

**ALCOHOL, DRUG AND MENTAL HEALTH BOARD  
OF FRANKLIN COUNTY**

Columbus, Ohio

**FINANCIAL STATEMENTS**

December 31, 2008





Mary Taylor, CPA  
Auditor of State

Board of Trustees  
Alcohol, Drug, and Mental Health Board of Franklin County  
447 East Broad Street  
Columbus, Ohio 43215

We have reviewed the *Report of Independent Auditors* of the Alcohol, Drug, and Mental Health Board of Franklin County, Franklin County, prepared by Crowe Horwath LLP, for the audit period January 1, 2008 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Alcohol, Drug, and Mental Health Board of Franklin County is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

June 29, 2009

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ALCOHOL, DRUG AND MENTAL HEALTH BOARD  
OF FRANKLIN COUNTY  
Columbus, Ohio

FINANCIAL STATEMENTS  
December 31, 2008

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## REPORT OF INDEPENDENT AUDITORS

Board of Trustees  
Alcohol, Drug and Mental Health Board  
of Franklin County  
Columbus, Ohio

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Alcohol, Drug and Mental Health Board of Franklin County (the "ADAMH Board") as of and for the year ended December 31, 2008, which collectively comprise the ADAMH Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of ADAMH Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 financial statements of the ADAMH Board are intended to present the financial position, and the changes in financial position, where applicable, of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of Franklin County that is attributable to the transactions of the ADAMH Board. They do not purport to, and do not, present fairly the financial position Franklin County as of December 31, 2008, and the changes in its financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the ADAMH Board, as of December 31, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America and the respective budgetary comparison for the general and state mental health, alcohol and drug special revenue fund for the year then ended which is presented on the basis permitted by Ohio law as described in Note 10.

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In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2009 on our consideration of the ADAMH Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing results of our audit.

The Management's Discussion and Analysis on pages 3 through 13 is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the ADAMH Board's basic financial statements. The accompanying schedule of receipts and expenditures of federal awards 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 basic financial statements of the ADAMH Board. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Crowe Horwath LLP

Columbus, Ohio  
May 29, 2009

**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2008

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As management of the Alcohol, Drug and Mental Health (ADAMH) Board, we are providing this overview of ADAMH Board's financial activities for the twelve-month period ended December 31, 2008. Please read this overview in conjunction with the ADAMH Board's basic financial statements, which follow.

The ADAMH Board is included within the Franklin County Comprehensive Annual Financial Report as a major fund. ADAMH Board uses its general fund to report its financial position and results of operations. We believe these financial statements present all activities for which ADAMH Board is financially responsible.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the twelve-month period ended December 31, 2008 are as follows:

- The assets of the ADAMH Board exceeded its liabilities at the close of 2008 by \$42,932,488 (net assets).
- As of the close of 2008, the ADAMH Board's governmental funds reported combined ending fund balances of \$24,492,097.
- At the close of the 2008, unrestricted net assets were \$25,159,520.
- As of the close of 2008, the ADAMH Board had cumulated deposit amounts totaling \$29,069,873.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the ADAMH Board as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole ADAMH Board, presenting both an aggregate view of the ADAMH Board's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remains for future spending. The fund financial statements also look at the ADAMH Board's most significant funds with all other non-major funds presented in total in one column.

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(Continued)



**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2008

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**Statement of Net Assets and Statement of Activities**

While this document contains information about the funds used by the ADAMH Board to provide services to our citizens, the view of the ADAMH Board as a whole looks at all financial transactions and asks the question, "How did we do financially during the twelve-month period ended December 31, 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the ADAMH Board's net assets and changes in those assets. This change in net assets is important because it tells the reader whether, for the ADAMH Board as a whole, the financial position of the ADAMH Board has improved or diminished. However, in evaluating the overall position of the ADAMH Board, non-financial information such as the condition of the ADAMH Board capital assets will also need to be evaluated.

In the Statement of Net Assets and the Statement of Activities, the ADAMH Board reports one type of activity, governmental, this includes all of the ADAMH Board's services—health services and general government.

**Fund Financial Statements**

Fund financial statements provide detailed information about the ADAMH Board's major funds. Based upon restrictions on the use of monies, the ADAMH Board has established many funds which account for the multitude of services provided to our constituents. However, these fund financial statements focus on the ADAMH Board's most significant funds. In the case of the ADAMH Board, our major funds are the General fund and the State Mental Health Alcohol and Drug fund.

**Governmental Funds**

The ADAMH Board's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the ADAMH Board's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled as part of the financial statements.

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(Continued)

**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2008

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The ADAMH Board maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and State Mental Health Alcohol and Drug Fund. Data from the other eight governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found starting on page 16 of this report.

**Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the ADAMH Board. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the ADAMH Board's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the basic financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 23 of this report.

**THE ADAMH BOARD AS A WHOLE**

Recall that the Statement of Net Assets provides the perspective of the ADAMH Board as a whole. Table 1, below, provides a summary of the ADAMH Board's net assets for 2008 compared to 2007.

**Table 1. Net Assets**

	<b>Governmental Activities</b>	
	<b>2008</b>	<b>2007</b>
Current and other assets	\$ 118,216,551	\$ 115,636,475
Capital assets	<u>2,465,057</u>	<u>2,487,599</u>
Total Assets	<u>120,681,608</u>	<u>118,124,074</u>
Current liabilities	77,047,680	75,200,078
Long-term liabilities	<u>701,440</u>	<u>678,775</u>
Total Liabilities	<u>77,749,120</u>	<u>75,878,853</u>
Net Assets		
Invested in capital assts, net of related debt	2,385,802	2,369,734
Restricted for:		
Health services	15,387,166	17,927,260
Unrestricted	<u>25,159,520</u>	<u>21,948,227</u>
Total net assets	<u>\$ 42,932,488</u>	<u>\$ 42,245,221</u>

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(Continued)

**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2008

Restricted net assets of 36% are restricted for the ADAMH Board's health services functions. 6% of net assets is invested in capital assets (e.g. land, buildings, equipment, etc.), less any related debt used to acquire those assets that is still outstanding. The ADAMH Board uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the ADAMH Board's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Unrestricted net assets of \$25,159,520 may be used to meet the ADAMH Board's ongoing obligations to citizens and creditors. Changes in net assets are represented in Table 2, below.

**Table 2. Changes in Net Assets**

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Program Revenues:		
Grants and Contributions	\$ 83,857,019	\$ 84,930,820
General Revenues:		
Property Taxes	55,586,625	57,815,190
Other Unrestricted Revenues	4,077,870	3,947,492
Transfers	<u>-</u>	<u>16,353</u>
Total Revenues	<u>143,521,514</u>	<u>146,709,855</u>
Expenses:		
General Government	6,658,784	6,507,579
Health Services	136,166,820	124,584,815
Interest on Long-Term Debt	<u>8,643</u>	<u>11,500</u>
Total Expenses	<u>142,834,247</u>	<u>131,103,894</u>
Change in Net Assets	687,267	15,605,961
Net Assets - Past	<u>42,245,221</u>	<u>26,639,260</u>
Net Assets - Current Year	<u>\$ 42,932,488</u>	<u>\$ 42,245,221</u>

Program revenues consist mainly of grants from federal and state sources. Health Services expenses consist solely of contract payments to service providers. General Government expenses are the administrative expenses of the ADAMH Board.

