

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

**FRANKLIN COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS**

*(AUDITED)*

*FOR THE YEAR ENDED*

*DECEMBER 31, 2004*

**JONATHAN WYLLY, CHIEF FINANCIAL OFFICER**





**Auditor of State  
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the Alcohol, Drug and Mental Health Board of Franklin County prepared by Trimble, Julian & Grube, Inc., for the audit period January 1, 2004 through December 31, 2004. 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

July 6, 2005

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**ADAMH BOARD OF FRANKLIN COUNTY**  
**FRANKLIN COUNTY, OHIO**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

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# TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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## Independent Auditor’s Report

Board of Trustees  
ADAMH Board of Franklin County  
447 E. Broad Street  
Columbus, Ohio 43215

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, Ohio (the “ADAMH Board”) as of and for the year ended December 31, 2004, which collectively comprise the ADAMH Board’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 the 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 opinions.

As discussed in 1.A., the financial statements of the Alcohol, Drug, and Mental Health Board, Franklin County, 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 of Franklin County as of December 31, 2004, and the changes in its financial position and its cash flows, where applicable, 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 Alcohol, Drug and Mental Health Board of Franklin County, Ohio, as of December 31, 2004, and the respective changes in financial position thereof and the respective budgetary comparison for the general and state mental health, alcohol and drug funds for the year ended in conformity with accounting principles generally accepted in the United States of America.

Independent Auditor's Report  
ADAMH Board of Franklin County  
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2005, on our consideration of the ADAMH Board's internal control over financial reporting and 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 the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is 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 supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Trimble, Julian & Grube, Inc.".

Trimble, Julian & Grube, Inc.  
April 28, 2005

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

**MANAGEMENT'S DISCUSSION & ANALYSIS**

**FOR THE YEAR ENDED DECEMBER 31, 2004  
(UNAUDITED)**

As management of the Alcohol, Drug and Mental Health (ADAMH) Board, we are providing this overview of ADAMH Board's financial activities for the year ended December 31, 2004. 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 year ended December 31, 2004 are as follows:

- The assets of the ADAMH Board exceeded its liabilities at the close of 2004 by \$28,032,246 (net assets).
- As of the close of 2004, the ADAMH Board's governmental funds reported combined ending fund balances of \$9,359,440.
- At the close of the 2004, unreserved fund balance was \$6,688,400.
- As of the close of 2004, the ADAMH Board had cumulated deposit amounts totaling \$23,928,730.

**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.

***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 2004?" 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.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS**

**FOR THE YEAR ENDED DECEMBER 31, 2004  
(UNAUDITED)**

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 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 & 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.

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 12 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 20 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 2004 compared to 2003.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS**

**FOR THE YEAR ENDED DECEMBER 31, 2004  
(UNAUDITED)**

**TABLE 1**

**Net Assets**

	Governmental Activities	
	2004	2003
Current and other assets	\$ 85,972,040	\$ 90,428,734
Capital assets	3,257,658	3,376,210
Total Assets	89,229,698	93,804,944
Current liabilities	60,609,076	56,286,709
Long-term liabilities	588,376	655,167
Total Liabilities	61,197,452	56,941,876
Net Assets	\$ 28,032,246	\$ 36,863,068

A significant portion of the ADAMH Board's net assets (23.7%) is restricted for its health services function. 10.7% 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 \$18,355,155 may be used to meet the Board's ongoing obligations to citizens and creditors.

**TABLE 2**

**Changes in Net Assets**

	Governmental Activities	
	2004	2003
Program revenues:		
Grants and contributions	\$ 74,640,342	\$ 137,013,807
General revenues:		
Property taxes	37,843,828	57,002,715
Other unrestricted revenues	558,272	104,919
Total revenues	113,042,442	194,121,441
Expenses:		
General government	6,086,663	7,332,469
Health Services	115,758,219	170,130,353
Interest on long-term debt	28,382	51,241
Total expenses	121,873,264	177,514,063
Increase in net assets	(8,830,822)	16,607,378
Net Assets—Past	36,863,068	20,255,690
Net Assets—Current Year	\$ 28,032,246	\$ 36,863,068

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

**MANAGEMENT'S DISCUSSION & ANALYSIS**

**FOR THE YEAR ENDED DECEMBER 31, 2004  
(UNAUDITED)**

Program revenues consist mainly of grants from federal and state sources. Program expenses consist primarily of contract payments to service providers and personnel services.

