

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

SINGLE AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2010



Dave Yost • Auditor of State

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

FINANCIAL STATEMENTS

December 31, 2010

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

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 Franklin County, Franklin County, Ohio (the ADAMH Board), a blended component unit presented as a major special revenue fund of Franklin County, as of and for the year ended December 31, 2010, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the ADAMH Board's financial statements present the financial position and the changes in financial position and the respective budgetary comparisons, 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, 2010, and the changes in its financial position and the respective budgetary comparisons 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 Alcohol, Drug, and Mental Health Board Franklin County, Franklin County, Ohio, as of December 31, 2010, and the respective changes in financial position thereof and the respective budgetary comparisons for the General and State Mental Health, Alcohol, and Drug Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2011, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the ADAMH Board's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

May 27, 2011

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

For the year ended December 31, 2010
(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, 2010. Please read this overview in conjunction with the ADAMH Board's basic financial statements, which follow.

The ADAMH Board is included as a blended component unit within the Franklin County Comprehensive Annual Financial Report as a major special revenue 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, 2010 are as follows:

- The assets of the ADAMH Board exceeded its liabilities at the close of 2010 by \$63,272,983 (net assets).
- As of the close of 2010, the ADAMH Board's governmental funds reported combined ending fund balances of \$43,508,784.
- At the close of the 2010, unrestricted net assets were \$43,818,330.
- As of the close of 2010, the ADAMH Board had cumulated deposit amounts totaling \$44,860,084.

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.

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

For the year ended December 31, 2010
(UNAUDITED)

Statement of Net Assets and Statement of Activities

While this document contains information about the funds used by the ADAMH Board to provide services to our citizens, the view of the ADAMH Board as a whole looks at all financial transactions and asks the question, "How did we do financially during the year ended December 31, 2010?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Fund Financial Statements

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

Governmental Funds

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

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

For the year ended December 31, 2010

(UNAUDITED)

The ADAMH Board maintains nine 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 seven governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found starting on page 15 of this report.

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 24 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 2010 compared to 2009.

Table 1. Net Assets

| | <u>Governmental Activities</u> | |
|--|---------------------------------------|----------------------|
| | <u>2010</u> | <u>2009</u> |
| Current and other assets | \$ 139,622,863 | \$ 116,799,785 |
| Capital assets | <u>2,271,027</u> | <u>2,367,879</u> |
| Total Assets | <u>141,893,890</u> | <u>119,167,664</u> |
| | | |
| Current liabilities | 78,065,849 | 74,546,373 |
| Long-term liabilities | <u>555,058</u> | <u>615,223</u> |
| Total Liabilities | <u>78,620,907</u> | <u>75,161,596</u> |
| | | |
| Invested in capital assets, net of related | 2,271,027 | 2,327,533 |
| Restricted | 17,183,626 | 16,019,721 |
| Unrestricted | <u>43,818,330</u> | <u>25,658,813</u> |
| Total Net Assets | <u>\$ 63,272,983</u> | <u>\$ 44,006,067</u> |

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

For the year ended December 31, 2010

(UNAUDITED)

Total Assets increased by \$22.7 million (19.1%) between 2009 and 2010. This increase is primarily attributed to:

- \$14.7 million increase in cash (Equity with the County Treasurer). The ADAMH Board is operating in the 4th year of a 10-year Levy cycle. ADAMH's Levy revenue collections are relatively flat over a 10-year period. To manage inflation and natural growth in our system, ADAMH accrues cash reserves in the first 3-4 years of the Levy cycle in order to accommodate deficit financing in the last 3-4 years of the Levy cycle.
- \$8.3 million increase in Due From Other Governments. This increase is due to the timing of revenue receipts from State Departments and the timing of Federal reimbursements requested by Providers. The majority of State revenues are distributed to local Boards on a quarterly basis. The timing of State disbursements from ODMH and ODADAS varies from year to year. Federal revenues (SAPT) must first be requested by Providers (as a reimbursement). The timing of Federal requests from ADAMH's Contract Providers also varies from year to year.