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**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2008

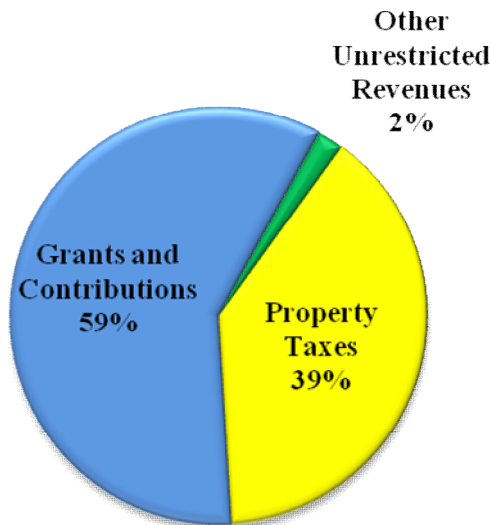
**Total Versus Net Cost of Services**

The Statement of Activities shows the cost of program services and the charges for services and grants associated with those services. The table below reflects the cost of program services and the net cost of those services after taking into account the program revenues. When applicable, the net cost of program services must be supported by general revenues including tax revenue and unrestricted grants.

**Table 3. Functions/Programs**

<b>Functions/Programs</b>	<b><u>2008 Total Cost of Services</u></b>	<b><u>2007 Total Cost of Services</u></b>	<b><u>2008 Net Cost of Services</u></b>	<b><u>2007 Net Cost of Services</u></b>
Governmental Activities:				
Health Services	\$ 136,166,820	\$ 124,584,815	\$ 52,309,801	\$ 39,653,995
General Government	6,658,784	6,507,579	6,658,784	6,507,579
Interest on long-term debt	<u>8,643</u>	<u>11,500</u>	<u>8,643</u>	<u>11,500</u>
Total Governmental Activities	<u>\$ 142,834,247</u>	<u>\$ 131,103,894</u>	<u>\$ 58,977,228</u>	<u>\$ 46,173,074</u>

The ADAMH Board's reliance upon both grants and property taxes is demonstrated by the chart below indicating 58.5% of total revenues from grants and approximately 38.7% of revenues from property taxes. The general revenues from property taxes are intended to cover the net cost of services indicated in Table 3, above.



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**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2008

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**THE ADAMH BOARD'S FUNDS**

As noted earlier, the ADAMH Board uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the ADAMH Board's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the ADAMH Board's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of 2008, the ADAMH Board's governmental funds reported combined ending fund balances of \$24,492,097, a 8.4% increase over the twelve-month period.

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2008.

**Table 4. Changes in Governmental Assets**

	Fund Balance <u>12-31-2008</u>	Fund Balance <u>12-31-2007</u>	Increase <u>(Decrease)</u>
General	\$ 18,363,302	\$ 12,893,492	\$ 5,469,810
State Mental Health, Alcohol and Drug	5,067,590	8,018,615	(2,951,025)
Other Governmental	<u>1,061,205</u>	<u>1,672,329</u>	<u>(611,124)</u>
Total	<u>\$ 24,492,097</u>	<u>\$ 22,584,436</u>	<u>\$ 1,907,661</u>

The general fund is the chief operating fund of the ADAMH Board. Although the entire balance of the State Mental Health Alcohol & Drug and other governmental funds was unreserved, the remaining fund balances will be paid to provider and other governmental agencies once requests for reimbursement are submitted.

There are eight other governmental funds that account for various special programs of the ADAMH Board.

**GENERAL FUND BUDGETARY INFORMATION**

The ADAMH Board's budget is prepared in accordance with Ohio law and is based on the budgetary basis of accounting, utilizing cash receipts, disbursements and encumbrances.

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(Continued)

**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2008

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During the course of 2008, the ADAMH Board amended its general fund revenue budget throughout the year. For the general fund, original and final budgeted revenues were \$103,798,511 and \$103,521,313, respectively. Actual revenues and other financing sources for Fiscal Year 2008 was \$105,280,103. This represents a \$1,758,790 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures) were \$98,746,171 and amended to \$102,122,171 in 2008. Since providers had until January 31, 2009 to submit claims and block grant requests for Contract Year 2008 activity, some of the expenditures did not occur until Calendar Year 2009, thus the actual 2008 budget basis expenditures totaled \$98,461,691, which was \$3,660,480 less than the final budget appropriations.

The State Mental Health Alcohol and Drug Fund, a major governmental fund, had revenues of \$28,606,399 and expenditures of \$29,462,268 for the twelve-month period ended 2008.

**CAPITAL ASSETS**

The ADAMH Board's investment in capital assets for its governmental activities as of December 31, 2008 amounts to a total cost of \$3,578,845, or \$2,465,057, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, and machinery and equipment. 58.2% of the ADAMH Board's investment in capital assets is in the Engagement Center, a mental health and substance abuse treatment facility. Total depreciation for the twelve-month period was \$89,261. Detailed information regarding capital asset activity is included in the Note 5 to the basic financial statements.

**DEBT ADMINISTRATION**

At December 31, 2008, the ADAMH Board had \$70,000 in general obligation bonds and \$9,255 in capital lease obligations outstanding. Of this total, \$38,909 is due within one year and \$40,346 is due in more than one year. The following table summarizes the bonds and notes outstanding.

**Table 5. Outstanding Debt at Year-End**

	<b><u>Governmental Activities</u></b>	
	<b><u>2008</u></b>	<b><u>2007</u></b>
General obligation bonds	\$ 70,000	\$ 105,000
Capital leases	9,255	12,866
Total	<b><u>\$ 79,255</u></b>	<b><u>\$ 117,866</u></b>

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(Continued)

**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2008

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In 1986, the Franklin County Commissioners authorized the issuance of \$795,000 in general obligation bonds at 7.375% of which the proceeds were used to purchase the building the ADAMH Board currently occupies. The ADAMH Board is obligated to retire the debt and will acquire title to the building once the County's debt is retired.

During prior years, the ADAMH Board entered into capitalized leases for copiers.

See Note 6 to the basic financial statements for detail on the District's debt administration.

**CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS**

1. Consumer
    - a. Changing community demographics will challenge ADAMH to provide culturally competent services delivered by culturally capable professionals that address the following socioeconomic factors:
      - i. Poverty;
      - ii. Children and families at risk;
      - iii. Emerging immigrants;
      - iv. Stigma;
      - v. Aging population;
      - vi. Integration of ex-offenders into community.
    - b. Better informed and more empowered consumers will challenge ADAMH's ability to meet their expectations from the public system of care.
  2. Providers—Ability of providers to meet the changing demands of consumers is challenged by:
    - a. A shortage of qualified professionals;
    - b. A lack of continuity of workforce due to high turnover;
    - c. An insufficient cultural diversity in the workforce.
  3. Funding
    - a. Economic Environment
      - i. SFY 2010-11 State Biennial Budget—The ADAMH Board has experienced significant State funding reductions from ODADAS and ODMH during SFY 2009. Preliminary versions of the 2010-11 Biennial Budget reflect similar reductions in State funding. Final funding levels will not be established until June 2009.
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(Continued)

**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2008

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- b. American Recovery and Reinvestment Act of 2009—This Federal legislation may impact the ADAMH Board by:
    - i. Including one-time funds within ODMH & ODADAS's SFY 2010-11 Biennial Budget that are allocated to Boards.
    - ii. Providing financial relief to states by increasing FMAP (the percentage that the Federal government reimburses states for Medicaid) for a temporary period (10/1/2008-12/31/10). The enhanced FMAP rate will be 6 to 10 percentage points higher than the standard FMAP rate (contingent upon changes in state unemployment figures).
  
  - 4. Levy Revenues
    - a. Recent State Tax Reform (House Bill 66) will adversely affect Levy revenue collections beginning in 2011. Specifically, Tangible Personal Property revenues will be phased-out between 2011-2017. Historically ADAMH has annually received TPP revenues in excess of \$5 million.
    - b. The current housing market may result in reduced assessed values of real estate compared to internal Levy Revenue Model projections. Levy revenues may also be impacted by housing start fluctuations within Franklin County.
    - c. The increasing use of Tax Incremental Financing (TIF) will decrease future levy revenues. Government bodies have recently created TIF districts for downtown Columbus and are proposing an 84 square mile TIF district in southwest Franklin County (Big Darby Watershed).
  