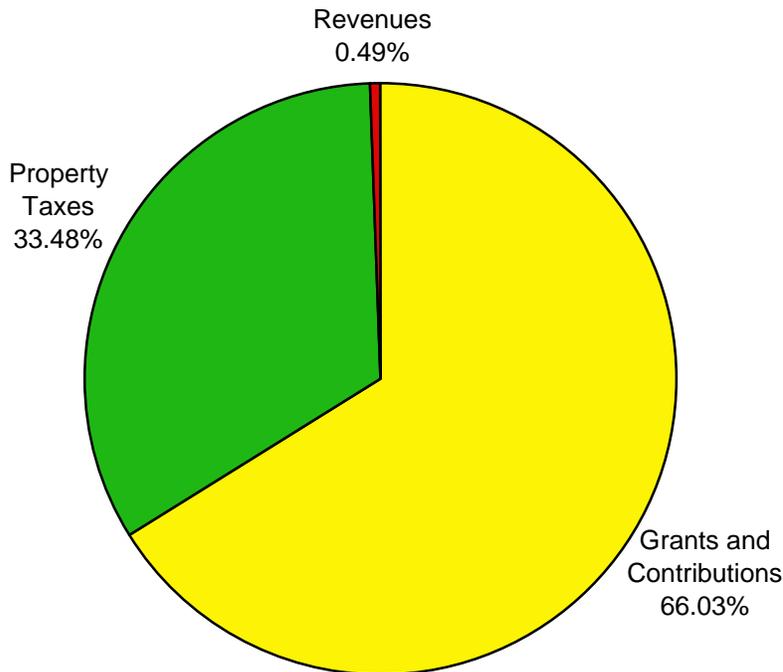
**Total versus Net Cost of Services**

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, investment earnings and unrestricted grants.

**TABLE 3**

<b>Functions/Programs</b>	<b>2004 Total Cost of Services</b>	<b>2003 Total Cost of Services</b>	<b>2004 Net Cost of Services</b>	<b>2003 Net Cost of Services</b>
Governmental Activities:				
Health Services	\$ (115,758,219)	\$ (170,130,353)	\$ 41,117,877	\$ 40,420,891
General Government	(6,086,663)	(7,332,469)	6,086,663	28,124
Interest on long-term debt	<u>(28,382)</u>	<u>(51,241)</u>	<u>28,382</u>	<u>51,241</u>
Total Governmental Activities	<u>\$ (121,873,264)</u>	<u>\$ (177,514,063)</u>	<u>\$ 47,232,922</u>	<u>\$ 40,500,256</u>

The Board's reliance upon both grants and property taxes is demonstrated by the chart below indicating 66.03% of total revenues from grants and approximately 33.48% of revenues from property taxes. The general revenues from property taxes are intended to cover the net cost of services indicated in the chart on the preceding page.



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

**MANAGEMENT'S DISCUSSION & ANALYSIS**

**FOR THE YEAR ENDED DECEMBER 31, 2004  
(UNAUDITED)**

**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 2004, the ADAMH Board's governmental funds reported combined ending fund balances of 9,359,440, a 61.9% decrease over the twelve-month period.

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2004.

	<u>Fund Balance 12/31/2004</u>	<u>Fund Balance 12/31/2003</u>	<u>Increase (Decrease)</u>
General	\$ 2,671,040	\$ 2,708,123	\$ (37,083)
State Mental Health			-
Alcohol and Drug	5,244,136	16,564,660	(11,320,524)
Other Governmental	<u>1,444,264</u>	<u>5,294,357</u>	<u>(3,850,093)</u>
Total	<u>\$ 9,359,440</u>	<u>\$ 24,567,140</u>	<u>\$ (15,207,700)</u>

The general fund is the chief operating fund of the ADAMH Board. At the end of the 2004, the entire fund balance was designated for the risk fund. 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 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.

During the course of 2004, the ADAMH Board amended its general fund budget throughout the year. For the general fund, original budgeted revenues were \$70,734,589 and final budgeted revenues and other financing sources were \$74,234,589. Actual revenues and other financing sources for fiscal year 2004 was \$79,703,098. This represents a \$5,468,509 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures) of \$74,227,361 were increased to \$78,842,870 in the final budget. The actual budget basis expenditures 2004 totaled \$75,760,067, which was \$3,082,803 less than the final budget appropriations.

**State Mental Health Alcohol and Drug Fund**

The state mental health alcohol and drug fund, a major governmental fund, had revenues of \$22,000,191 and expenditures of \$33,320,715 for 2004. Fund balances decreased \$11,320,524 from \$16,564,660 to \$5,244,136.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS**

**FOR THE YEAR ENDED DECEMBER 31, 2004  
(UNAUDITED)**

**CAPITAL ASSETS**

The ADAMH Board's investment in capital assets for its governmental activities as of December 31, 2004 amounted to a total cost of \$4,355,828, or \$3,257,658, net of accumulated depreciation. This investment in capital assets includes land, buildings & improvements, and machinery & equipment. Total acquisitions for the year ended December 31, 2004 were \$7,440 and total depreciation was \$125,992. Detailed information regarding capital asset activity is included in the Note 5 to the basic financial statements.

**DEBT ADMINISTRATION**

At December 31, 2004, the ADAMH Board had \$268,967 in general obligation bonds and capital lease obligations outstanding. Of this total, \$67,944 is due within one year and \$201,023 is due in more than one year. The following table summarizes the bonds and notes outstanding.

**Outstanding Debt, at Year End**

	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2003</u>
General obligation bonds	\$ 210,000	\$ 245,000
Capital Leases	<u>58,967</u>	<u>87,661</u>
Total	<u>\$ 268,967</u>	<u>\$ 332,661</u>

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 ADAMH Board's debt is retired.