Total Liabilities increased by \$3.4 million (4.6%) between 2009 and 2010. This increase is primarily attributed to:

- \$3.0 million increase in Accounts Payable. This increase can be attributed to erratic billing behavior of providers. Providers have until the end of a given Contract Year (1/25/2011 for KY 2011) to bill for services rendered. The timing of when claims are submitted by ADAMH's Contract Service providers can vary from year-to-year and provider-to-provider.

Restricted net assets of 27% are restricted for the ADAMH Board's health services functions. 4% 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 \$43,818,330 may be used to meet the ADAMH Board's ongoing obligations to citizens and creditors. Changes in net assets are represented in Table 2, below.

**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS**
For the year ended December 31, 2010
(UNAUDITED)

Table 2. Changes in Net Assets

| | <u>2010</u> | <u>2009</u> |
|-----------------------------|----------------------|----------------------|
| Program Revenues: | | |
| Grants and Contributions | \$ 100,341,337 | \$ 79,867,844 |
| General Revenues: | | |
| Property Taxes | 53,045,516 | 53,359,261 |
| Grants and Entitlements | 11,105,474 | 11,110,818 |
| Other Unrestricted Revenues | 168,607 | 104,287 |
| Total Revenues | <u>164,660,934</u> | <u>144,442,210</u> |
| Expenses: | | |
| General Government | 5,972,958 | 6,466,228 |
| Health Services | 139,418,299 | 136,896,641 |
| Interest on Long-Term Debt | 2,761 | 5,762 |
| Total Expenses | <u>145,394,018</u> | <u>143,368,631</u> |
| Change in Net Assets | 19,266,916 | 1,073,579 |
| Net Assets – beginning | 44,006,067 | 42,932,488 |
| Net Assets – ending | <u>\$ 63,272,983</u> | <u>\$ 44,006,067</u> |

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

Total Versus Net Cost of Services

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

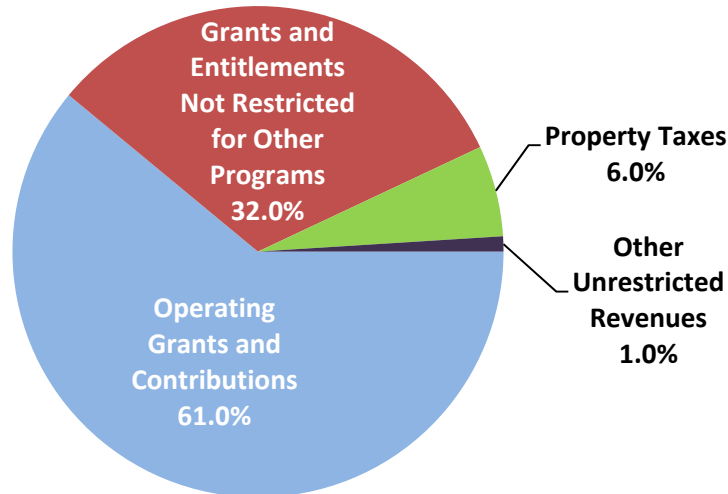
Table 3. Functions/Programs

| Functions/Programs | <u>2010 Total</u> Cost of | <u>2009 Total</u> Cost of | <u>2010 Net Cost</u> of Services | <u>2009 Net Cost</u> of Services |
|----------------------------------|--|--|---|---|
| Governmental Activities: | | | | |
| Health Services | \$ 139,418,299 | \$ 136,896,641 | \$ 39,076,962 | \$ 57,028,797 |
| General Government | 5,972,958 | 6,466,228 | 5,972,958 | 6,466,228 |
| Interest on long-term debt | 2,761 | 5,762 | 2,761 | 5,762 |
| Total Governmental Activities | <u>\$ 145,394,018</u> | <u>\$ 143,368,631</u> | <u>\$ 45,052,681</u> | <u>\$ 63,500,787</u> |

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

For the year ended December 31, 2010
(UNAUDITED)

The ADAMH Board's reliance upon both grants and property taxes is demonstrated by the chart below indicating 61.0% of total revenues from grants, approximately 32.0% of revenues from property taxes, and approximately 6.0% of revenues from grants and entitlements not restricted for other programs. The general revenues from property taxes and grants and entitlements not restricted for other programs are intended to cover the net cost of services indicated in Table 3, above.