  - 5. External pressures on discretionary funds (resources available) due to:
    - a. Limited parity in insurance coverage for behavioral healthcare;
    - b. Political environment/fiscal policy;
    - c. Rising costs of doing business.
  
  - 6. Increased expectations of the community that ADAMH system's safety net remains intact and also grows during 10-year levy cycle.
  
  - 7. Increased proportion of consumers who are Medicaid-eligible will:
    - a. Continue to require payments for services that are not optional;
    - b. Increase number of contract service provider who are targeting Medicaid consumers, and will impact the availability of funding for non-Medicaid consumers;
    - c. Require state leadership to re-structure Medicaid Program.
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(Continued)



**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2008

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8. Medicaid

- a. Medicaid Buy-In—During 2008, the State Government instituted a Medicaid Buy-In program for workers with disabilities that enables disabled adults to maintain Medicaid eligibility (up to 250% of Federal Poverty Level) while continuing to working. Prior to this new program, the income threshold for Medicaid eligibility was 64% of the Federal Poverty Level. This new program has increased the number of Franklin County residents who are Medicaid-eligible.
- b. Medicaid Healthy Start & Health Families Expansion—The State and Federal governments have recently modified the Medicaid Healthy Start & Health Families program by expanding the income eligibility guidelines from 200% of Federal Poverty Level (FPL) to 300% of FPL. This will enabled additional children, pregnant women and families to be eligible for Medicaid.
- c. Medicaid Growth—The ADAMH Board experienced significant growth in the Medicaid line of business during Contract Year (KY) 2008. Over the previous three Contract Years, Medicaid expenditures grew an average of 6%. During KY 2008, Medicaid expenditures grew by 13%. This growth can be attributed to the recent economic downturn and aforementioned policy changes. Growth in future years will be contingent upon how quickly the economy recovers. In the interim, ADAMH is shifting resources from the non-Medicaid level of benefits to the Medicaid level of benefits.
- d. Medicaid Elevation—The proposed SFY 2010-11 State Biennial Budget bill (HB 1) contains language to establish an advisory group. This group will be charged with studying the issue of transferring the responsibility of paying providers for Medicaid from Boards to the State Departments.
- e. Medicaid Administrative Claiming—The proposed SFY 2010-11 State Biennial Budget bill (HB 1) contains language charging ODJFS with developing a system to reimburse Boards for the costs associated with administrating the Medicaid program.

9. Policy and Environmental Changes

- a. State Allocation Formulas—ODMH is currently reviewing the formulas utilized to allocate State funds to Boards. Some of these formulas have not been materially updated in over a decade and may shift funding levels between Boards. Preliminary figures indicate that the ADAMH Board of Franklin County would receive a larger percentage of the overall State funds if the formulas are revised/updated.
- b. Board Mergers/Administrative Service Organization (ASO)—ADAMH is currently negotiating with several contiguous Boards to either merge or develop an ASO relationship (create efficiencies by consolidating business and/or IT operations).

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(Continued)

**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2008

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- c. MACSIS—The State Departments have indicated that when MACSIS claiming is transferred to the new MITTs system, support for the current claiming system (MACSIS) may be terminated. If this situation occurs, Boards may be responsible for developing their own claim system for non-Medicaid services.
- d. Mental Health Hospital Utilization—The total expense associated with State mental health hospital use in Franklin County continues to escalate. This can be attributed to increased utilization of the hospital (SFY 2008 utilization increased by 11% over SFY 2007; SFY 2009 utilization is projected to increase by 5% over SFY 2008) and increased per diem charges (SFY 2010 per diem cost is projected to be \$525, a 9% increase over the SFY 2009 per diem of \$481).

**CONTACTING THE ADAMH BOARD'S FINANCIAL MANAGEMENT**

This financial report is designed to provide an overview of ADAMH Board's finances and its accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jonathan Wylly, Chief Financial Officer, Alcohol, Drug and Mental Health Board of Franklin County, 447 East Broad Street, Columbus, Ohio 43215-3722, 614-222-3790.

**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY**  
**STATEMENT OF NET ASSETS**

December 31, 2008

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	<u>Governmental Activities</u>
<b>ASSETS</b>	
Equity with County Treasurer	\$ 29,069,873
Due from other governments	27,310,364
Property taxes receivable	61,836,314
Capital assets, net of accumulated depreciation:	
Non-depreciable	236,113
Depreciable	<u>2,228,944</u>
Total assets	<u>\$ 120,681,608</u>
<b>LIABILITIES</b>	
Accrued wages	236,005
Accounts payable	16,898,326
Liability for unreported claims	1,251,349
Unearned revenue	58,662,000
Long-term liabilities:	
Due within one year	86,374
Due in more than one year	<u>615,066</u>
Total liabilities	<u>77,749,120</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	2,385,802
Restricted for:	
Health services	15,387,166
Unrestricted	<u>25,159,520</u>
Total net assets	<u>\$ 42,932,488</u>

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*See accompanying notes to the basic financial statements.*

**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY**  
**STATEMENT OF ACTIVITIES**

For the year ended December 31, 2008

	<u>Expenses</u>	<u>Program Revenues: Operating Grants and Contributions</u>	<u>Net (Expense) Revenue &amp; Changes in Net Assets</u> Total Governmental Activities
<u>Functions/Programs</u>			
Governmental activities:			
Health services	\$ 136,166,820	\$ 83,857,019	\$ (52,309,801)
General government	6,658,784	-	(6,658,784)
Interest on long-term debt	<u>8,643</u>	<u>-</u>	<u>(8,643)</u>
Total governmental activities	<u>142,834,247</u>	<u>83,857,019</u>	<u>(58,977,228)</u>
General revenues:			
Property taxes			55,586,625
Other unrestricted revenues			<u>4,077,870</u>
Total general revenues and transfers			<u>59,664,495</u>
Change in net assets			687,267
Net assets at beginning of year			<u>42,245,221</u>
Net assets at end of year			<u>\$ 42,932,488</u>

*See accompanying notes to the basic financial statements.*

**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY  
BALANCE SHEET**

**ALL GOVERNMENTAL FUNDS**

For the twelve-month period ended December 31, 2008

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	General	State Mental Health Alcohol & Drug	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Equity with County Treasurer	\$ 25,963,753	\$ 1,669,524	\$ 1,436,596	\$ 29,069,873
Due from other Governments	14,666,919	10,816,444	1,827,001	27,310,364
Due from other funds	239,885	209,966	10,430	460,281
Property taxes receivable	<u>61,836,314</u>	<u>-</u>	<u>-</u>	<u>61,836,314</u>
Total assets	<u>\$ 102,706,871</u>	<u>\$ 12,695,934</u>	<u>\$ 3,274,027</u>	<u>\$ 118,676,832</u>
 <b>LIABILITIES</b>				
Accrued wages	236,005	-	-	236,005
Accounts payable	13,424,077	2,384,165	1,090,084	16,898,326
Due to other funds	114,242	141,018	205,021	460,281
Liability for unreported claims	1,251,349	-	-	1,251,349
Deferred revenues	10,655,896	5,103,159	917,719	16,676,774
Unearned revenue	<u>58,662,000</u>	<u>-</u>	<u>-</u>	<u>58,662,000</u>
Total liabilities	<u>84,343,569</u>	<u>7,628,342</u>	<u>2,212,824</u>	<u>94,184,735</u>
 <b>Fund Balance</b>				
Unreserved - Undesignated:				
General fund	18,363,302	-	-	18,363,302
Special revenue fund	<u>-</u>	<u>5,067,592</u>	<u>1,061,203</u>	<u>6,128,795</u>
Total fund balance	<u>18,363,302</u>	<u>5,067,592</u>	<u>1,061,203</u>	<u>24,492,097</u>
Total liabilities and fund balances	<u>\$ 102,706,871</u>	<u>\$ 12,695,934</u>	<u>\$ 3,274,027</u>	<u>\$ 118,676,832</u>