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

See Note 7 to the basic financial statements for detail on the ADAMH Board's debt administration.

**CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS**

- Changes in the insurance market will accelerate the shift costs from the private to public market, which will increase demand for services, and change consumer expectations for types of services.
- An increase in the proportion of consumers who are Medicaid eligible will continue to require payments for services that are not optional and increase the number of contract agencies who are targeting Medicaid consumers. This may impact the availability of funding for non-Medicaid consumers.
- Current tax reform legislation introduced by the Governor's Office and being considered by the General Assembly may negatively impact future ADAMH levy collections beginning in 2006. Specifically revenues received from the Class III tangible personal property tax may be reduced materially impacting revenues two to four percent annually.
- The ADAMH Board's current 2.2 mil property tax levy ends in 2006. The Board is in the process of requesting a 2.2 mil replacement levy through the County Commissioners to be placed on the November 2005 ballot.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS**

**FOR THE YEAR ENDED DECEMBER 31, 2004  
(UNAUDITED)**

- The demand for services expected to increase in terms of quality and complexity, while resources likely to decrease. In addition, expectations of new and emerging populations may increase the need for additional culturally competent services.
- Discretionary revenues are expected to diminishing over the next few years.
- The uncertainty surrounding the economy may have an impact on our community and the demand for services.

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

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

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

STATEMENT OF NET ASSETS  
DECEMBER 31, 2004

	Governmental Activities
<b>ASSETS:</b>	
Equity with County Treasurer	\$ 23,045,654
Accounts receivable	41,901
Due from other governments	23,971,426
Due from other funds within Franklin County	52,804
Property taxes receivable	38,860,255
Capital assets, net of accumulated depreciation:	
Nondepreciable	310,227
Depreciable	2,947,431
Total Assets	89,229,698
<b>LIABILITIES</b>	
Accrued wages and benefits	226,927
Accounts payable	20,395,957
Due to other funds within Franklin County	62,340
Liability for unreported claims	1,168,006
Unearned revenue	38,755,846
Long-term liabilities	
Due within one year	92,558
Due in more than one year	495,818
Total Liabilities	61,197,452
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	2,988,691
Restricted for:	
Health services	6,647,899
Other purposes	40,501
Unrestricted	18,355,155
Total Net Assets	\$ 28,032,246

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, 2004

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u> Operating Grants and Contributions	<u>Net (Expense) Revenue &amp; Changes in Net Assets</u> Total Governmental Activities
Governmental Activities:			
Health services	\$ 115,758,219	\$ 74,640,342	\$ (41,117,877)
General government	6,086,663	-	(6,086,663)
Interest on long-term debt	28,382	-	(28,382)
Total Governmental Activities	<u>121,873,264</u>	<u>74,640,342</u>	<u>(47,232,922)</u>
General Revenues:			
Property taxes			37,843,828
Other unrestricted revenues			558,272
Total general revenues			<u>38,402,100</u>
Change in Net Assets			
			(8,830,822)
Net assets at beginning of year			36,863,068
Net assets at end of year			<u><u>\$ 28,032,246</u></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 YEAR ENDED DECEMBER 31, 2004

	General	State Mental Health Alcohol & Drug	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Equity with county treasurer	\$ 17,461,108	\$ 3,099,424	\$ 2,485,122	\$ 23,045,654
Accounts receivable	41,901	-	-	41,901
Due from other governments	8,138,490	13,610,693	2,222,243	23,971,426
Due from other funds	1,745,531	526,779	367,594	2,639,904
Due from other funds within Franklin County	46,554	-	6,250	52,804
Property taxes receivable	38,860,255	-	-	38,860,255
Total Assets	<u>\$ 66,293,839</u>	<u>\$ 17,236,896</u>	<u>\$ 5,081,209</u>	<u>\$ 88,611,944</u>
<b>LIABILITIES</b>				
Accrued wages payable	\$ 226,927	\$ -	\$ -	\$ 226,927
Accounts payable	14,857,807	4,499,697	1,038,453	20,395,957
Due to other funds	355,546	1,075,222	1,209,136	2,639,904
Due to other funds within Franklin County	24,599	37,741	-	62,340
Liability for unreported claims	1,168,006	-	-	1,168,006
Deferred revenue	8,234,068	6,380,100	1,389,356	16,003,524
Unearned revenue	38,755,846	-	-	38,755,846
Total Liabilities	<u>63,622,799</u>	<u>11,992,760</u>	<u>3,636,945</u>	<u>79,252,504</u>
<b>FUND BALANCE</b>				
Designated for Risk Fund	2,671,040	-	-	2,671,040
Unreserved - Undesignated:				
Special Revenue Funds	-	5,244,136	1,444,264	6,688,400
Total Fund Balance	<u>2,671,040</u>	<u>5,244,136</u>	<u>1,444,264</u>	<u>9,359,440</u>
Total Liabilities and Fund Balance	<u>\$ 66,293,839</u>	<u>\$ 17,236,896</u>	<u>\$ 5,081,209</u>	<u>\$ 88,611,944</u>

