



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

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**MENTAL HEALTH AND RECOVERY SERVICES BOARD
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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, 1999, 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 Board, as of December 31, 1999, 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 May 18, 2000, 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 are 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.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, sweeping flourish at the end.

Jim Petro
Auditor of State

May 18, 2000

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**MENTAL HEALTH AND RECOVERY SERVICES BOARD
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 1999**

	Governmental Fund Types	
	General	Special Revenue
ASSETS		
Current Assets:		
Pooled Cash and Equivalents	\$314,843	\$2,315,245
Accrued Interest		
Due From Other Governments		2,887
Property, Plant and Equipment:		
Land		
Buildings		
Furniture and Equipment		
Amounts to be Provided from General Government Resources		
Total Assets	\$314,843	\$2,318,132
 LIABILITIES, FUND BALANCES, AND OTHER CREDITS		
Liabilities:		
Accounts Payable	\$726	\$1,050
Contracts Payable	3,506	79,231
Due to Other Governments	5,215	
Accrued Salaries and Benefits	5,679	
Compensated Absences Payable	849	
Total Liabilities	15,975	80,281
Fund Balances and Other Credits:		
Investment in General Fixed Assets		
Fund Balance-Reserved for Encumbrances	40,814	2,068,729
Fund Balance-Unreserved, Undesignated	258,054	169,122
Total Fund Balances and Other Credits	298,868	2,237,851
Total Liabilities, Fund Balances, and Other Credits	\$314,843	\$2,318,132

The 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	
Trust			
	\$20,971		\$2,651,059
	84		84
			2,887
	\$12,043		12,043
	637,957		637,957
	42,435		42,435
		\$28,005	28,005
\$21,055	\$692,435	\$28,005	\$3,374,470
			\$1,776
			82,737
			5,215
			5,679
		\$28,005	28,854
		28,005	124,261
	\$692,435		692,435
\$21,055			2,109,543
			448,231
21,055	692,435		3,250,209
\$21,055	\$692,435	\$28,005	\$3,374,470

**MENTAL HEALTH AND RECOVERY SERVICES BOARD
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
 YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
Revenues:		
Intergovernmental	\$484,525	\$3,967,532
Investment Income		
Donations	277	
Miscellaneous	253	9,711
	<u>485,055</u>	<u>3,977,243</u>
Total Revenue		
Expenditures:		
Current Operations:		
Personal Services	183,404	
Supplies	7,015	
Contract Services	166,841	3,518,453
Other	99,396	399
Capital Outlay	17,175	
	<u>473,831</u>	<u>3,518,852</u>
Total Expenditures		
Excess of Revenues Over Expenditures	<u>11,224</u>	<u>458,391</u>
Other Financing Sources and (Uses):		
Operating Transfers-In		50,000
Operating Transfers-Out	<u>(50,000)</u>	
Total Other Financing Sources (Uses)	<u>(50,000)</u>	<u>50,000</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(38,776)	508,391
Fund Balance at Beginning of Year	<u>337,644</u>	<u>1,729,460</u>
Fund Balance at End of Year	<u><u>\$298,868</u></u>	<u><u>\$2,237,851</u></u>

The notes to the general-purpose financial statements are an integral part of this statement.

<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
<u>Expendable Trust</u>	
	\$4,452,057
\$533	533
	277
	<u>9,964</u>
<u>533</u>	<u>4,462,831</u>
	183,404
	7,015
	3,685,294
	99,795
	<u>17,175</u>
	<u>3,992,683</u>
<u>533</u>	<u>470,148</u>
	50,000
	<u>(50,000)</u>
533	470,148
<u>20,522</u>	<u>2,087,626</u>
<u>\$21,055</u>	<u>\$2,557,774</u>

**MENTAL HEALTH AND RECOVERY SERVICES BOARD
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
 ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Charges for Services			
Intergovernmental	\$486,445	\$484,525	(\$1,920)
Investment Income			
Donations		277	277
Other		253	253
	<u>486,445</u>	<u>485,055</u>	<u>(1,390)</u>
Total Revenues			
Expenditures:			
Personal Services	215,810	182,599	33,211
Supplies	9,450	7,015	2,435
Equipment	12,000	7,323	4,677
Contract Services	137,660	169,200	(31,540)
Other	232,340	105,103	127,237
	<u>607,260</u>	<u>471,240</u>	<u>136,020</u>
Total Expenditures			
Excess of Revenues Over (Under) Expenditures	<u>(120,815)</u>	<u>13,815</u>	<u>134,630</u>
Other Financing Sources (Uses):			
Advances-In		146,917	146,917
Advances-Out		(146,917)	(146,917)
Operating Transfers-In			
Operating Transfers-Out		(50,000)	(50,000)
		<u>(50,000)</u>	<u>(50,000)</u>
Total Other Financing Sources (Uses)			
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(120,815)</u>	<u>(36,185)</u>	<u>84,630</u>
Fund Balance (Deficit) at Beginning of Year	279,450	279,450	
Prior Year Encumbrances Not Expended	26,559	26,559	
	<u>279,450</u>	<u>279,450</u>	
Fund Balance (Deficit) at End of Year	<u>\$185,194</u>	<u>\$269,824</u>	<u>\$84,630</u>

The notes to the general-purpose financial statements are an integral part of this statement.