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*See accompanying notes to the basic financial statements.*

**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES**  
**TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**  
For the twelve-month period ended December 31, 2008

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<b>Total Governmental Fund Balances</b>	\$ 24,492,097
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,465,057
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	16,676,774
Long-term liabilities, including capital lease obligations and compensated absences, are not due and payable in the current period and therefore are not reported in the fund:	
Compensated absences payable	(622,185)
Capital lease obligations	(9,255)
General obligation bonds	<u>(70,000)</u>
	<u>(701,440)</u>
<b>Net Assets of Governmental Activities</b>	<b><u>\$ 42,932,488</u></b>

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*See accompanying notes to the basic financial statements.*

**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
For the twelve-month period ended December 31, 2008

	General	State Mental Health Alcohol & Drug	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 54,431,625	\$ -	\$ -	\$ 54,431,625
Intergovernmental	52,224,018	26,463,072	11,341,521	90,028,611
Other	<u>236,465</u>	<u>-</u>	<u>-</u>	<u>236,465</u>
Total revenues	<u>106,892,108</u>	<u>26,463,072</u>	<u>11,341,521</u>	<u>144,696,701</u>
<b>Expenditures</b>				
Current operations				
Health				
Contract services	94,800,077	29,414,098	11,952,645	136,166,820
General government	6,574,968	-	-	6,574,968
Debt service:				
Principal	38,610	-	-	38,610
Interest and fiscal charges	<u>8,643</u>	<u>-</u>	<u>-</u>	<u>8,643</u>
Total expenditures	<u>101,422,298</u>	<u>29,414,098</u>	<u>11,952,645</u>	<u>142,789,041</u>
Excess of revenues over (under) expenditures	5,469,810	(2,951,026)	(611,124)	1,907,660
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	5,469,810	(2,951,026)	(611,124)	1,907,660
Fund balances at beginning of year	<u>12,893,492</u>	<u>8,018,618</u>	<u>1,672,327</u>	<u>22,584,437</u>
Fund balances at end of year	<u>\$ 18,363,302</u>	<u>\$ 5,067,592</u>	<u>\$ 1,061,203</u>	<u>\$ 24,492,097</u>

*See accompanying notes to the basic financial statements.*

**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
For the twelve-month period ended December 31, 2008

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**Net Change in Fund Balances - Total Governmental Funds** \$ 1,907,660

*Amounts reported for governmental activities in the statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. (22,541)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. (1,175,187)

Repayment of capital lease and debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and does not result in an expense in the statement of activities. 38,610

Some expenses reported in the statement of activities, such as compensated absences payable, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (61,275)

**Change in Net Assets of Governmental Activities** **\$ 687,267**

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*See accompanying notes to the basic financial statements.*



**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - BUDGET (NON-GAAP BASIS)**  
**AND ACTUAL - GENERAL FUND**  
For the twelve-month period ended December 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Real estate taxes	\$54,538,482	\$55,853,247	\$54,297,247	\$ (1,556,000)
Personal property taxes	10,737,085	9,145,122	9,840,315	695,193
Intergovernmental	38,221,794	38,221,794	40,869,248	2,647,454
Other revenue	<u>301,150</u>	<u>301,150</u>	<u>273,293</u>	<u>(27,857)</u>
Total revenue	<u>103,798,511</u>	<u>103,521,313</u>	<u>105,280,103</u>	<u>1,758,790</u>
<b>Expenditures:</b>				
Health	98,501,927	101,877,927	98,332,295	(3,545,632)
Capital outlay	201,500	201,500	86,652	(114,848)
Debt services	<u>42,744</u>	<u>42,744</u>	<u>42,744</u>	<u>-</u>
Total expenditures	<u>98,746,171</u>	<u>102,122,171</u>	<u>98,461,691</u>	<u>(3,660,480)</u>
Excess of revenues over expenditures	<u>5,052,340</u>	<u>1,399,142</u>	<u>6,818,412</u>	<u>5,419,270</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	5,052,340	1,399,142	6,818,412	5,419,270
Fund balances at beginning of year	<u>16,993,220</u>	<u>16,993,220</u>	<u>16,993,220</u>	<u>-</u>
Fund balances at end of year	<u>\$22,045,560</u>	<u>\$18,392,362</u>	<u>\$23,811,632</u>	<u>\$ 5,419,270</u>

*See accompanying notes to the basic financial statements.*

**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL -**  
**STATE MENTAL HEALTH, ALCOHOL AND DRUG FUND**  
For the twelve-month period ended December 31, 2008

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>				
Intergovernmental	\$ 31,433,390	\$ 31,433,390	\$28,606,399	\$ (2,826,991)
Total revenue	<u>\$ 31,433,390</u>	<u>\$ 31,433,390</u>	<u>\$28,606,399</u>	<u>\$ (2,829,991)</u>
<b>Expenditures:</b>				
Health	<u>31,433,390</u>	<u>31,433,390</u>	<u>29,462,268</u>	<u>(1,971,122)</u>
Total expenditures	<u>31,433,390</u>	<u>31,433,390</u>	<u>29,462,268</u>	<u>(1,971,122)</u>
Excess of revenues over expenditures	-	-	(855,869)	(855,869)
<b>Other financing sources (uses):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Net other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	(855,869)	(855,869)
Fund balances at beginning of year	<u>2,525,393</u>	<u>2,525,393</u>	<u>2,525,393</u>	-
Fund balances at end of year	<u>\$ 2,525,393</u>	<u>\$ 2,525,393</u>	<u>\$ 1,669,524</u>	<u>\$ (855,869)</u>

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*See accompanying notes to the basic financial statements.*

ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY  
STATEMENT OF FIDUCIARY ASSETS - FIDUCIARY FUND

December 31, 2008

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Equity with County Treasurer	\$ _____ -
Total assets	<u>\$ _____ -</u>
<b>LIABILITIES</b>	
Deposits held and due to others	\$ _____ -
Total liabilities	<u>\$ _____ -</u>

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*See accompanying notes to the basic financial statements.*

**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

December 31, 2008

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Alcohol, Drug and Mental Health Board of Franklin County (the “ADAMH Board”) is a major fund of Franklin County, Ohio. The ADAMH Board operates in accordance with Section 340 of the Ohio Revised Code. The Franklin County Commissioners appoint a majority of the Board members and serve as the local levy taxing authority for the ADAMH Board. The Franklin County Auditor and the Franklin County Treasurer, which are elected positions, serve respectively as Chief Fiscal Officer and Custodian of all public funds.

The ADAMH Board serves as the planning agency in Franklin County for mental health and alcohol and other substance abuse services. It evaluates and assesses the needs for these services in Franklin County. It also receives funding from federal, state and local sources and distributes these monies to contract agencies which then provide services to those who suffer from mental illness and/or alcohol or substance abuse.