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 YEAR ENDED DECEMBER 31, 2004

<b>Total Governmental Fund Balances</b>	\$	9,359,440
 <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.		3,257,658
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		16,003,524
Long-Term liabilities, including bonds, capital lease obligations and compensated absences, are not due and payable in the current period and therefore are not reported in the funds:		
Compensated Absences Payable		(319,409)
Capital Lease Obligations		(58,967)
General Obligation Bonds		(210,000)
		(588,376)
 <b>Net Assets of Governmental Activities</b>	 \$	 <u><u>28,032,246</u></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 BALANCE  
ALL GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004

	General Fund	State Mental Health Alcohol & Drug	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 37,843,828	\$ -	\$ -	\$ 37,843,828
Intergovernmental	37,367,226	22,000,191	8,844,286	68,211,703
Other	558,272	-	-	558,272
Total Revenues	75,769,326	22,000,191	8,844,286	106,613,803
Expenditures:				
Current Operations:				
Health:				
Contract services	69,858,618	33,320,715	12,578,886	115,758,219
General government	5,848,275	-	115,493	5,963,768
Capital outlay	7,440	-	-	7,440
Debt service:				
Principal	63,694	-	-	63,694
Interest and fiscal charges	28,382	-	-	28,382
Total Expenditures	75,806,409	33,320,715	12,694,379	121,821,503
Net change in fund balance	(37,083)	(11,320,524)	(3,850,093)	(15,207,700)
Fund Balance at Beginning of Year	2,708,123	16,564,660	5,294,357	24,567,140
Fund Balance at End of Year	\$ 2,671,040	\$ 5,244,136	\$ 1,444,264	\$ 9,359,440

See accompanying notes to the basic financial statements

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

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2004

**Net Change in Fund Balances - Total Governmental Funds**                      \$ (15,207,700)

*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. (118,552)

Revenues in the statement of activities that do not provide current  
financial resources are not reported as revenues in the funds. 6,428,639

Repayment of bond and capital lease 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. 63,694

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. 3,097

**Change in Net Assets of Governmental Activities** \$ (8,830,822)

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 YEAR ENDED DECEMBER 31, 2004

	Original Budget	Final Budget	Actual	Variance Over/(Under)
<b>Revenues</b>				
Real Estate Taxes	\$ 37,886,929	\$ 37,886,929	\$ 37,843,828	\$ (43,101)
Personal Property Taxes	4,852,549	4,852,549	4,694,594	(157,955)
Intergovernmental	27,768,149	27,768,149	33,078,978	5,310,829
Other Revenue	226,962	226,962	585,698	358,736
Total Revenues	<u>70,734,589</u>	<u>70,734,589</u>	<u>76,203,098</u>	<u>5,468,509</u>
<b>Expenditures</b>				
Health	74,011,292	78,626,801	75,562,828	3,063,973
Capital Outlay	163,000	163,000	144,170	18,830
Debt Services	53,069	53,069	53,069	-
Total Expenditures	<u>74,227,361</u>	<u>78,842,870</u>	<u>75,760,067</u>	<u>3,082,803</u>
Excess of Revenues Over/ (Under) Expenditures	<u>(3,492,772)</u>	<u>(8,108,281)</u>	<u>443,031</u>	<u>8,551,312</u>
<b>Other Financing Sources/(Uses)</b>				
Advances in	-	3,500,000	3,500,000	-
Total other financing sources/(uses)	<u>-</u>	<u>3,500,000</u>	<u>3,500,000</u>	<u>-</u>
Net change in fund balance	(3,492,772)	(4,608,281)	3,943,031	8,551,312
Fund balances at beginning of year	10,160,733	10,160,733	10,160,733	-
Fund balances at end of year	<u>\$ 6,667,961</u>	<u>\$ 5,552,452</u>	<u>\$ 14,103,764</u>	<u>\$ 8,551,312</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 YEAR ENDED DECEMBER 31, 2004

	Original Budget	Final Budget	Actual	Variance Over/(Under)
<b>Revenues</b>				
Intergovernmental	\$ 29,944,957	\$ 29,944,957	\$ 29,956,961	\$ 12,004
Total Revenues	<u>29,944,957</u>	<u>29,944,957</u>	<u>29,956,961</u>	<u>12,004</u>
<b>Expenditures</b>				
Health	29,485,065	31,074,055	28,910,155	2,163,900
Total Expenditures	<u>29,485,065</u>	<u>31,074,055</u>	<u>28,910,155</u>	<u>2,163,900</u>
Excess of Revenues Over/ (Under) Expenditures	<u>459,892</u>	<u>(1,129,098)</u>	<u>1,046,806</u>	<u>2,175,904</u>
<b>Other Financing Sources/(Uses)</b>				
Advances out	-	(1,640,000)	(1,640,000)	-
Total other financing sources/(uses)	<u>-</u>	<u>(1,640,000)</u>	<u>(1,640,000)</u>	<u>-</u>
Net change in fund balance	459,892	(2,769,098)	(593,194)	2,175,904
Fund balances at beginning of year	3,911,287	3,911,287	3,911,287	-
Fund balances at end of year	<u>\$ 4,371,179</u>	<u>\$ 1,142,189</u>	<u>\$ 3,318,093</u>	<u>\$ 2,175,904</u>

