



**ALTERNATIVES FOR CHILDREN AND TEENS  
FRANKLIN COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 1999**



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

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**STATE OF OHIO**



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## REPORT OF INDEPENDENT ACCOUNTANTS

Alternatives for Children and Teens  
Franklin County  
447 East Broad Street  
Columbus, Ohio 43215

To the Board of Trustees:

We have audited the accompanying general purpose financial statements of Alternatives for Children and Teens, Franklin County, Ohio, (ACT) as of and for the year ended June 30, 1999. These general purpose financial statements are the responsibility of ACT's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of ACT, as of June 30, 1999, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2000 on our consideration of ACT's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

**JIM PETRO**  
Auditor of State

January 27, 2000



**COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 1999**

	<u>Governmental Fund Types</u>		<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>General Fixed Assets</u>	<u>General Long-term Obligations</u>	
<b>ASSETS AND OTHER DEBITS</b>					
Cash and Investments	\$1,280,281	-	-	-	\$1,280,281
Due From Other Governments	445,570	102,688	-	-	548,258
Prepaid Items	1,864	-	-	-	1,864
Fixed Assets	-	-	15,260	-	15,260
Amount to be Provided	-	-	-	11,812	11,812
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<u>1,727,715</u>	<u>102,688</u>	<u>15,260</u>	<u>11,812</u>	<u>1,857,475</u>
<b>LIABILITIES</b>					
Accounts Payable	613,790	102,688	-	-	716,478
Compensated Absences	-	-	-	11,812	11,812
Accrued Payroll	2,953	-	-	-	2,953
<b>TOTAL LIABILITIES</b>	<u>616,743</u>	<u>102,688</u>	<u>0</u>	<u>11,812</u>	<u>731,243</u>
<b>FUND EQUITY AND OTHER CREDITS</b>					
Investment in General Fixed Assets	-	-	15,260	-	15,260
Fund Balance					
Reserved	54,337	-	-	-	54,337
Unreserved	1,056,635	-	-	-	1,056,635
<b>TOTAL FUND BALANCE</b>	<u>1,110,972</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,110,972</u>
<b>TOTAL EQUITY AND OTHER CREDITS</b>	<u>1,110,972</u>	<u>-</u>	<u>15,260</u>	<u>-</u>	<u>1,126,232</u>
<b>TOTAL LIABILITIES, FUND EQUITY, AND OTHER CREDITS</b>	<u>\$1,727,715</u>	<u>\$102,688</u>	<u>\$15,260</u>	<u>\$11,812</u>	<u>\$1,857,475</u>

See accompanying notes to the general purpose financial statements.

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>Governmental Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>REVENUES:</b>			
Ohio Department of Mental Health	\$891,144	0	891,144
Federal Block Grant	0	102,688	102,688
Interest Income	49,510	0	49,510
Other	0	0	0
<b>TOTAL REVENUES</b>	<u>940,654</u>	<u>102,688</u>	<u>1,043,342</u>
<b>EXPENDITURES:</b>			
Health and Welfare			
Hospitalization	187,002	0	187,002
Community Alternative Allocations	370,500	102,688	473,188
<b>Total Health and Welfare</b>	<u>557,502</u>	<u>102,688</u>	<u>660,190</u>
Management and Support Services:			
Office Operations	218,458	0	218,458
Consultants	3,375	0	3,375
<b>Total Management and Support</b>	<u>221,833</u>	<u>0</u>	<u>221,833</u>
<b>TOTAL EXPENDITURES</b>	<u>779,335</u>	<u>102,688</u>	<u>882,023</u>
Excess of Revenues over Expenditures	161,319	0	161,319
Fund Balance at Beginning of Year	949,653	0	949,653
Fund Balance at End of Year	<u>\$1,110,972</u>	<u>\$0</u>	<u>\$1,110,972</u>

See accompanying notes to the general purpose financial statements.



**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

On August 25, 1988, Alternative Care for Teens, Inc. was incorporated as an Ohio nonprofit corporation. The Corporation was created by the Organizing Members for the purpose of acting in a coordinated and cooperative fashion in providing care for severely emotionally disturbed adolescents. Since its incorporation, the entity has pursued those purposes. In December of 1992 the Corporation desired to restructure the operations and pursue its operations and purposes through a Council of Government organized under Section 167 of the Ohio Revised Code.

Alternative Care for Teens now continues as Alternatives for Children and Teens (ACT). ACT still focuses on serving the needs of children and youth in Central Ohio but has also expanded its role to inter-Board planning and expanded stabilization services.

The ACT Board is made up of seven Mental Health Boards which cover fifteen counties. The seven boards are: Crawford-Marion, Delaware-Morrow, Fairfield, Franklin, Licking-Knox, Madison, and Paint Valley. The fifteen counties are: Crawford, Delaware, Fairfield, Franklin, Fayette, Highland, Knox, Licking, Madison, Marion, Morrow, Pickaway, Pike, Richland and Ross.

