State Per Capita Block Grant	93.959	SAPT 98	229,043
		SAPT 99	<u>225,000</u>
Total Alcohol and Drug Abuse State Per Capita Block Grant			454,043
Community Plan Block Grant	93.992	CPBG 98	20,962
		CPBG 99	<u>21,000</u>
Total Community Plan Block Grant			41,962
Children/Adolescence:	93.992		
Children/Adolescence Core		CABG 98	11,582
Children/Adolescence Core		CABG 99	<u>11,590</u>
Total Children/Adolescence			23,172
Diversity Action Team	93.992	CABG 97	<u>9,016</u>
Total Community Mental Health Services Block Grant			<u>74,150</u>
HAP Block Grant	93.150	HAP-BG-98	<u>12,083</u>
<b>Total Federal Financial Assistance</b>			<b><u><u>\$1,496,459</u></u></b>

*The notes to the schedule of federal awards expenditures are an integral part of this schedule.*

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
DECEMBER 31, 1998**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – SUBRECIPIENTS**

The Board passes-through certain Federal assistance received from US Health and Human Services to other governments or not-for-profit agencies (subrecipients). As described in Note A, the Board records expenditures of Federal awards to subrecipients when paid in cash.

The subrecipient agencies have certain compliance responsibilities related to administering these Federal Programs. Under Federal Circular A-133, the Board is responsible for monitoring subrecipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of contracts or grant agreements, and that performance goals are achieved.

**NOTE C – MATCHING REQUIREMENTS**

Certain Federal programs require that the Board contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Board has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.





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

Mental Health and Recovery Services Board  
Seneca County  
600 North River Road  
Tiffin, Ohio 44883-1173

To the Board:

We have audited the financial statements of Mental Health and Recovery Services Board as of and for the year ended December 31, 1998, and have issued our report thereon dated September 29, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

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

**Jim Petro**  
Auditor of State

September 29, 1999



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

Mental Health and Recovery Services Board  
Seneca County  
600 North River Road  
Tiffin, Ohio 44883-1173

To the Board:

**Compliance**

We have audited the compliance of Mental Health and Recovery Services Board with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 1998. The Board's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Federal Awards Expenditures. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Services Board's compliance with those requirements.

In our opinion, the Board complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 1998.

**Internal Control Over Compliance**

The management of the Board is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Board's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

**Jim Petro**  
Auditor of State

September 29, 1999

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A -133 § .505**  
**DECEMBER 31, 1998**

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

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

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**MENTAL HEALTH AND RECOVERY SERVICE**

**SENECA 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  
NOVEMBER 9, 1999**