See accompanying notes to the basic financial statements

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
DECMEBER 31, 2004

	Agency Funds
<b>ASSETS</b>	
Equity with County Treasurer	\$ 883,076
Total Assets	<u>883,076</u>
<b>LIABILITIES</b>	
Deposits held and due to others	883,076
Total Liabilities	<u>883,076</u>
Total Net Assets	<u>\$ -</u>

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**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 organizations are described due to their 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. As a whole, the ADAMH Board and the Franklin County Department of Job and Family Services are the administrative agents, and the Franklin County Auditor is the fiscal agent. The ADAMH Board has presented the financial activity of the Franklin County Family and Children First Council within an agency fund.

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, 2004 which do not relate to the ADAMH Board of Franklin County are reported within an agency fund.

**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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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. Nonmajor 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**

Revenue: Exchange and Nonexchange Transactions

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. Nonexchange transactions, in which the ADAMH Board receives value without directly giving equal value in return, include grants and entitlements.

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 nonexchange transactions must also be available before it can be recognized.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: property taxes, grants and entitlements and other revenues.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Contractual services provided by the ADAMH Board during the year for which payment is not received in the available period. 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 deferred revenue.

Expenses/Expenditures

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

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.

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. The ADAMH Board's agency funds account for Franklin County Family and Children First Council, Alternative for Children and Teen (ACT) Consortium, and Metro Behavioral Health Care Network (MetNet) monies.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Budgetary Process**

Legal Requirements: In accordance with Ohio law, annual budgets are adopted for the general fund and special revenue 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 2004. 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 2004.

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 2004.

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 Franklin County 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, 2004.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 2004 for real and public utility property taxes represents collection of 2003 taxes, respectively. Property tax payments received during 2004 for tangible personal property (other than public utility property) is for 2004 taxes, respectively.

2004 real property taxes are levied after October 1, 2004, on the assessed value as of January 1, 2004, the lien date. Assessed values are established by state law at 35 percent of appraised market value. 2004 real property taxes are collected in and intended to finance 2004. The total assessed value upon which the 2004 real estate tax collection was based was \$21.761 billion. The full tax rate applied to real property for all County units was \$16.99 per \$1,000 of assessed valuation.

Tangible personal property is that property used in business and is assessed at 25 percent excluding inventories. The inventory assessment percentage for tax year 2004 is 23 percent. Tangible personal property taxes are levied on January 1<sup>st</sup> of the current year. The total value upon which the 2004 tax collection was assessed was \$2.148 billion.

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 value upon which the 2004 tax collection was based was \$788 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 20<sup>th</sup>; if paid semi-annually, the first payment is due January 20<sup>th</sup> with the remainder to be paid by June 20<sup>th</sup>. 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 30<sup>th</sup> and the remainder to be paid by September 20<sup>th</sup>. 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.

"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 entire receivable is offset by deferred revenue since the taxes were not levied to finance 2004 operations. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is unearned.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 County 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 County has identified as probable of receiving payment in the future.

The criteria for determining vacation and sick leave liabilities are based on the ADAMH Board's policies for compensated absences. In general, vacation and sick leave are accumulated based on hours worked. Vacation pay is fully vested upon hire. 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. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 \$1,168,006 for the year ended December 31, 2004 which is recorded as a liability on government-wide and fund financial statements.

**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. A designation of fund balance has been established to account for possible unforeseen claims.

**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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 2004.

**NOTE 2 - CHANGES IN ACCOUNTING PRINCIPLES**

The ADAMH Board is a major fund of Franklin County and is part of the majority of individual funds which are combined to form a pool of cash and investments managed by the County Treasurer. For the year ended December 31, 2004, Franklin County has elected to implement Governmental Accounting Standards Board (GASB) Statement No. 40, Deposit and Investment Risk Disclosures, which amends GASB Statement No. 3, Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements. Implementation of this GASB had no impact on the ADAMH Board's financial position or results of operations.