Property Taxes (\$53.0 million, 32.0% of 2010 revenues) are generated from a 2.2 mil 10-year levy that began collections in Calendar Year 2007. Revenues in this category are contingent upon property valuations of residential and commercial real estate and tangible personal property (TPP) (refer to Note 1, Section F for details regarding the phase-out of TPP). Property Tax revenues support non-Medicaid Provider Contract Services, Medicaid and General Government (ADAMH Board administration).

Grants and Entitlements Not Restricted for Other Programs (\$11.1 million, 6.0% of 2010 revenues) are comprised of State reimbursements of property taxes (real estate, personal property, personal property replacement and manufactured homes). These revenues support non-Medicaid Provider Contract Services, Medicaid and General Government (ADAMH Board administration). Growth in this area over the past three years can be primarily attributed to "hold harmless" provisions of House Bill 66 (refer to Note 1, Section F for details).

Grants and Contributions (\$100.3 million, 61.0% of 2010 revenues) consist of revenues received from State Departments (primarily ODMH and ODADAS) and Medicaid Federal Financial Participation (FFP—the portion of Medicaid expense that is reimbursed by the government). Medicaid revenues have increased in correlation with increased Medicaid expenditures. These revenues are used exclusively to fund Provider Contract Services.

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

For the year ended December 31, 2010
(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 2010, the ADAMH Board's governmental funds reported combined ending fund balances of \$43,508,784, a 61.5% increase over the prior year.

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2010.

Table 4. Changes in Governmental Assets

| | Fund Balance 12-31-2010 | Fund Balance 12-31-2009 | Increase (Decrease) |
|--|--|--|--------------------------------|
| General | \$33,429,072 | \$18,835,059 | \$ 14,594,013 |
| State Mental Health, Alcohol and Drug | 7,872,737 | 5,095,503 | 2,777,234 |
| Other Governmental | <u>2,206,975</u> | <u>3,010,439</u> | <u>(803,464)</u> |
| Total | <u>\$43,508,784</u> | <u>\$26,941,001</u> | <u>\$ 16,567,783</u> |

The General Fund is the chief operating fund of the ADAMH Board. The fund balance increased by \$14,594,013 or 77.5% between 2009 and 2010. This increase is primarily attributed to:

- \$12.7 million increase in the Medicaid Federal Financial Participation (FFP) reimbursement. Medicaid revenues have increased in correlation with increased Medicaid expenditures.

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 2011, the ADAMH Board amended its General Fund revenue budget throughout the year. For the general fund, original and final budgeted revenues were \$117,479,857 and \$118,267,722, respectively. Actual revenues and other financing sources for Fiscal Year 2010 was \$120,864,962. This represents a \$2,597,240 increase over final budgeted revenues.

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

For the year ended December 31, 2010
(UNAUDITED)

General fund original appropriations were \$113,235,298. Since providers had until January 25, 2011 to submit claims and block grant requests for Contract Year 2010 activity, some of the expenditures did not occur until Calendar Year 2011, thus the actual 2010 budget basis expenditures totaled \$108,150,104, which was \$5,085,194 less than the final budget appropriations.

CAPITAL ASSETS

The ADAMH Board's investment in capital assets for its governmental activities as of December 31, 2010 amounts to a total cost of \$3,336,043, or \$2,271,027 net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, and machinery and equipment. 59.4% of the ADAMH Board's investment in capital assets is in the Engagement Center, a mental health and substance abuse treatment facility. Total depreciation for the twelve-month period was \$96,852. Detailed information regarding capital asset activity is included in the Note 3 to the basic financial statements.

DEBT ADMINISTRATION

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 renovate the building the ADAMH Board currently occupies.

The ADAMH Board retired the debt on December 1, 2010.

See Note 5 to the basic financial statements for detail on the ADAMH Board's debt administration.