ACT services and funding are available for hospital care for children and teens needing stabilization due to an acute psychiatric emergency placing them at eminent risk of substantial harm to themselves or others. In addition, ACT also provides funding to the participating Boards for Community Alternative programs for the troubled children and teens.

ACT's management believes these financial statements present all activities for which ACT is financially accountable.

**B. Basis of Accounting**

The modified accrual basis of accounting is followed for governmental funds. Revenues are recognized in the period when measurable and available to finance expenditures of the current period. Expenditures are recognized in the period in which the fund liability is incurred, except for the cost of accumulated unpaid vacation and sick leave which is reported in the general long-term obligations account group.

**C. Revenues**

ACT receives its funding through the Ohio Department of Mental Health (ODMH) through two separate grants. The first grant which makes up approximately 85% of the total receipts is state funding that is used for operational expenses, hospitalization, and the remainder is allocated to the participating boards for community alternative services. The second source of funding is a Federal Block Grant, CFDA 93.958, which is also received through ODMH. The federal funding can only be used for community alternatives.

**D. Cash and Investments**

Monies received by ACT are pooled in a central bank account. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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

**E. Fund Accounting**

The financial statements of ACT have been prepared in conformity with generally accepted accounting principles (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. ACT's significant accounting policies are described below.

ACT uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management. The following funds and account groups are used by ACT.

**Governmental Funds:**

Governmental funds are those through which ACT's functions are financed. The acquisition, use and balances of ACT's expendable financial resources and the related liabilities are accounted for through governmental funds. The following are ACT's governmental fund types.

**1. General Fund**

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

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes.

Federal Block Grant Fund - This fund accounts for the Federal Block Grant receipts and expenditures.

**Account Groups:**

**1. General Fixed Asset Account Group** - This group of accounts is established to account for all general fixed assets of ACT.

**2. General Long Term Obligations Account Group** - This group of accounts is established to account for all long-term obligations of ACT.

**F. Property, Plant and Equipment**

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Asset Account Group. Contributed fixed assets are recorded at their fair market value as of the date donated. No depreciation is recognized for assets in the account group.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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

**G. Unpaid Vacation and Sick Leave**

Vested and accumulated vacation and sick leave that is expected to be liquidated with expendable financial resources is reported as an expenditure and a fund liability of its respective governmental fund. Amounts of vested and accumulated vacation and sick leave that are not expected to be liquidated with expendable financial resources are reported in the General Long Term Obligation Account Group. No expenditure is reported for these amounts.

ACT follows GASB No. 16, *Accounting for Compensated Absences*, which requires that a liability be accrued for sick leave if it is probable that the employees will be compensated through cash payment. Upon separation or termination, ACT employees are paid 50% of their accumulated balances.

**H. Fund Balance Reserve**

ACT records a reserve for the portion of fund equity to account for the emergency funds administered by ACT on behalf of Franklin County based on criteria developed in conjunction with the Franklin County ADAMH Board and on jointly agreed upon plans for the use of the funds. These funds are to be used for children that do not meet the strict guidelines established by ACT, but still require hospital care. The allocation of these funds is approved and administered by ACT.

**I. Memorandum Only - Total Columns**

Total columns on the general purpose financial statements are captioned as "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position and results of operations in conformity with GAAP. Such data is not comparable to a consolidation because interfund eliminations have not been made.

**J. Management Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

**A. Cash**

The investment and deposit of ACT's monies is governed by the provisions of the ORC. In accordance with these statutes, ACT is authorized to invest in United States, federal government agencies, and State of Ohio bonds, notes, and other obligations; Certificates of deposit; savings or deposit accounts, including passbook accounts; no-load money market mutual funds secured by United States or State of Ohio obligations; repurchase agreements secured by United States and State of Ohio obligations through eligible institutions; and STAR Ohio.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

**A. Cash (Continued)**

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities Exchange Commission as an investment company, but does not operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

According to state law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 110% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in ACT's name.

During 1999, ACT and public depositories complied with the provisions of these statutes.

**B. Deposits with Financial Institutions**

As of June 30, 1999, the carrying amount of ACT's deposits was \$48,410 and the bank balance was \$88,195, the difference comprised primarily of outstanding checks. The bank balance was covered by federal depository insurance, or by collateral held by a third party trustee pursuant to Section 135.181, Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions.

**C. Investments**

ACT's investments are categorized to give an indication of the level of risk assumed by ACT at June 30, 1999. Category 1 includes investments that are insured or registered or for which the securities are held by ACT or its agent in ACT's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in ACT's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or its trust department or agent, but not in ACT's name. ACT's only investment at year end was STAR Ohio, which is not required to be categorized due to its nature. The balance in STAR Ohio at year end was \$1,231,871.