**NOTE 3 - 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**

	General Fund	State Mental Health Alcohol and Drug
Non-GAAP Budgetary Basis	\$ 3,943,031	\$ (593,194)
Basis Difference:		
Net Adjustment for Revenue Accruals	(433,772)	(7,956,770)
Net Adjustment for Expenditure Accruals	(46,342)	(4,410,560)
Net Adjustment for Other Financing Sources	(3,500,000)	1,640,000
GAAP Basis	\$ (37,083)	\$ (11,320,524)

**NOTE 4 - 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 on the treasury. Active monies must be maintained either as cash in the County treasury, in commercial accounts payable or able to be withdrawn on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 4 - DEPOSITS AND INVESTMENTS**

**Legal Requirements**

Monies held by the County which are not considered active are classified as inactive. Inactive monies are permitted to be deposited or invested in the following securities:

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;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts.
4. 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.
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
8. Up to 25 percent of the County's total average portfolio in either of the following investments:
  - 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 180 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.
9. Written repurchase agreements in the securities described in division (1) or (2) provided that the market value of the agreement exceed its cost by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 4 - DEPOSITS AND INVESTMENTS**

The County will purchase its investments only through an approved broker/dealer or institution. Payment for investments may be made only upon delivery of the securities representing the investment to the Treasurer, or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The County's deposits include amounts held in demand accounts and savings accounts. For the year ended December 31, 2004, the carrying amount of the ADAMH Board's deposits was \$23,928,730. 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 5 - CAPITAL ASSETS**

Governmental capital asset activity for the year ended December 31, 2004, was as follows:

Description	Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciated assets:				
Land	\$ 310,227	\$ -	\$ -	\$ 310,227
Capital assets, being depreciated:				
Buildings and Improvements	3,877,258	-	-	3,877,258
Machinery and Equipment	160,903	7,440	-	168,343
Total	<u>4,348,388</u>	<u>7,440</u>	<u>-</u>	<u>4,355,828</u>
Less accumulated depreciation for:				
Buildings and Improvements	(897,277)	(94,244)	-	(991,521)
Machinery and Equipment	(74,901)	(31,748)	-	(106,649)
Total	<u>(972,178)</u>	<u>(125,992)</u>	<u>-</u>	<u>(1,098,170)</u>
Total capital assets, net	<u>\$ 3,376,210</u>	<u>\$ (118,552)</u>	<u>\$ -</u>	<u>\$ 3,257,658</u>

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

**NOTE 6 - 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, 2004 totaled \$28,694 as paid by the general fund.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 6 - CAPITALIZED LEASES - LESSEE DISCLOSURE (Continued)**

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, 2004:

Year ended December 31,	Copiers
2005	39,007
2006	26,445
Total minimum lease payments	65,452
Less: amount represent interest	(6,485)
Present value of minimum lease payments	<u>\$ 58,967</u>

**NOTE 7 - LONG-TERM OBLIGATIONS**

Long-term liability activity for the year ended December 31, 2004, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
General Obligation Bonds	\$ 245,000	\$ -	\$ (35,000)	\$ 210,000	\$ 35,000
Capital Leases	87,661	-	(28,694)	58,967	32,944
Compensated Absences	322,506	-	(3,097)	319,409	24,614
Total	<u>\$ 655,167</u>	<u>\$ -</u>	<u>\$ (66,791)</u>	<u>\$ 588,376</u>	<u>\$ 92,558</u>

**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, 2004.

For the year ended December 31,	Principal	Interest	Total
2005	35,000	15,488	50,488
2006	35,000	12,906	47,906
2007	35,000	10,325	45,325
2008	35,000	7,744	42,744
2009	35,000	5,163	40,163
2010	35,000	2,581	37,581
<b>Totals</b>	<u>\$ 210,000</u>	<u>\$ 54,207</u>	<u>\$ 264,207</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 7 - LONG-TERM OBLIGATIONS**

**Compensated Absences**

Employees earn paid vacation benefits determined according to the total number of years of service with the ADAMH Board. Employees are allowed to accumulate no more vacation leave than the amount earned in three years of service at the applicable rate based on the employee's anniversary date. Any benefits accumulated in excess of that amount will be eliminated from the employee's vacation leave balance. Upon separation, employees are paid for all accumulated, unused vacation leave balance, provided they have given the required notice of termination.

At December 31, 2004, the compensated absences liability totaled \$319,409, a decrease of \$3,097 from the previous eighteen month period. The portion of the compensated absences liability attributed to vacation and sick leave was \$217,104 and \$102,305, respectively. The compensated absences will be paid from the funds in which the salaries are paid.

**NOTE 8 - 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 9 - 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.

In recognition of the risk inherent in its operations, the ADAMH Board has designated a portion of its general fund balance (analogous in the insurance industry to a catastrophe fund) to absorb financial shortfalls, whether temporary or permanent.

The designation exists to help the ADAMH Board meet its statutory and contractual responsibilities in the event that the cost for client related services exceed available revenues. These shortfalls can come about because of discontinued funding for a specific program, reductions in funding from selected services or over-runs in cost.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 9 - CONTINGENT LIABILITIES (Continued)**

Using historical financial data, a financial model was constructed and variances in key risk areas were identified, summarized and put in the context of a fund balance requirement. The risks identified were summarized into these categories:

- Cash Flow
- Client Related Risk
- Revenue Risk

The recommended fund balance designation requirement was developed as a percentage of total client service related cost. These percentages, separately identified for each component, were then converted to a dollar amount for the current operating year identifying a minimum level, optimal level and maximum level. At December 31, 2004 the Board designated \$2,671,040 for possible future financial shortfalls.