Table 5. Outstanding Debt at Year-End

| | <u>Governmental Activities</u> | |
|--------------------------|--------------------------------|------------------|
| | <u>2010</u> | <u>2009</u> |
| General obligation bonds | \$ - | \$ 35,000 |
| Capital Leases | - | 2,075 |
| Total | <u>\$ -</u> | <u>\$ 37,075</u> |

CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS

1. Consumer
 - a. Changing community demographics will challenge ADAMH to provide culturally competent services delivered by culturally capable professionals that address the following socioeconomic factors:
 - i. Poverty;
 - ii. Children and families at risk;
 - iii. Emerging immigrants;
 - iv. Stigma;

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

For the year ended December 31, 2010
(UNAUDITED)

- v. Aging population;
 - vi. Integration of ex-offenders into community.
- b. Better-informed and more-empowered consumers will challenge ADAMH's ability to meet their expectations from the public system of care.
2. Providers—Ability of providers to meet the changing demands of consumers is challenged by:
- a. A shortage of qualified professionals;
 - b. A lack of continuity of workforce due to high turnover;
 - c. An insufficient cultural diversity in the workforce.
3. External pressures on discretionary funds (resources available) due to:
- a. Limited parity in insurance coverage for behavioral healthcare;
 - b. Political environment/fiscal policy;
 - c. Rising costs of doing business.
4. Increased expectations of the community that ADAMH system's safety net remains intact and also grows during 10-year levy cycle.
5. Funding
- a. Levy Revenues
 - i. The pending SFY 2012-13 State Biennial Budget is proposing to accelerate the phase-out of Tangible Personal Property Taxes (TPPT). The ADAMH Board is currently scheduled to receive over \$18 million in TPPT replacement funds from the State for Tax Years 2011-2018. If the upcoming State Budget is enacted as proposed by the Executive Branch, the phase-out of TPPT replacements would be accelerated, resulting in a loss of over \$11 million in revenues.
 - ii. The current housing market may result in reduced assessed values of real estate compared to internal Levy Revenue Model projections. The Franklin County Auditor's office will be conducting a sextennial (physical) assessment in 2011 for Franklin county properties. Levy revenues may also be impacted by housing start fluctuations within Franklin County.
 - iii. The increasing use of Tax Incremental Financing (TIF) will decrease future levy revenues.
 - b. State Funding
 - i. The proposed SFY 2012-2013 State Budget significantly reduces the amount of State General Revenue Funds (GRF) available to allocate to Boards. The majority of ODMH and ODADAS GRF are proposed to be used as match for the Medicaid programs (refer to 6.a below).
-

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

For the year ended December 31, 2010

(UNAUDITED)

- ii. ODMH and ODADAS are currently considering changing the formulas used to allocate State funds to Boards. Preliminary proposals from both State Departments indicate a shift from a per capita allocation basis to either a "stabilization" basis (ODMH) or "need" basis (ODADAS).
6. Policy and Environmental Changes
- a. Medicaid Elevation—The pending SFY 2012–2013 State Biennial Budget is proposing to "elevate" Medicaid to the State over the next two fiscal years. In SFY 2012, Board will continue to administer the payments of Medicaid claims, but the State would be financially responsible for all Medicaid Match. In SFY 2013, all aspects of Medicaid administration would be managed at the State level.
 - b. MACSIS— With the proposed evaluation of Medicaid to the State, the ongoing support of the current claiming system (MACSIS) may not be maintained. To alleviate this concern, the Franklin and Hamilton County ADAMH Boards have partnered to purchase a replacement system (a Request For Proposal will be issued during 2011).
 - c. Board Mergers/Administrative Service Organization (ASO)—ADAMH may negotiate with several contiguous Boards to either merge or develop an ASO relationship (create efficiencies by consolidating business and/or IT operations).
 - d. Healthcare Reform—The Federal Government passed sweeping health care reform that may have a material impact on ADAMH's system of care. Many of the "business rules" associated with this bill have not been developed yet and several key provisions will not go into effect until 2014. ADAMH will continue to monitor this legislation to maximize resources and care for Franklin County residents.