<u>Special Revenue Funds</u>			<u>Expendable Trust Fund</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
\$4,250,900	\$4,102,361	(\$148,539)	\$505	\$491	(\$14)
15,000	9,711	(5,289)			
<u>4,265,900</u>	<u>4,112,072</u>	<u>(153,828)</u>	<u>505</u>	<u>491</u>	<u>(14)</u>
1,500	399	1,101			
10,000		10,000			
4,282,329	5,167,119	(884,790)			
<u>4,293,829</u>	<u>5,167,518</u>	<u>(873,689)</u>			
<u>(27,929)</u>	<u>(1,055,446)</u>	<u>(1,027,517)</u>	<u>505</u>	<u>491</u>	<u>(14)</u>
	844,275	844,275			
	(844,275)	(844,275)			
	50,000	50,000			
	<u>50,000</u>	<u>50,000</u>			
(27,929)	(1,005,446)	(977,517)	505	491	(14)
1,036,674	1,036,674		20,481	20,481	
135,008	135,008				
<u>\$1,143,753</u>	<u>\$166,236</u>	<u>(\$977,517)</u>	<u>\$20,986</u>	<u>\$20,972</u>	<u>(\$14)</u>

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**MENTAL HEALTH AND RECOVERY SERVICES BOARD
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

I. REPORTING ENTITY

The Alcohol, Drug Addiction and Mental Health 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 community 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.

II. 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.

MENTAL HEALTH AND RECOVERY SERVICES BOARD
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(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:

a. 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.

b. 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:

a. 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:

a. General Fixed Assets Account Group - The general fixed assets account group is used to account for all fixed assets of the Board.

b. 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.

MENTAL HEALTH AND RECOVERY SERVICES BOARD
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

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 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.

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.

MENTAL HEALTH AND RECOVERY SERVICES BOARD
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

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:

**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	(\$38,776)	\$508,391	\$533
Net Adjustment for Revenue Accruals	146,917	979,104	(42)
12/31/99 Encumbrances	(45,018)	(2,149,010)	
Net Adjustment for Expenditure Accruals	(169,765)	(1,037,423)	
12/31/98 Encumbrances	70,457	693,492	
Budget Basis	(\$36,185)	(\$1,005,446)	\$491

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.

MENTAL HEALTH AND RECOVERY SERVICES BOARD
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

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.

III. POOLED CASH AND INVESTMENTS

The Governmental Accounting Standards Board (GASB) issued Statement Number 3, Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements, in April, 1986. The requirements of Statement 3 are based upon the premise that disclosures about deposits and investments by governmental entities will assist users of governmental financial statements in assessing the risks undertaken by the entities.

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, 1999.

IV. RECEIVABLES

Receivables at December 31, 1999 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.

V. 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.

MENTAL HEALTH AND RECOVERY SERVICES BOARD
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

	Balance 12/31/98	Additions	Deletions	Balance 12/31/99
Land	\$12,043			\$12,043
Buildings	637,957			637,957
Equipment	44,666	\$16,586	\$18,817	42,435
Total	<u>\$694,666</u>	<u>\$16,586</u>	<u>\$18,817</u>	<u>\$692,435</u>

VI. 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 1999 employer contribution rate for the period January 1 to December 31, 1999 was 13.55% of covered payroll. MHRS employees' total contributions for the years ended December 31, 1999, 1998 and 1997 were \$11,836, \$11,456 and \$11,101 respectively; 100 percent of the dollar amount billed to each employer has been contributed. The unpaid contributions for MHRS were \$5,215.

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, 1999, the liability for compensated absences was \$28,005.

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

MENTAL HEALTH AND RECOVERY SERVICES BOARD
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

coverage provided by the retirement system is considered an Other Post employment Benefit 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 1999 employer contribution rate was 13.55% of covered payroll; 5.11% was the portion that was used to fund health care for the year 1999.