**3. COMMUNITY ALTERNATIVE SERVICES**

ACT expended Federal block grant funds totaling \$102,688 for fiscal year 1999 on community alternative services. In addition, ODMH funds totaling \$370,500 for fiscal year 1999 was also spent on community alternative services. The Catalog of Federal Domestic Assistance number for the Federal block grant is 93.958.

Community alternative services expenditures represent monies paid by ACT to area Alcohol, Drug Addiction and Mental Health Boards. The funding was used by these boards for residential alternatives to hospital services for children and teens with serious emotional disturbances.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**4. PROPERTY, PLANT AND EQUIPMENT**

A summary of the changes in the General Fixed Asset Account Group for the fiscal year follows:

Asset Category	Balance at 6/30/98	Additions	Deletions	Balance at 6/30/99
Equipment	\$20,109	\$0	\$10,389	\$9,720
Furniture/Fixtures	5,540	0	0	5,540
Total General Fixed Assets	<u>\$25,649</u>	<u>\$0</u>	<u>\$10,389</u>	<u>15,260</u>

**5. GENERAL LONG TERM OBLIGATIONS**

A summary of the changes in the General Long Term Obligations Account Group for the fiscal year follows:

	Balance at 6/30/98	Additions	Balance at 6/30/99
Accrued Vacation and Sick Leave	<u>\$6,692</u>	<u>\$5,120</u>	<u>\$11,812</u>
Total General Fixed Assets	<u>\$6,692</u>	<u>\$5,120</u>	<u>11,812</u>

Additions and deductions of accrued vacation and sick leave are shown net, since it is impracticable for ACT to determine these amounts separately. ACT employees are granted vacation and sick leave in varying amounts.

**6. RETIREMENT SYSTEMS**

ACT contributes to the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and ACT is required to contribute 13.55 percent. Contributions are authorized by State statute. The contribution rates are determined actuarially. ACT's contributions to PERS for the years ended June 30, 1999, 1998 and 1997 were \$16,036, \$21,082, \$19,968, respectively, equal to the required contributions for each year. ACT also pays 5 percent of the covered salary for part of the employees' share of contribution.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**7. POST EMPLOYMENT BENEFITS**

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The fiscal year 1999 employer contribution rate was 13.55 percent of covered payroll; 4.20 percent of the employer's contribution was used to fund health care for fiscal year 1999.

During 1997, the Retirement board adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2 percent of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS. OPEB are financed through employer contributions and investment earnings. The contributions allocated to retiree health care and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely. During 1998 (the most recent information available), OPEB expenditures made by PERS were \$440,596,663. As of December 31, 1998, the unaudited estimated net assets available for future OPEB payments were \$9,447,325,318. At December 31, 1998, the total number of benefit recipients eligible for OPEB through PERS was 115,579. ACT's actual contributions for fiscal year 1998 which were used to fund OPEB were \$4,453.

**8. RISK MANAGEMENT**

ACT has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Errors and omissions

ACT maintains directors and officers liability insurance. ACT also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

**9. YEAR 2000 ISSUE**

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

ACT has completed an inventory of computer systems that may be affected by the year 2000 issue and that are necessary in conducting ACT's operations. ACT has identified such system as being financial reporting.

ACT uses M.Y.O.B. version 7.0 software for its financial reporting. This system has not been remediated and tested; however, M.Y.O.B. has reported that it has no reason to believe that M.Y.O.B. version 4.0 or later is not compliant.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**9. YEAR 2000 ISSUE** (Continued)

Paychex maintains all payroll and employee benefits systems. These systems have been remediated and test by Paychex.

Franklin County distributes a substantial sum of money to ACT in the form of federal and state grant payments. Franklin County is responsible for remediating these systems.

To the best of management's knowledge and belief, as of January 27, 2000, ACT experienced no interruption of operations or services related to the Year 2000 issue. However, because of the unprecedented nature of the Year 2000 issue, matters may arise, and parties with whom ACT does business may also experience Year 2000 readiness issues that are as yet, unknown.

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

Alternatives for Children and Teens  
Franklin County  
447 East Broad Street  
Columbus, Ohio 43215

To the Board of Trustees:

We have audited the accompanying general purpose financial statements of Alternatives for Children and Teens, Franklin County, Ohio (ACT), as of and for the year ended June 30, 1999, and have issued our report thereon dated January 27, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether ACT's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of ACT in a separate letter dated January 27, 2000.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered ACT's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of ACT in a separate letter dated January 27, 2000.

This report is intended for the information and use of the audit committee, management, and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

**JIM PETRO**  
Auditor of State

January 27, 2000



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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## ALTERNATIVES FOR CHILDREN AND TEENS

### 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  
FEBRUARY 15, 2000