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 Wylly, Chief Financial Officer, Alcohol, Drug and Mental Health Board of Franklin County, 447 East Broad Street, Columbus, Ohio 43215-3822, phone number 614-222-3790.

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

December 31, 2010

| | Governmental Activities |
|--|------------------------------------|
| ASSETS | |
| Equity with County Treasurer | \$ 44,860,083 |
| Accounts receivable | 24,567 |
| Due from other governments | 34,339,381 |
| Due from other funds within Franklin County | 193,941 |
| Property taxes receivable | 60,204,891 |
| Capital assets, net of accumulated depreciation: | |
| Nondepreciable | 236,113 |
| Depreciable | 2,034,914 |
| | <hr/> |
| Total assets | \$ 141,893,890 |
| | <hr/> |
| LIABILITIES | |
| Accrued wages | 121,240 |
| Accounts Payable | 18,330,399 |
| Liability for unreported claims | 1,590,993 |
| Unearned Revenue | 58,023,217 |
| Long-term liabilities: | |
| Due within one year | 56,385 |
| Due in more than one year | 498,673 |
| | <hr/> |
| Total liabilities | 78,620,907 |
| | <hr/> |
| NET ASSETS | |
| Invested in capital assets | 2,271,027 |
| Restricted for: | |
| Health Services | 17,183,626 |
| Unrestricted | 43,818,330 |
| | <hr/> |
| Total net assets | 63,272,983 |
| | <hr/> |
| Total liabilities and net assets | \$ 141,893,890 |
| | <hr/> |

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

For the year ended December 31, 2010

| | | Program Revenues | | Net (Expense) Revenue & Change In Net Assets |
|--|-----------------|---|----|--|
| | Expenses | Operating Grants and Contributions | | Total Governmental Activities |
| Governmental Activities: | | | | |
| Health Services | \$ 139,418,299 | \$ 100,341,337 | \$ | (39,076,962) |
| General Government | 5,972,958 | - | | (5,972,958) |
| Interest on long-term debt | 2,761 | - | | (2,761) |
| Total Governmental Activities | 145,394,018 | 100,341,337 | | (45,052,681) |
| | | | | |
| General Revenues: | | | | |
| Property taxes - General Purpose | | | | 53,045,516 |
| Grants and Entitlements Not Restricted to Specific Programs | | | | 11,105,474 |
| Other unrestricted revenues | | | | 168,607 |
| Total general revenues | | | | 64,319,597 |
| | | | | |
| Change in Net Assets: | | | | |
| Net assets - beginning | | | | 19,266,916 |
| Net assets - ending | | | \$ | 44,006,067 |
| | | | | \$ 63,272,983 |

ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY
BALANCE SHEET
ALL GOVERNMENTAL FUNDS
December 31, 2010

| | General | State Mental Health Alcohol & Drug | Other Governmental Funds | Total Governmental Funds |
|---|-----------------------|---|--------------------------------|--------------------------------|
| ASSETS | | | | |
| Equity with County Treasurer | \$ 37,383,002 | \$ 5,613,961 | \$ 1,863,121 | \$ 44,860,084 |
| Accounts receivable | 24,567 | - | - | 24,567 |
| Due from other Governments | 18,570,531 | 10,718,415 | 5,050,434 | 34,339,380 |
| Due from other funds within Franklin County | - | - | 193,941 | 193,941 |
| Property taxes receivable | 60,204,891 | - | - | 60,204,891 |
| Total assets | \$ 116,182,991 | \$ 16,332,376 | \$ 7,107,496 | \$ 139,622,863 |
| LIABILITIES | | | | |
| Accrued wages | 121,240 | - | - | 121,240 |
| Accounts payable | 12,074,153 | 3,157,076 | 3,099,170 | 18,330,399 |
| Liability for unreported claims | 1,590,993 | - | - | 1,590,993 |
| Deferred revenues | 10,944,316 | 5,302,563 | 1,801,350 | 18,048,229 |
| Unearned revenue | 58,023,217 | - | - | 58,023,217 |
| Total liabilities | 82,753,919 | 8,459,639 | 4,900,520 | 96,114,078 |
| Fund Balance | | | | |
| Unreserved - Undesignated: | | | | |
| General Fund | 33,429,072 | | | 33,429,072 |
| Special Revenue Funds | | 7,872,737 | 2,206,975 | 10,079,712 |
| Total fund balances | 33,429,072 | 7,872,737 | 2,206,975 | 43,508,784 |
| Total liabilities and fund balances | \$ 116,182,991 | \$ 16,332,376 | \$ 7,107,495 | \$ 139,622,862 |

ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

December 31, 2010

Total Governmental Fund Balances \$ 43,508,784

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 2,271,027

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. 18,048,229

Long-term liabilities, including capital lease obligations and compensated absences, are not due and payable in the current period and therefore are not reported in the funds:

Compensated Absences Payable (555,058)

(555,058)

Net Assets of Governmental Activities **\$ 63,272,982**

ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the year ended December 31, 2010

| | General Fund | State Mental Health Alcohol & Drug | Other Government Funds | Total Governmental Funds |
|-----------------------------|-----------------------------|---|------------------------------|--------------------------------|
| REVENUES | | | | |
| Taxes | \$ 53,688,721 | \$ - | \$ - | \$ 53,688,721 |
| Intergovernmental | 68,762,280 | 20,025,859 | 19,197,560 | 107,985,699 |
| Other | 168,607 | - | 95,685 | 264,292 |
| Total revenues | <u>122,619,608</u> | <u>20,025,859</u> | <u>19,293,245</u> | <u>161,938,712</u> |
| Expenditures | | | | |
| Current Operations | | | | |
| Health Services | 102,072,964 | 17,248,624 | 20,096,711 | 139,418,299 |
| General government | 5,912,793 | - | - | 5,912,793 |
| Debt service: | | | | |
| Principal | 37,075 | - | - | 37,075 |
| Interest and fiscal charges | 2,761 | - | - | 2,761 |
| Total expenditures | <u>108,025,593</u> | <u>17,248,624</u> | <u>20,096,711</u> | <u>145,370,928</u> |
| Net change in fund balances | 14,594,015 | 2,777,235 | (803,466) | 16,567,784 |
| Fund balances – beginning | <u>18,835,059</u> | <u>5,095,503</u> | <u>3,010,439</u> | <u>26,941,001</u> |
| Fund balances – ending | <u>\$ 33,429,074</u> | <u>\$ 7,872,738</u> | <u>\$ 2,206,973</u> | <u>\$ 43,508,785</u> |

**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, 2010

Net Change in Fund Balances – Total Governmental Funds **\$ 16,567,784**

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 of depreciation in the current period. (96,852)

Revenues in the statement of activities that do not provide current financial resources are deferred, not reported as revenue in the governmental funds. 2,735,819

Repayment of 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. 40,346

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. 19,819

Change in Net Assets of Governmental Activities **\$ 19,266,916**

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, 2010

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Budgetary Actual</u> | Variance with Final Budget Positive (Negative) |
|---------------------------------------|----------------------------|----------------------------|-----------------------------|---|
| Revenues: | | | | |
| Real Estate Taxes | \$54,744,055 | \$55,517,119 | \$53,865,934 | \$(1,651,185) |
| Intergovernmental | 62,470,952 | 62,485,753 | 66,853,504 | 4,367,751 |
| Other Revenue | 264,850 | 264,850 | 145,524 | (119,326) |
| Total Revenue | <u>117,479,857</u> | <u>118,267,722</u> | <u>120,864,962</u> | <u>2,597,240</u> |
| Expenditures: | | | | |
| Health Services | 113,164,216 | 113,164,216 | 108,104,005 | 5,060,211 |
| Capital Outlay | 33,500 | 33,500 | 8,518 | 24,982 |
| Debt Services | 37,582 | 37,582 | 37,581 | 1 |
| Total expenditures | <u>113,235,298</u> | <u>113,235,298</u> | <u>108,150,104</u> | <u>5,085,194</u> |
| Other financing sources (uses) | | | | |
| Transfers in | - | 200,518 | 200,518 | - |
| Transfers out | - | (114,246) | (114,246) | - |
| Net other financing sources (uses) | <u>-</u> | <u>86,272</u> | <u>86,272</u> | <u>-</u> |
| Net change in fund balance | 4,244,559 | 5,118,696 | 12,801,130 | 7,682,434 |
| Fund balances – beginning | 22,101,887 | 22,101,887 | 22,101,887 | - |
| Fund balances – ending | <u>\$26,346,446</u> | <u>\$27,220,583</u> | <u>\$34,903,017</u> | <u>\$ 7,682,434</u> |