Component units are legally separate organizations for which the ADAMH Board is financially accountable. The ADAMH Board is financially accountable for an organization if the ADAMH Board appoints a voting majority of the organizations’ government board and (1) the ADAMH Board is able to significantly influence the programs or services performed or provided by the organization; or (2) the ADAMH Board is legally entitled to or can otherwise access to organizations’ resources; or (3) the ADAMH Board is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the ADAMH Board is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the ADAMH Board in that the ADAMH Board approves the budget, the issuance of debt or the levying of taxes. Based upon the application of this criterion, the ADAMH Board has no component units. The basic financial statements of the reporting entity include only those of the ADAMH Board. The following organization is described due to its relationship to the ADAMH Board:

*RELATED ORGANIZATIONS:*

Franklin County Family and Children First Council—The operation of the Franklin County Family and Children First Council is controlled by an Oversight Committee chaired by the ADAMH Board CFO. The ADAMH Board CEO serves on the Executive Council. The Franklin County Educational Service Center is the administrative and fiscal agent.

Alternatives for Children and Teens (ACT) Consortium—The ACT consortium consists of and is controlled by six central Ohio ADAMH Boards which includes the ADAMH Board of Franklin County. This ADAMH Board of Franklin County is the designated fiscal agent for monies received from the Ohio Department of Mental Health and passes through monies received to consortium members. Funds on hand at December 31, 2008 which do not relate to the ADAMH Board of Franklin County are reported within an agency fund.

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(Continued)

**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

December 31, 2008

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**B. Government-wide and fund financial statements**

Government-wide Financial Statements—The statement of net assets and the statement of activities display information about the ADAMH Board as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statements are prepared using the economic resources measurement focus. Governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the ADAMH Board's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function.

Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the ADAMH Board. The comparison of direct expenses with program revenues identifies the extent to which the governmental function is self-financing or draws from the general revenues of the ADAMH Board.

Fund Financial Statements—Fund financial statements report detailed information about the ADAMH Board. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial *statements* for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

**C. Measurement focus, basis of accounting, and financial statement presentation**

The basic financial statements of the ADAMH Board have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The ADAMH Board also applies Financial Accounting Standards Board ("FASB") Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements.

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(Continued)

**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

December 31, 2008

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The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough after to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Non-exchange transactions, in which the ADAMH Board receives value without directly giving equal value in return, include grants and entitlements.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *state mental health alcohol and drug fund* is used to account for programs funded with proceeds received from the State of Ohio.

Additionally, the government reports the following fund type:

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into two classifications: private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the ADAMH Board under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the ADAMH Board's own programs. The ADAMH Board has no private purpose trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Revenue—Revenue from grants and entitlements is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the ADAMH Board must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the ADAMH Board on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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(Continued)

**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

December 31, 2008

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Deferred Revenue—Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

Unearned Revenue—On governmental fund financial statements, receivables that will not be collected within the available period have been reported as unearned revenue.

Expenses/Expenditures—The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

**D. Budgetary Process**

Legal Requirements—In accordance with Ohio law, annual budgets are adopted for the general fund, special revenue funds, debt service fund, capital projects funds and proprietary funds. The Franklin County Budget Commission, composed of the Auditor, Treasurer and Prosecutor, approves tax budgets and certificates of estimated resources for the County itself and for schools, municipalities, townships and other agencies that are funded by tax dollars. State statute permits the Budget Commission to waive all or part of the tax budget requirement for those counties that have adopted an alternative method for apportionment of the local government fund and the local government revenue assistance fund. Franklin County has an alternative formula agreement in place.

Estimated Resources—The certificate of estimated resources issued by the Budget Commission states the projected revenue of each fund and establishes a limit on the amount the County may appropriate. The County's total contemplated expenditures from any fund during the fiscal year cannot exceed the amount available as stated in the certificate of estimated resources. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. During the year, as actual revenues vary from the estimates, the certificate may be amended further if an estimate needs either to be increased or decreased. Such amendments were made during 2008. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate at the time the original appropriations resolution was adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during 2008.

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(Continued)

**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

December 31, 2008

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Appropriations—The appropriations resolution is the Commissioners' authorization to spend resources. The resolution sets annual limits on expenditures plus encumbrances at the level of control selected by the Commissioners. Appropriation requests are submitted to the Office of Management and Budget ("OMB") by the agencies. In light of available resources and County priorities, the County Administrator and OMB develop a joint budget recommendation that is submitted to the Commissioners. Public budget hearings are held with the various elected officials and agency administrators. At the conclusion of the budget hearings, the Commissioners convene a meeting with the County Administrator and OMB to amend the recommended budget. Revisions to the original budget require a resolution signed by at least two Commissioners. Supplemental appropriations were made during 2008.

Budgeted Level of Expenditures—The Commissioners appropriate to the major object level within a fund/organizational unit. The appropriation level is the legal level of control. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation. Managerial control is maintained through building the budget at the detailed line-item level. Appropriated funds may not be expended for purposes other than those designated in the appropriation resolution without authority from the Commissioners.

Lapsing of Appropriations—At the end of the year, all encumbrances are canceled and all appropriations lapse, reverting to the respective funds from which they were appropriated.

**E. Deposits and Investments**

For reporting purposes, "Equity with County Treasurer" is defined as cash on hand, demand deposits and investments held in the County treasury.

Cash resources of the majority of individual funds are combined to form a pool of cash and investments managed by the County Treasurer. Interest earned on investments is accrued as earned. Under existing Ohio law, all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Distribution is made utilizing a formula based on the average month-end balance of cash and cash equivalents of all funds. No interest was credited to the ADAMH Board by the County Treasurer for the year ending December 31, 2008.

**F. Receivables and Payables**

Property taxes include amounts levied against all real, public utility and tangible personal property located in the County. Property tax revenue received during 2008 for real and public utility property taxes represents collection of 2007 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility property) are for 2008 taxes.

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(Continued)



**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

December 31, 2008

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2008 real property taxes are levied after October 1, 2008, on the assessed value as of January 1, 2008, the lien date. Assessed values are established by state law at 35 percent of appraised market value. 2007 real property taxes are collected in and intended to finance 2008. The total assessed value upon which the 2008 tax collection was based was \$26.8 billion. The full tax rate applied to real property for ADAMH was \$2.19 per \$1,000 of assessed valuation.

House Bill 66 phases out the tax on the tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general businesses and railroad property will be eliminated by 2009 and the tax on telephone and telecommunications property will be eliminated by 2011. The tax is phased out by reducing the assessment rate on the property each year.

Tangible personal property is that property used in business and is assessed at 25 percent on everything except inventories. The inventory assessment percentage for tax year 2008 is 12.5 percent. Tangible personal property taxes are levied on January 1st of the current year. The total value upon which the 2008 tax collection was assessed was \$633 million.

Public utility taxes are assessed not only on land and improvements, but also on tangible personal property at true value, which is a percentage of cost. Percentages vary according to the type of utility. The total assessed value upon which the 2008 tax collection was based was \$554 million.

The Treasurer bills and collects property taxes on behalf of all taxing districts within the County. The Auditor periodically remits to the taxing districts their portion of the taxes collected. Collection of the taxes and remittance to the taxing districts are accounted for in various County agency funds.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20th; if paid semi-annually, the first payment is due January 20th with the remainder to be paid by June 20th. Real property owners' tax bills are reduced by homestead and rollback deductions, when applicable. The amount of these reductions is reimbursed to the County by the State.

Tangible personal property taxes are due semi-annually with the first payment due April 30th and the remainder to be paid by September 20th. Due dates are normally extended an additional 30 days. By state law, the first \$10,000 of taxable value for each business is exempt from taxation. The resulting tangible personal property exemption is also reimbursed by county by the State.

"Property taxes receivable" represents delinquent real and tangible personal property and public utility taxes outstanding as of the last settlement (net of allowances for uncollectible amounts) and real property and public utility taxes that were measurable at year-end and for which there is an enforceable legal claim. In the fund financial statements, the majority of the receivable is offset by unearned revenue since the taxes were not levied to finance 2008 operations. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is unearned.