**Litigation**

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

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

***A. Ohio Public Employees Retirement System***

All full-time employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

1. The Traditional Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.
2. The Member-Directed Plan (MD) – 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 thereon.
3. The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Plan 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 Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2004, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Separate divisions for law enforcement and public safety exist only within the Traditional Plan.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)**

The 2004 member contribution rate for County employees was 8.5 percent of covered payroll. The ADAMH Board's employer contribution rate for 2004 was 13.55 percent of covered payroll. The ADAMH Board's required contributions to OPERS for the years ended December 31, 2004, 2003, and 2002 were \$603,904, \$588,759, and \$564,728, respectively. The full amount has been contributed for each year.

***Ohio Public Employees Retirement System***

OPERS provides postretirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor 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, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2004 employer contribution rate for local government employers was 13.55% of covered payroll and 4.00% was the portion that was used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. The ADAMH Board's contribution actually made to fund postemployment benefits was \$178,274.

OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely. OPEB's are advance funded on an actuarially determined basis.

As of December 31, 2003 (the latest information available), the actuarial value of the Retirement System's net assets available for future OPEB payments were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively, at December 31, 2003 (the latest information available). The number of benefit recipients eligible for OPEB at December 31, 2003 (the latest information available) was 369,885.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)**

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

**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.

**NOTE 12 - INTERFUND TRANSACTIONS**

Interfund balances at December 31, 2004 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	Nonmajor governmental funds	\$ 883,356
General	State Mental Health Alcohol and Drug	862,175
State Mental Health Alcohol and Drug	General	320,628
State Mental Health Alcohol and Drug	Nonmajor governmental funds	206,151
Nonmajor governmental funds	General	34,918
Nonmajor governmental funds	State Mental Health Alcohol and Drug	213,047
Nonmajor governmental funds	Nonmajor governmental funds	119,629

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.

## **SUPPLEMENTAL DATA**

**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(A),(C) CASH FEDERAL RECEIPTS	(A),(C) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF JUSTICE PASSED THROUGH THE OHIO OFFICE OF CRIMINAL JUSTICE SERVICES:</b>				
Edward Byrne Memorial Grants Program	16.580	N/A	\$ 9,950	\$ 9,950
<b>TOTAL U.S. DEPARTMENT OF JUSTICE</b>			<u>9,950</u>	<u>9,950</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO REHABILITATION COMMISSION:</b>				
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	N/A	3,475	3,475
<b>PASSED THROUGH THE OHIO DEPARTMENT OF DRUG AND ALCOHOL ADDICTION SERVICES</b>				
(B) Safe and Drug-Free Schools and Communities: State Grants	84.186	N/A	252,551	312,173
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u>256,026</u>	<u>315,648</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	232,123	191,501
(B) Social Services Block Grant	93.667	N/A	805,456	706,736
(B) State Children's Insurance Program	93.767	N/A	2,630,259	2,133,623
(B) Medical Assistance Program	93.778	N/A	24,697,488	23,014,463
(B) Block Grants for Community Mental Health Services	93.958	N/A	1,465,545	1,679,938
<b>Total Ohio Department of Mental Health</b>			<u>29,830,871</u>	<u>27,726,261</u>
<b>PASSED THROUGH THE OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES</b>				
(B) Temporary Assistance for Needy Families (TANF)	93.558	N/A	130,921	152,350
<b>PASSED THROUGH THE OHIO DEPARTMENT OF DRUG AND ALCOHOL ADDICTION SERVICES</b>				
(B) State Children's Insurance Program	93.767	N/A	1,448,282	1,219,213
(B) Medical Assistance Program	93.778	N/A	4,302,950	4,113,030
(B) Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	6,308,186	6,797,468
<b>Total Ohio Department Drug and Alcohol Addiction Services</b>			<u>12,059,418</u>	<u>12,129,711</u>
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<u>42,021,210</u>	<u>40,008,322</u>
<b>SOCIAL SECURITY ADMINISTRATION PASSED THROUGH THE OHIO DEPARTMENT OF MENTAL HEALTH:</b>				
(B) Social-Security-Research and Demonstration	96.007	N/A	54,157	25,644
<b>TOTAL SOCIAL SECURITY ADMINISTRATION</b>			<u>54,157</u>	<u>25,644</u>
<b>TOTAL FEDERAL AWARDS</b>			<u>\$ 42,341,343</u>	<u>\$ 40,359,564</u>

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

(B) - The ADAMH Board passed-through to local governments or not-for-profit agencies (subrecipients) certain federal assistance received by the Board from the pass-through entity. The ADAMH Board records expenditures of federal awards when paid. Under OMB A-133, the ADAMH Board is responsible for monitoring subrecipients to help assure that federal awards are expended for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements. The following identifies the total amounts of federal assistance provided to subrecipients by the ADAMH Board for each federal program as summarized below:

Program Title	CFDA Number	Amounts Provided to Subrecipients
Safe and Drug-Free Schools and Communities: State Grants	84.186	\$ 312,173
Projects for Assistance in Transition from Homelessness	93.150	191,501
Temporary Assistance for Needy Families (TANF)	93.558	152,350
Social Services Block Grant	93.667	706,736
State Children's Insurance Program	93.767	3,352,836
Medical Assistance Program	93.778	27,127,493
Block Grants for Community Mental Health Services	93.958	1,679,938
Block Grants for Prevention and Treatment of Substance Abuse	93.959	6,797,468
Social-Security-Research and Demonstration	96.007	25,644

(C) - Certain Federal programs require that 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. The expenditures of non-Federal matching funds is not included on the Schedule.