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, 2010

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Budgetary Actual</u> | Variance with Final Budget Positive (Negative) |
|---------------------------------------|----------------------------|---------------------|-----------------------------|---|
| Revenues | | | | |
| Intergovernmental | \$ 13,735,151 | \$ 20,005,769 | \$ 18,415,496 | \$ (1,590,273) |
| Total Revenue | <u>13,735,151</u> | <u>20,005,769</u> | <u>18,415,496</u> | <u>(1,590,273)</u> |
| Expenditures: | | | | |
| Health | 13,735,151 | 16,392,618 | 15,152,236 | 1,240,382 |
| Total expenditures | <u>13,735,151</u> | <u>16,392,618</u> | <u>15,152,236</u> | <u>1,240,382</u> |
| Other financing sources (uses) | | | | |
| Transfers in | - | 209,966 | 209,966 | - |
| Transfers out | - | (141,018) | (141,018) | - |
| Net other financing sources (uses) | <u>-</u> | <u>68,948</u> | <u>68,948</u> | <u>-</u> |
| Net change in fund balance | - | 3,682,099 | 3,332,208 | (349,891) |
| Fund balances – beginning | 2,281,752 | 2,281,752 | 2,281,752 | - |
| Fund balances – ending | <u>\$ 2,281,752</u> | <u>\$ 5,963,851</u> | <u>\$ 5,613,960</u> | <u>\$ (349,891)</u> |

See accompanying notes to the basic financial statements

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

For the year ended December 31, 2010

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 blended component unit, presented as a major special revenue fund of Franklin County, Ohio. The ADAMH Board operates in accordance with Section 340 of the Ohio Revised Code. The Franklin County Commissioners appoint a majority of the Board members and serve as the local levy taxing authority for the ADAMH Board. The Franklin County Auditor and the Franklin County Treasurer, which are elected positions, serve respectively as Chief Fiscal Officer and Custodian of all public funds.

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

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

RELATED ORGANIZATIONS:

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

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.

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.

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

For the year ended December 31, 2010

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

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

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a Balance Sheet, which generally includes only current assets and current liabilities, and a Statement of Revenues, Expenditures and Changes in Fund Balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

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

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

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

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

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

For the year ended December 31, 2010

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.

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

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

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

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

D. Budgetary Process

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

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

For the year ended December 31, 2010

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 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 2010. 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 2010.

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 County's 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 2010.

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 may not legally exceed appropriations at the level of appropriation. Managerial control is maintained through building the budget at the detailed line-item level. Appropriated funds may not be expended for purposes other than those designated in the appropriation resolution without authority from the Commissioners.

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

E. Deposits and Investments

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

Cash resources of the majority of individual funds are combined to form a pool of cash and investments managed by the County Treasurer. Interest earned on investments is accrued as earned. Under existing Ohio law, all investment earnings are assigned to the County's 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, 2010.

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

For the year ended December 31, 2010

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 2010 for real and public utility property taxes represents collection of 2009 taxes. Property tax payments received during 2010 for tangible personal property (other than public utility property) are for 2010 taxes.

2010 real property taxes are levied after October 1, 2010, on the assessed value as of January 1, 2010, the lien date. Assessed values are established by state law at 35 percent of appraised market value. 2009 real property taxes are collected in and intended to finance 2010. The total assessed value upon which the 2010 tax collection was based was \$27.3 billion. The full tax rate applied to real property for ADAMH was \$2.19 per \$1,000 of assessed valuation.

