



**ALCOHOL, DRUG ADDICTION, AND MENTAL HEALTH
SERVICES BOARD OF ERIE AND OTTAWA COUNTIES
ERIE COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**ALCOHOL, DRUG ADDICTION, AND MENTAL HEALTH
SERVICES BOARD OF ERIE AND OTTAWA COUNTIES
ERIE COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Alcohol, Drug Addiction, and Mental Health
Services Board of Erie and Ottawa Counties
Erie County
416 Columbus Avenue
Sandusky, Ohio 44870-2753

To the Board:

We have audited the accompanying financial statements of the Alcohol, Drug Addiction, and Mental Health Services Board of Erie and Ottawa Counties (the ADAMHS Board) as of and for the year ended December 31, 1999. These financial statements are the responsibility of the ADAMHS Board's management. Our responsibility is to express an opinion on these 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.

As discussed in Note 1, the ADAMHS Board prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the ADAMHS Board as of December 31, 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2000 on our consideration of the ADAMHS 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 financial statements of the ADAMHS 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

November 27, 2000

**ALCOHOL, DRUG ADDICTION, AND MENTAL HEALTH
SERVICES BOARD OF ERIE AND OTTAWA COUNTIES
ERIE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Taxes	\$2,263,807		\$2,263,807
Intergovernmental Revenues	3,668,899	\$569,367	4,238,266
Other Receipts	236,916	1,645	238,561
	<u>6,169,622</u>	<u>571,012</u>	<u>6,740,634</u>
Cash Disbursements:			
Current:			
Salaries	330,917		330,917
Supplies	8,815		8,815
Equipment	22,325		22,325
Contracts - Repair	240		240
Contracts - Services	5,205,262	301,730	5,506,992
Rentals	7,628		7,628
Advertising and Printing	41,237		41,237
Travel	20,890		20,890
Public Employee's Retirement	63,204		63,204
Worker's Compensation	11,941		11,941
Other	410,560		410,560
	<u>6,123,019</u>	<u>301,730</u>	<u>6,424,749</u>
Total Receipts Over/(Under) Disbursements	<u>46,603</u>	<u>269,282</u>	<u>315,885</u>
Other Financing Receipts/(Disbursements):			
Advances-In	126,148	141,490	267,638
Advances-Out	(141,490)	(126,148)	(267,638)
	<u>(15,342)</u>	<u>15,342</u>	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	31,261	284,624	315,885
Fund Cash Balances, January 1	<u>600,629</u>	<u>2,761</u>	<u>603,390</u>
Fund Cash Balances, December 31	<u>\$631,890</u>	<u>\$287,385</u>	<u>\$919,275</u>
Reserves for Encumbrances, December 31	<u>\$808,200</u>	<u>\$12,389</u>	<u>\$820,589</u>

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

**ALCOHOL, DRUG ADDICTION, AND MENTAL HEALTH
SERVICES BOARD OF ERIE AND OTTAWA COUNTIES
ERIE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Agency</u>
Non-Operating Cash Receipts:	
Other Non-operating Revenues	<u>\$821,857</u>
Non-Operating Cash Disbursements:	
Other Non-operating Disbursements	<u>789,997</u>
Total Receipts Over Disbursements	31,860
Fund Cash Balances, January 1	<u>198,372</u>
Fund Cash Balances, December 31	<u>\$230,232</u>
Reserves for Encumbrances, December 31	<u><u> </u></u>

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

**ALCOHOL, DRUG ADDICTION, AND MENTAL HEALTH
SERVICES BOARD OF ERIE AND OTTAWA COUNTIES
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Alcohol, Drug Addiction, and Mental Health Services Board of Erie and Ottawa Counties (the ADAMHS Board) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The ADAMHS Board is directed by an eighteen-member Board. Ten members of the Board are appointed by boards of county commissioners from the respective counties of which members are residents, four members are appointed by the director of mental health, and four members are appointed by the director of alcohol and drug addiction services. The ADAMHS Board provides alcohol, drug addiction and mental health services and programs to Erie and Ottawa Counties. These services are provided primarily through contracts with private and public agencies.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

As required by Ohio Revised Code, the ADAMHS Board's cash is held and invested by the Erie County Treasurer, who acts as custodian for ADAMHS Board monies. The ADAMHS Board's assets are held in the County's cash and investment pool, and are valued at the County Treasurer's reported carrying amount.

D. Fund Accounting

The ADAMHS Board uses fund accounting to segregate cash and investments that are restricted as to use. The ADAMHS Board classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**ALCOHOL, DRUG ADDICTION, AND MENTAL HEALTH
SERVICES BOARD OF ERIE AND OTTAWA COUNTIES
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The ADAMHS Board had the following significant Special Revenue Fund:

Teen Institute Block Grant Fund - This fund accounts for grant monies received to provide assistance to underprivileged teenagers.

3. Fiduciary Funds (Trust and Agency Funds)

These funds are used to account for resources restricted by legally binding trust agreements and funds for which the ADAMHS Board is acting in an agency capacity.

Agency Funds - Funds for which the ADAMHS Board is acting in an agency capacity are classified as agency funds.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The ADAMHS Board must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the ADAMHS Board to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 1999 budgetary activity appears in Note 2.

F. Property, Plant and Equipment

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

**ALCOHOL, DRUG ADDICTION, AND MENTAL HEALTH
SERVICES BOARD OF ERIE AND OTTAWA COUNTIES
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the ADAMHS Board.

2. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 1999 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$6,150,623	\$6,169,622	\$18,999
Special Revenue	436,613	571,012	134,399
Total	<u>\$6,587,236</u>	<u>\$6,740,634</u>	<u>\$153,398</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$6,680,322	\$6,931,219	(\$250,897)
Special Revenue	809,561	314,119	495,442
Total	<u>\$7,489,883</u>	<u>\$7,245,338</u>	<u>\$244,545</u>

The ADAMHS Board did not limit expenditures to amounts appropriated in the General Fund as required by Ohio Law.

3. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the ADAMHS Board. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, 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 Counties.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

**ALCOHOL, DRUG ADDICTION, AND MENTAL HEALTH
SERVICES BOARD OF ERIE AND OTTAWA COUNTIES
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

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

4. RETIREMENT SYSTEMS

The ADAMHS Board's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999, PERS members contributed 8.5% of their gross salaries. The ADAMHS Board contributed an amount equal to 13.55% of participants' gross salaries. The ADAMHS Board has paid all contributions required through December 31, 1999.

5. RISK MANAGEMENT

The ADAMHS Board maintains comprehensive insurance coverage with private carriers for building contents.

The ADAMHS Board also provides health insurance for its employees with private carriers.

**ALCOHOL, DRUG ADDICTION, AND MENTAL HEALTH
SERVICES BOARD OF ERIE AND OTTAWA COUNTIES
ERIE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1999**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Alcohol and Drug Addiction Services:</i>			
Safe and Drug Free Schools and Communities State Grants	22-22833-01-DFS-P-99-9069	84.186A	\$24,867
Total U.S. Department of Education			24,867
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department of Mental Health:</i>			
Medical Assistance Program	ODMH-98	93.778	1,099
	ODMH-99		579,638
	ODMH-00		244,824
			825,561
<i>Passed Through Ohio Department of Alcohol and Drug Addiction Services:</i>			
Medical Assistance Program	ODADAS-98	93.778	142
	ODADAS-99		29,667
	ODADAS-00		14,967
			44,776
Total Medical Assistance Program			870,337
Social Services Block Grant	MH-15-99	93.667	57,514
Total Social Services Block Grant			57,514
Block Grants for Community Mental Health Services	CPBG--99	93.958	32,173
	FY99-15-BG-C/A		2,936
	15-BG-HAP-99-01		16,034
Total Block Grants for Community Mental Health Services			51,143
Block Grants for Prevention and Treatment of Substance Abuse	FY99-FA/DBG&F/IVBG	93.959	165,971
			2,235
Total Block Grants for Prevention and Treatment of Substance Abuse			168,206
TOTAL FEDERAL AWARDS EXPENDITURES			\$1,172,067

The accompanying notes are an integral part of this schedule.

**ALCOHOL, DRUG ADDICTION, AND MENTAL HEALTH
SERVICES BOARD OF ERIE AND OTTAWA COUNTIES
ERIE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 1999**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - MATCHING REQUIREMENTS

Certain Federal programs require that the ADAMHS Board contribute non-Federal funds (matching funds) to support the Federally-funded programs. The ADAMHS 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*

Alcohol, Drug Addiction, and Mental Health
Services Board of Erie and Ottawa Counties
Erie County
416 Columbus Avenue
Sandusky, Ohio 44870-2753

To the Board:

We have audited the accompanying financial statements of the Alcohol, Drug Addiction, and Mental Health Services Board of Erie and Ottawa Counties (the ADAMHS Board) as of and for the year ended December 31, 1999, and have issued our report thereon dated November 27, 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 ADAMHS 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 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1999-60522-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the ADAMHS Board in a separate letter dated November 27, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the ADAMHS 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. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the ADAMHS Board in a separate letter dated November 27, 2000.

Alcohol, Drug Addiction, and Mental Health
Services Board of Erie and Ottawa Counties
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of 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.

Jim Petro
Auditor of State

November 27, 2000



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**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**

Alcohol, Drug Addiction, and Mental Health
Services Board of Erie and Ottawa Counties
Erie County
416 Columbus Avenue
Sandusky, Ohio 44870-2753

To the Board:

Compliance

We have audited the compliance of the Alcohol, Drug Addiction, and Mental Health Services Board of Erie and Ottawa Counties (the ADAMHS 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 ADAMHS 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 ADAMHS Board's management. Our responsibility is to express an opinion on the ADAMHS 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 ADAMHS 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 ADAMHS Board's compliance with those requirements.

In our opinion, the ADAMHS 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, 1999.

Internal Control Over Compliance

The management of the ADAMHS 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 ADAMHS 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 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.

Jim Petro
Auditor of State

November 27, 2000

**ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH
SERVICES BOARD OF ERIE AND OTTAWA COUNTIES
ERIE COUNTY**

**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):	Title XIX (Medicaid) 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 1999-60522-001

Noncompliance Citation

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated. During the fiscal year, expenditures exceeded appropriations in the general fund by \$250,897. The failure to limit expenditures to amounts appropriated by the Board could result in expenditures exceeding available resources resulting in deficit fund balances. The Business Manager should monitor the budget to ensure that all expenditures and encumbrances have been appropriated.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.



**STATE OF OHIO
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A.D.A.M.H. SERVICE BOARD OF ERIE AND OTTAWA COUNTIES

ERIE 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
DECEMBER 12, 2000**