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(Continued)

**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

December 31, 2008

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The County uses actual billings and estimates based on the tax rate multiplied by property value to estimate taxes receivable. The eventual collection of substantially all real property and public utility taxes (both current and delinquent) is reasonably assured due to the County's ability to force foreclosure of the properties on which the taxes are levied. For tangible personal property taxes (both current and delinquent), a determination of the percentage deemed uncollectible was made based on past experience. This percentage was applied against the gross taxes receivable to yield the estimated net realizable value of these resources.

**G. Capital Assets and Depreciation**

Capital assets, which include property, plant, and equipment, are reported in the government-wide statement of net assets. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life exceeding one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Major outlays for capital assets and improvements are capitalized as projects are constructed.

All property, plant, and equipment is depreciated using the straight line method over the estimated useful lives of the related assets. Depreciable lives used for property items within each property classification are as follows:

<u>Classification</u>	<u>Useful Life</u>
Buildings	50 years
Leasehold Improvements	15-25 years
Machinery & Equipment	5-25 years

**H. Compensated Absences**

The ADAMH Board permits employees to accumulate earned but unused vacation and sick pay benefits. Vacation benefits are accrued as a liability when the benefits are earned if (1) the vacation leave is related to services already rendered and (2) it is probable that the employee will be compensated through time off or some other means in a future period. Sick leave benefits are accrued using the vesting method. The sick leave liability is based on accumulated sick leave and employee wage rates at December 31 for those employees who are currently eligible to receive termination benefits and those the ADAMH Board has identified as probable of receiving payment in the future.

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(Continued)

**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

December 31, 2008

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The criteria for determining vacation and sick leave liabilities are based on the ADAMH Board's policies for employee benefits. In general, vacation and sick leave are accumulated based on hours worked. Vacation pay is fully vested after the learning and training period, generally four months. By Ohio law, accumulated vacation cannot exceed three times the annual accumulation rate for an employee. There is no limit for the accumulation of sick leave. Employees who have completed the required learning and training period may receive payment of one-half sick leave accrued upon termination. All payments are made at the employee's current wage rate.

All accumulated vacation leave and vested accumulated sick leave is recorded as a liability in the government-wide financial statements. In the governmental funds, accumulated vacation leave and vested accumulated sick leave that is expected to be liquidated with available financial resources are recorded as an expenditure and a fund liability of the governmental fund that will pay it.

**I. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations in the funds. However, compensated absences, bonds, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

**J. Unreported Claims Liability**

Health care costs associated with Medicaid claims are accrued as services are rendered by contract providers for providing mental health and substance abuse treatment services. Payments are made to providers on individual claims for which services have been performed. Incurred but not reported (IBNR) claims exist for Medicaid claims that have not been received by the ADAMH Board from providers and have not been adjudicated by the computer processing system. Subsequent actual claim experience will differ from the estimated liability due to variances in estimated and actual claims and other factors. The ADAMH Board had incurred but not reported claims of \$1,251,349 for the year ended December 31, 2008 which is recorded as a liability on government-wide and fund financial statements.

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(Continued)

**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

December 31, 2008

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**K. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**L. Interfund Balances**

Activities between funds that represent lending/borrowing arrangements outstanding and unpaid interfund services provided at the end of the year are referred to as "due to/from other funds." On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the government-wide financial statements.

**M. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**N. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The ADAMH Board applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**O. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the ADAMH Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2008.

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(Continued)

**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

December 31, 2008

**NOTE 2 – BUDGETARY BASIS OF ACCOUNTING**

While the ADAMH is reporting financial position, results of operations, and changes in fund balances in accordance with accounting principles generally accepted in the United States of America (GAAP), the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual – for the General Fund and State Mental Health Alcohol and Drug Fund 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 GAAP basis are as follows:

**Excess (Deficiency) of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses**

	<u>General Fund</u>	<u>State Mental Health Alcohol and Drug</u>
Non-GAAP Budgetary Basis	\$ 6,818,412	\$ (855,869)
Basis difference:		
Net adjustment for revenue accruals	1,612,005	(2,143,327)
Net adjustment for expenditure accruals	(2,960,607)	48,170
Net adjustment for other financing sources	-	-
GAAP Basis	<u>\$ 5,469,810</u>	<u>\$ (2,951,026)</u>

**NOTE 3 – DEPOSITS AND INVESTMENTS**

For reporting purposes, “Equity with County Treasurer” is defined as cash on hand, demand deposits and investments held in the County treasury.

Moneys held by the County are classified by state statute into two categories. Active monies are public monies determined to be necessary to meet current demands upon the County treasury. Active monies must be maintained either as cash in the County treasury, in commercial accounts payable or able to be withdrawn on demand or in money market deposit accounts. Moneys held by the county that are not considered active are classified as inactive. Inactive moneys are invested in authorized securities in accordance with the Franklin County Treasurer’s Investment and Depository policies as adopted by majority vote of the Investment Advisory Committee.

(Continued)

**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

December 31, 2008

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**Investments:** The following securities are authorized under both the County Policy and the Ohio Revised Code (O.R.C.):

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States, or any book-entry, zero-coupon security that is a direct obligation of the ADAMH Board;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality;
3. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County and the investments shall not exceed five percent of the County's total average portfolio.
4. No-load money market mutual funds consisting exclusively of obligations described in paragraph 1 or 2, above, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions and the investments shall not exceed fifty percent of the County's total average portfolio;
5. The State Treasurer's investment pool (STAR Ohio);
6. Up to 25 percent of the County's total average portfolio in either of the following:
  - a. High grade commercial paper when the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation, and the notes mature not later than 270 days after purchase.
  - b. Banker acceptances of banks insured by the FDIC when the obligations are eligible for purchase by the Federal Reserve System and mature not later than 180 days after purchase.
7. Written repurchase agreements in the securities described in paragraph 1 or 2, above, provided that the market value of the agreement be at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days.

Investments in derivative securities, reverse repurchase agreements, and collateralized mortgage obligations are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the County.

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(Continued)

**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

December 31, 2008

The County's deposits include amounts held in demand accounts and savings accounts. For the year ended December 31, 2008, the carrying amount of the ADAMH Board's deposits was \$29,069,873. Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the County Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

**NOTE 4 – CAPITAL ASSETS**

Governmental capital asset activity for the year ended December 31, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Capital assets, not being depreciated</b>				
Land	\$ 236,113	\$ -	\$ -	\$ 236,113
Total capital assets, not being depreciated	<u>236,113</u>	<u>-</u>	<u>-</u>	<u>236,113</u>
<b>Capital assets, being depreciated</b>				
Buildings and improvements	3,214,181	-	-	3,214,181
Machinery and equipment	<u>61,833</u>	<u>66,720</u>	<u>-</u>	<u>128,553</u>
Total	<u>3,276,014</u>	<u>66,720</u>	<u>-</u>	<u>3,342,734</u>
Less accumulated depreciation for:				
Buildings and improvements	(992,737)	(81,642)	-	(1,074,379)
Machinery and equipment	<u>(31,792)</u>	<u>(7,619)</u>	<u>-</u>	<u>(39,411)</u>
Total	<u>(1,024,529)</u>	<u>(89,261)</u>	<u>-</u>	<u>(1,113,790)</u>
Total capital assets, net	<u>\$ 2,487,598</u>	<u>\$ (22,541)</u>	<u>\$ -</u>	<u>\$ 2,465,057</u>

**Expenditures**

All depreciation expense is charged to general government expense on the government-wide financial statements.