N/A - A pass-through number was not provided for these awards.

# TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

1445 Worthington Woods Boulevard  
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Worthington, Ohio 43085

Telephone 614.846.1899  
Facsimile 614.846.2799

## **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  
ADAMH Board of Franklin County  
447 E. Broad Street  
Columbus, Ohio 43215

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, Ohio, (the “ADAMH Board”), as of and for the year ended December 31, 2004, which collectively comprise the ADAMH Board’s basic financial statements and have issued our report thereon dated April 28, 2005. 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that we have reported to management of the ADAMH Board in a separate letter dated April 28, 2005.

Board of Trustees  
ADAMH Board of Franklin County

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*. However, we noted a matter involving compliance and other matters that we have reported to management of the ADAMH Board in a separate letter dated April 28, 2005.

This report is intended solely 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.

A handwritten signature in cursive script that reads "Trimble, Julian & Grube, Inc.".

Trimble, Julian & Grube, Inc.  
April 28, 2005

# TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

1445 Worthington Woods Boulevard  
Suite B  
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Telephone 614.846.1899  
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## **Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133**

Board of Trustees  
ADAMH Board of Franklin County  
447 E. Broad Street  
Columbus, Ohio 43215

### Compliance

We have audited the compliance of Alcohol, Drug and Mental Health Board of Franklin County, Ohio, (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 major federal program for the year ended December 31, 2004. The ADAMH Board’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are 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 of America; and OMB Circular A-133, *Audit 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 on the ADAMH Board’s compliance with those requirements.

Board of Trustees  
ADAMH Board of Franklin County

In our opinion, the ADAMH Board complied, in all material respects, with the requirements referred to above that are applicable to each major federal program for the year ended December 31, 2004.

#### Internal Control Over Compliance

The management of the ADAMH Board is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the ADAMH Board's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgement, could adversely affect the Board's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. A reportable condition is described in the accompanying schedule of findings as item 2004-ADAMH-001.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over compliance that we have reported to the management of the ADAMH Board in a separate letter dated April 28, 2005.

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



Trimble, Julian & Grube, Inc.  
April 28, 2005

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2004**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported non-compliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	Yes
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under § .510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs:</i>	State Children's Insurance Program, CFDA #93.767, Medical Assistance Program, CFDA 93.778, Block Grants for Community Mental Health Services, CFDA #93.958, Block Grants for Prevention and Treatment of Substance Abuse, CFDA #93.959
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$1,210,787 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2004**

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

Cash Management

Finding Number	2004-ADAMH-001
CFDA Title and Number	Block Grants for Prevention and Treatment of Substance Abuse, CFDA #93.959
Federal Award Number/Year	N/A
Federal Agency	U.S. Department of Health and Human Services
Pass-Through Agency	Ohio Department of Drug and Alcohol Addiction Services

INTERNAL CONTROLS - REPORTABLE CONDITION

In part, Alcohol, Drug and Mental Health Boards must request federal grant funds from the Ohio Department of Drug and Alcohol Addiction Services (ODADAS) on a reimbursement basis and/or projected expenses not to exceed thirty (30) days in advance. Due to the four week processing time an advance of the month to follow will be permitted by ODADAS.

The Alcohol, Drug and Mental Health Board of Franklin County requested federal grant funds from ODADAS in 1/12 increments of the total grant award although requests from providers were not submitted. Therefore, the Board's requests of funds were not always consistently based on reimbursable expenses and would have also exceeded the maximum 30 days of projected expenses. All funds drawn for this grant remained on hand in the Franklin County treasury until the ADAMH Board paid actual requests from providers. 24 CFR 85.22(2)(i) states that interest earned on advances of funds by grantees is required to be submitted promptly, but at least quarterly, to the Federal agency with \$100 per year may be kept for administrative expenses. Based on average interest rates for 2004 in relation to the receipt and disbursement of grant funds, the amount of interest earned would be considered insignificant for 2004.

We recommend that the ADAMH Board not request federal grant funds from ODADAS until provider requests are submitted and that projected expenses are limited to 30 days. The ADAMH Board should also contact ODADAS to determine what action should be taken toward any interest earned but not previously remitted. The ADAMH Board has attempted to implement procedures to request grant funds when actual provider requests are submitted as well as limiting advances to 30 days. The ADAMH Board has also implemented an allocation plan with providers receiving Prevention and Treatment of Substance Abuse federal dollars that will facilitate compliance with cash management requirements.



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**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  
AUGUST 4, 2005**