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

Expenditures for OPEB during 1999 were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641. The number of benefit recipients eligible for OPEB at December 31, 1999 was 118,062.

During 1997, 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.

VII. INTERFUND TRANSACTIONS

Interfund balances at December 31, 1999 consist of the following individual fund transfers:

Transfer From	Transfer To	Amount
General Fund	Local XIX Match	\$50,000

VIII. INSURANCE

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

IX. 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 12/31/98	Additions	Deductions	Outstanding 12/31/99
Compensated Absences	\$35,120		\$7,115	\$28,005

X. 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.

MENTAL HEALTH AND RECOVERY SERVICES BOARD
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

XI. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Legal Compliance

Ohio Revised Code § 5705.36 allows for the increase or reduction of estimated resources and § 5705.41(B) prohibit expenditures from exceeding appropriations and appropriations from exceeding estimated resources. The Board did not request amendments to estimated resources, also various funds had expenditures in excess of approved appropriations. In order to eliminate budgetary violations, estimated resources and appropriations will be monitored more closely.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1999**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Disbursements
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES <i>Passes Through Ohio Department of Mental Health</i>			
Medicaid Assistance Program - Title XIX	93.778	MH-FY98 MH-FY99 MH-FY00 ADA-FY98 ADA-FY99	\$12,243 640,445 84 1,610 <u>22,457</u>
Total - Medicaid Assistance Program - Title XIX			676,839
Social Services Block Grant - Title XX	93.667	MH-42-0199 MH-42-0200	9,518 <u>47,250</u>
Total Social Services Block Grant - Title XX			56,768
Block Grant For Prevention and Treatment of Substance	93.959	SAPT 99 SAPT00	225,000 <u>228,530</u>
Total Block Grant for Prev. and Treatment of Substance			453,530
Community Plan Block Grant	93.992	CPBG 99 CPBG 00	20,915 <u>20,955</u>
Total Community Plan Block Grant			41,870
Block Grants for Community Mental Health Services	93.958	CABG 99 CABG 00	11,592 <u>11,580</u>
Total Block Grant for Community Mental HS			23,172
Proj. For Assistance in Transition from Homelessness	93.150	HAP-BG-00	<u>30,000</u>
Total Federal Financial Assistance			<u><u>\$1,282,179</u></u>

The accompanying notes are an integral part of this schedule.

**MENTAL HEALTH AND RECOVERY SERVICES BOARD
NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

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.



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**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 the Mental Health and Recovery Services Board, Seneca County, (the Board) as of and for the year ended December 31, 1999, and have issued our report thereon dated May 18, 2000. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1999-60574-001 and 1999-60574-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Board in a separate letter dated May 18, 2000.

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, 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.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

May 18, 2000



**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 the Mental Health and Recovery Services Board, Seneca County, (the Board) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 1999. The Board's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. 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 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 its major federal program for the year ended December 31, 1999.

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. We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the Board in a separate letter dated May 18, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

May 18, 2000

**MENTAL HEALTH AND RECOVERY SERVICES BOARD
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 1999**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 1999-60574-001

Ohio Revised Code § 5705.36 allows all subdivisions to request increased amendment certificate of estimated resources and reduced amended certificate upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. The Mental Health Recovery Services did not obtain reduced amended certificates for the following funds as of August 31, 1999:

Fund Name	Variance
Medicaid	(\$731,533)
408	(449,508)

As of December 31, 1999 the following funds should have received a reduced certificate:

Fund Name	Variance
Medicaid	(\$271,775)
408	(7,534)

We recommend the Mental Health and Recovery Services Board approve the required amended certificates as needed throughout the year.

FINDING NUMBER 1999-60574-002

Ohio Revised Code § 5705.41 (B) states that no subdivision shall make any expenditure of money unless it has been appropriated. Supplemental appropriations were not properly approved by the Board and Budget Commission. The Medicaid Fund had expenditures exceeding appropriations in the amount of \$448,825 as of August 31, 1999. The following funds had expenditures exceeding appropriations as of December 31, 1999:

Funds Name	Variance
Medicaid	(\$431,141)
Cultural Competency	(14,999)
408	(5,449)
508-R	(1,441)

The Board did have the revenue to obtain an amended certificate. We recommend appropriation measures be compared to the latest amended certificate of estimated resources and appropriate modifications be made prior to submitting it to the County Auditor. In addition, the Mental Health and Recovery Services should request a certification from the County Auditor for each appropriation measure after it been approved by the Board.

3. FINDINGS FOR FEDERAL AWARDS

None.



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OFFICE OF THE AUDITOR

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MENTAL HEALTH AND RECOVERY SERVICES BOARD

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
JUNE 20, 2000