(Continued)

**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

December 31, 2008

**NOTE 5 – CAPITALIZED LEASES – LESSEE DISCLOSURE**

During prior years, the ADAMH Board entered into capitalized leases for copiers. These lease agreements meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as general government function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized. These amounts represent the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments for the year ended December 31, 2008 totaled \$3,610 as paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of December 31, 2008:

<u>Year ended December 31,</u>	<u>Copiers</u>
2009	\$ 4,509
2010	4,509
2011	<u>1,127</u>
Total minimum lease payments	10,145
Less: amount represent interest	<u>(890)</u>
Present value of minimum lease payments	<u>\$ 9,255</u>

**NOTE 6 – LONG-TERM OBLIGATIONS**

Long-term liability activity for the year ended December 31, 2008, was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due in One</u> <u>Year</u>
General obligation bonds	\$ 105,000	\$ -	(35,000)	\$ 70,000	\$ 35,000
Capital leases	12,865	-	(3,610)	9,255	3,909
Compensated absences	<u>560,910</u>	<u>83,122</u>	<u>(21,847)</u>	<u>622,185</u>	<u>47,465</u>
Total	<u>\$ 678,775</u>	<u>\$ 83,122</u>	<u>\$ (60,457)</u>	<u>\$ 701,440</u>	<u>\$ 86,374</u>

(Continued)



**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

December 31, 2008

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**A. General Obligation Bonds**

In 1986, the Franklin County Commissioners authorized the issuance of \$795,000 in general obligation bonds at 7.375% of which the proceeds were used to purchase the building the ADAMH Board currently occupies. The ADAMH Board is obligated to retire the debt and will acquire title to the building once the debt is retired.

Interest payments on the general obligation bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2010.

The following is a schedule of the future principal and interest payments required for the repayment of the general obligation bonds as of December 31, 2008.

For the year ended December 31,	Principal	Interest	Total
2009	\$ 35,000	\$ 5,163	\$ 40,163
2010	<u>35,000</u>	<u>2,581</u>	<u>37,581</u>
Totals	<u>\$ 70,000</u>	<u>\$ 7,744</u>	<u>\$ 77,744</u>

**B. Compensated Absences**

The ADAMH Board permits employees to accumulate earned but unused vacation and sick leave benefits. Vacation benefits are accrued as a liability in the government-wide financial statements when the benefits are earned if it meets two conditions: the vacation leave is related to employee services already rendered and it is probable that the employee will be compensated. Sick leave benefits are accrued in the government-wide financial statements method. The sick leave liability is based on accumulated sick leave and employee wage rates at December 31.

The criteria for determining vacation and sick leave liabilities are based on the ADAMH Board's policies. In general, vacation and sick leave are accumulated based on hours worked. Vacation pay is fully vested after four months of full or part-time service.

By Ohio law, employees accumulated vacation cannot exceed three times the accumulated rate. There is no limit for sick leave accumulation. Employees, upon separation from the ADAMH Board, who have completed four months of service, will received payment for one half sick leave accrued. All payments are made at the employee's current wage rate.

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(Continued)

**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

December 31, 2008

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**NOTE 7—RISK MANAGEMENT**

The ADAMH Board is a major fund of Franklin County, Ohio and participates in its risk-financing funds. The County is exposed to various risks of loss related to torts and general liability; theft of, damage to and destruction of assets; natural disasters; errors and omissions; certain employees' medical and dental claims; and injuries to employees. Insurance policies are procured for buildings and contents, County-owned equipment, steam boilers, and machinery. In addition, a Money and Securities Policy is in effect for all County employees. Settled claims have not exceeded commercial coverage in any of the last three years. There has not been a significant reduction in coverage from the prior year. The County has elected to retain risk for losses related to torts and general liability, employee health-care claims, and employee injuries rather than insuring those risks through a third-party.

Chapter 340 of the Ohio Revised Code "limits the liability of community mental health board members and employees from action taken within the scope of official duties and employment." It expands the ADAMH Board's authority to indemnify board members and employees against damages, unless the ADAMH Board members' or employees' action constitutes willful or wanton misconduct. Although the law clearly indemnifies Board members and staff, additional director's and officer's liability insurance for Board members and professional liability coverage for staff has been obtained.

A periodic review of the ADAMH Board's scope of activities is performed and a risk profile is made available to insurance companies and our agent. This risk profile is used to obtain premium bids by our agents. There has been no significant reduction in coverage from the prior year, nor has the ADAMH Board experienced any settled claims.

**NOTE 8—CONTINGENT LIABILITIES**

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

**Litigation**

The ADAMH Board is involved in no material litigation as either plaintiff or defendant.

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(Continued)

ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2008

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**NOTE 9 – EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN**

**A. Ohio Public Employees Retirement System (“OPERS”):** Administers three separate pension plans as described below:

1. The Traditional Pension Plan – a cost-sharing multiple-employer defined benefit pension plan.
2. The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
3. The Combined Plan – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2008, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan.

The member contribution rates by classification were as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
State and local	10.00%	9.50%	9.00%
Public safety	10.10	9.75	9.00
Law enforcement	10.10	10.10	10.10

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(Continued)

**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

December 31, 2008

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The ADAMH Board's employer contribution rate for 2008 was 14.0% (13.77% in 2007 and 13.70% in 2006). The employee pick-up percent of covered payroll was 5% in 2008 (5% in 2007 and 5% in 2006). The ADAMH Board's required contributions to OPERS for the years ended December 31, 2008, 2007 and 2006 were as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Employer share	\$ 520,709	\$ 448,403	\$ 450,663
Employee share, paid by employer	<u>185,968</u>	<u>161,878</u>	<u>164,476</u>
Total contributions	<u>\$ 706,677</u>	<u>\$ 610,281</u>	<u>\$ 615,139</u>

**NOTE 10—OTHER POST-EMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System ("OPERS")** administers three separate pension plans:

1. Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan;
2. Member-Directed Plan—a defined contribution plan
3. Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-saving multiple-employer defined benefit post-employment healthcare plan which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment healthcare coverage.

To qualify for post-employment healthcare coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The healthcare coverage provided by OPERS meets the definition of an Other Post-Employment Benefit ("OPEB") as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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(Continued)

**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

December 31, 2008

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**B. Funding Policy**

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, state and local employers contributed at a rate of 14.0% (13.77% in 2007 and 13.70% in 2006) of covered payroll, and public safety and law enforcement employers contributed at 17.4%. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units and 18.1% of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post-Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For 2008, the employer contribution allocated to the health care plan was 7.0% of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The rates stated above are the contractually-required contribution rates for OPERS. The portion of the ADAMH Board's employer contributions used to fund post-employment health care benefits can be approximated by multiplying actual employer contribution for January 1 through December 31, 2008 by 0.5 – \$334,797.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

**NOTE 11 – RELATED PARTY TRANSACTIONS**

The ADAMH Board is reported as a major fund of Franklin County, the primary government. Franklin County provides facilities, certain equipment, and significant interfund transactions exist between the ADAMH Board and Franklin County.

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(Continued)

**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

December 31, 2008

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**NOTE 12 – INTERFUND TRANSACTIONS**

Interfund balances at December 31, 2008 as reported on the fund financial statements, consist of the following amounts due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Non-major governmental funds	\$ 98,870
General	State Mental Health, Alcohol and Drug	141,018
State Mental Health, Alcohol and Drug	General	103,812
State Mental Health, Alcohol and Drug	Non-major governmental funds	106,151
State Mental Health		
Non-major governmental funds	General	10,431

The primary purpose of “due to/from other funds” is to present lending/borrowing arrangements outstanding and unpaid. These amounts are eliminated on the government-wide financial statements.

