



STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

Date: August 22, 1995  
Bulletin: 95-009

AUDITOR OF STATE BULLETIN

TO: COUNTY AUDITORS  
COUNTY MENTAL RETARDATION AND DEVELOPMENTAL  
DISABILITIES  
(MRDD) EXECUTIVE DIRECTORS  
INDEPENDENT PUBLIC ACCOUNTANTS

SUBJECT: MRDD WORKSHOPS AND GASB 14

Many county MRDD boards contract with one or more not-for-profit agencies to operate MRDD workshops. Many county MRDDs also provide certain services and benefits to these workshops' participants. In addition, certain county MRDD employees work at the workshops, full or part-time.

After consulting with representatives of the Ohio Department of Mental Retardation and Developmental Disabilities and the Ohio Department of Human Services, the Auditor of State believes that, in most cases, the relationships between county MRDD boards and such workshops are so significant that it would be misleading to exclude the workshops from presentation in the financial statements of the counties.

Accordingly, it is the position of the Auditor of State that if the relationship between the county MRDD and the workshop results in a significant related party transaction with the workshop(s), the workshops should be included in the county reporting entity, normally by discrete presentation.

A formula has been developed by the Ohio Department of Mental Retardation and Developmental Disabilities for computing the value of the "in kind contributions" from the county MRDD board to the workshop. The Auditor of State takes no position as to whether this formula fairly computes the value of these in-kind contributions (as required by AICPA Statement of Position 78-10) which will be reported in the financial statements of the workshops and, ultimately, the county. However, the Auditor of State will require the county to fully disclose the extent of the financial and non-financial relationships in appropriate notes to the financial statements.

An example of such a note is attached to this bulletin. In addition, the county should indicate in its accounting policies note, or such other note that discusses the financial reporting entity, that the workshops are being presented as part of the county reporting entity because it is misleading to exclude them, pursuant to the principles described in GASB Statement number 14.

If you have any questions about this matter, contact L. Michael Howard at (800) 282-0370 or (614) 466-5085.

## SAMPLE NOTE TO THE FINANCIAL STATEMENTS

### Note NN - Related Party Transactions

During 199Y, Example County provided facilities, certain equipment, transportation, and salaries for administration, implementation, and supervision of programs to ABC Enterprises, Inc., (the "workshop"), a discretely presented component unit of Example County. The workshop reported \$105,000 for such contributions, recording revenue and expenses at cost or fair value, as applicable, to the extent the contribution is related to the vocational purposes of the workshop. Additional habilitative services provided directly to workshop clients by Example County amounted to \$ 2,450,000 during 199Y.

---

Jim Petro, Auditor of State  
State of Ohio