**SUPPLEMENTARY INFORMATION**

**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS**

For the year ended December 31, 2008

FEDERAL GRANTOR/SUB GRANTOR/PROGRAM TITLE	CFDA NUMBER	PASS- THROUGH GRANT NUMBER	(A), (C) CASH FEDERAL RECEIPTS	(A), (C) CASH FEDERAL DISBURSE- MENTS
<b>U.S. DEPARTMENT OF JUSTICE PASSED THROUGH THE OHIO DEPARTMENT OF REHABILITATION AND CORRECTION</b>				
(B) Prisoner Reentry Initiative	16.202		75,565	75,565
<b>Total Ohio Department of Rehabilitation and Correction</b>			<u>75,565</u>	<u>75,565</u>
<b>U.S. DEPARTMENT OF JUSTICE PASSED THROUGH THE OHIO OFFICE OF CRIMINAL JUSTICE SERVICES:</b>				
Edward Byrne Memorial State & Local Law Enforcement Assistance Discretionary Grants Program	16.580	N/A	21,137	24,144
Edward Byrne Memorial State & Local Law Enforcement Assistance Discretionary Grants Program	16.580	N/A	35,679	32,700
<b>Total Ohio Office of Criminal Justice Services</b>			<u>56,816</u>	<u>56,844</u>
<b>TOTAL U.S. DEPARTMENT OF JUSTICE</b>			<u>132,381</u>	<u>132,409</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF DRUG AND ALCOHOL SERVICES:</b>				
(B) Safe and Drug-Free Schools and Communities: State Grants	84.186	N/A	177,314	194,906
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u>177,314</u>	<u>194,906</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE OHIO DEPARTMENT OF MENTAL HEALTH:</b>				
(B) Projects for Assistance in Transition from Homelessness	93.150	N/A	290,041	153,391
(B) Promoting Safe and Stable Families	93.556	N/A	100,508	53,016
(B) Social Services Block Grant	93.667	N/A	1,048,620	839,834
(B) State Children's Insurance Program	93.767	N/A	4,078,336	4,064,852
(B) Medical Assistance Program	93.778	N/A	30,020,005	30,171,661
(B) Block Grants for Community Mental Health Services	93.958	N/A	1,428,917	1,582,140
<b>Total Ohio Department of Mental Health</b>			<u>36,966,427</u>	<u>36,864,894</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION</b>				
(B) Substance Abuse and Mental Health Services Administration	93.243	1H79TIO17864-01	170,035	170,035
<b>Total Substance Abuse and Mental Health Services Administration</b>			<u>170,035</u>	<u>170,035</u>
<b>PASSED THROUGH THE OHIO DEPARTMENT OF DRUG AND ALCOHOL ADDICTION SERVICES</b>				
(B) Social Services Block Grant	93.667	N/A	-	84,690
(B) State Children's Insurance Program	93.767	N/A	1,368,893	1,209,973
(B) Medical Assistance Program	93.778	N/A	5,245,197	5,103,946
(B) Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	7,615,040	7,581,976
<b>Total Ohio Department of Drug and Alcohol Addiction Services</b>			<u>14,229,130</u>	<u>13,980,585</u>
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<u>51,365,592</u>	<u>51,015,514</u>
<b>TOTAL FEDERAL AWARDS</b>			<u>\$ 51,675,287</u>	<u>\$ 51,342,829</u>

(A) - **Significant Accounting Policies** - The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the Alcohol, Drug and Mental Health Board of Franklin County (ADAMH) and is presented on the cash basis of accounting.

(B) - **Subrecipients** - The ADAMH Board passes-through to not-for-profit providers (subrecipients) certain federal assistance received by the ADAMH Board directly from the federal awarding agency or from a pass-through entity. The subrecipient providers have certain compliance responsibilities related to administering these Federal programs. Under Federal Circular A-133, the ADAMH Board is responsible for monitoring subrecipients to help assure that Federal awards are expended for authorized purposes in compliance with law, regulations and the provisions of contracts or grant agreements, and that performance goals are achieved. The federal expenditures presented in the schedule, the ADAMH Board provided federal awards to subrecipients as listed below.

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Prisoner Reentry Grant	16.202	\$ 75,565
Edward Byrne Memorial State & Local Law Enforcement Assistance Discretionary Grants Program	16.580	56,844
Safe and Drug-Free Schools	84.186	194,906
Projects for Assistance in Transition from Homelessness	93.150	153,391
Substance Abuse and Mental Health Services Administration	93.243	170,035
Promoting Safe and Stable Families	93.556	53,016
Social Services Block Grant	93.667	924,524
State Children's Insurance Program	93.767	5,274,825
Medicaid	93.778	35,275,607
Block Grants for Community Mental Health Services	93.958	1,582,140
Block Grants for Prevention and Treatment of Substance Abuse	93.959	7,581,976

(C) - **Matching Requirements** - Certain Federal programs require the ADAMH Board to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The ADAMH Board has complied with the matching requirements (if applicable) for the major federal programs identified in the summary of auditor's results section of the accompanying schedule. The expenditure of non-Federal matching funds is not included on the Schedule.



ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2008

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**Section I – Summary of Auditor’s Results**

*Financial Statements*

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes     X  No

Significant deficiencies identified not considered to be material weaknesses? \_\_\_\_\_ Yes     X  None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes     X  No

*Federal Awards*

Internal Control over major programs:

Material weakness(es) identified? \_\_\_\_\_ Yes     X  No

Significant deficiencies identified not considered to be material weaknesses? \_\_\_\_\_ Yes     X  None reported

Type of auditor’s report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? \_\_\_\_\_ Yes     X  No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.778	Medicaid Assistance Program
93.958	Block Grants for Community Health Services

Dollar threshold used to distinguish between Type A and Type B programs: \$1,540,285

Auditee qualified as low-risk auditee?  X  Yes    \_\_\_\_\_ No

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(Continued)

**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

December 31, 2008

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**Section II – Financial Statement Findings**

None noted.

**Section III – Federal Award Findings**

None noted.

**Section IV – Prior Year Findings and Questioned Costs**

There were no findings for the year ended December 31, 2007.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Trustees  
Alcohol, Drug and Mental Health Board  
of Franklin County  
Columbus, Ohio

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Alcohol, Drug and Mental Health Board of Franklin County (the "ADAMH Board") as of and for the year ended December 31, 2008, and have issued our report thereon dated the same date as this report. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the ADAMH Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the ADAMH Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the ADAMH Board's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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(Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether ADAMH Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the ADAMH Board in a separate letter dated May 29, 2009.

This report is intended solely for the information and use of management, Board of Trustees, audit committee, 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.



Crowe Horwath LLP

Columbus, Ohio  
May 29, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees  
Alcohol, Drug and Mental Health Board  
of Franklin County  
Columbus, Ohio

Compliance

We have audited the compliance of the Alcohol, Drug and Mental Health Board of Franklin County (the "ADAMH 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 each of its major federal programs for the year ended December 31, 2008. The ADAMH Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the ADAMH Board's management. Our responsibility is to express an opinion on the ADAMH Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the ADAMH 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 of the ADAMH Board's compliance with those requirements.

In our opinion, the ADAMH Board complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

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(Continued)

## Internal Control Over Compliance

The management of the ADAMH Board is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs.

In planning and performing our audit, we considered the ADAMH Board's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the ADAMH Board's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We noted certain matters that we reported to management of the ADAMH Board in a separate letter dated May 29, 2009.

This report is intended solely for the information and use of management, Board of Trustees, audit committee, 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.



Crowe Horwath LLP

Columbus, Ohio  
May 29, 2009

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**Mary Taylor, CPA**  
Auditor of State

**ALCOHOL, DRUG, AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY**

**FRANKLIN 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  
JULY 14, 2009**