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

Public utility taxes are assessed not only on land and improvements, but also on tangible personal property at true value, which is a percentage of cost. Percentages vary according to the type of utility. The total assessed value upon which the 2010 tax collection was based was \$574 million.

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

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

“Property taxes receivable” represents delinquent real and public utility taxes outstanding as of the last settlement (net of allowances for uncollectible amounts) and real property and public utility taxes that were measurable at year-end and for which there is an enforceable legal claim. In the fund financial statements, the majority of the receivable is offset by unearned revenue since the taxes were not levied to finance 2010 operations. In the full accrual-basis government-wide financial statements, 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.

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

For the year ended December 31, 2010

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 ADAMH Board 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 | 50-55 years |
| Leasehold Improvements | 10-25 years |
| Machinery & Equipment | 5-10 years |

H. Compensated Absences

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

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

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

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

For the year ended December 31, 2010

I. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations in the funds. However, compensated absences 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. Long-term loans, bonds, and capital leases are recognized as liabilities on the governmental fund financial statements when due.

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 \$1,590,993 for the year ended December 31, 2010 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.

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.

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

For the year ended December 31, 2010

N. Net Assets

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

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

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the ADAMH Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2010.

NOTE 2. – BUDGETARY BASIS OF ACCOUNTING

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

| | Excess (Deficiency) of Revenues Over (Under) Expenditures | |
|--|--|---|
| | General Fund | State Mental Health Alcohol and Drug |
| | <u> </u> | <u> </u> |
| Non-GAAP Budgetary Basis | \$ 12,801,130 | \$ 3,332,208 |
| Basis Difference: | | |
| Net Adjustment for Revenue Accruals | 1,754,646 | 1,610,363 |
| Net Adjustment for Expenditure Accruals | 124,511 | (2,096,388) |
| Net Adjustment for Other Financing Sources | <u>(86,272)</u> | <u>(68,948)</u> |
| GAAP Basis | <u>\$ 14,594,015</u> | <u>\$ 2,777,235</u> |

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

For the year ended December 31, 2010

NOTE 3. – CAPITAL ASSETS

Governmental capital asset activity for the year ended December 31, 2010, was as follows:

| | Beginning | | | Ending |
|--|--------------------|--------------------|----------------|--------------------|
| | Balance | Additions | Deletions | Balance |
| Capital assets, not being depreciated | | | | |
| Land | \$ 236,113 | \$ - | \$ - | \$ 236,113 |
| Total capital assets, not being depreciated | <u>236,113</u> | <u>-</u> | <u>-</u> | <u>236,113</u> |
| Capital assets, being depreciated | | | | |
| Buildings and improvements | 3,214,181 | - | - | 3,214,181 |
| Machinery & Equipment | <u>128,553</u> | <u>-</u> | <u>(6,691)</u> | <u>121,862</u> |
| Total | <u>3,342,734</u> | <u>-</u> | <u>(6,691)</u> | <u>3,336,043</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (1,156,021) | (81,642) | - | (1,237,663) |
| Machinery & Equipment | <u>(54,947)</u> | <u>(15,210)</u> | <u>6,691</u> | <u>(63,466)</u> |
| Total | <u>(1,210,968)</u> | <u>(96,852)</u> | <u>6,691</u> | <u>(1,301,129)</u> |
| Total capital assets net | <u>\$2,367,879</u> | <u>\$ (96,852)</u> | <u>\$ -</u> | <u>\$2,271,027</u> |

Expenditures

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

NOTE 4. – CAPITALIZED LEASES – LESSEE DISCLOSURE

During prior years, the ADAMH Board entered into capitalized leases for copiers which terminated in 2010. 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, 2010 totaled \$2,075 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, 2010

NOTE 5. – LONG-TERM OBLIGATIONS

Long-term liability activity for the year ended December 31, 2010, was as follows:

| | Beginning | | | Ending | Due in |
|--------------------------|-------------------|------------------|--------------------|-------------------|------------------|
| | <u>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> | <u>One Year</u> |
| General Obligation Bonds | \$ 35,000 | \$ - | \$ (35,000) | \$ - | \$ - |
| Capital Leases | 2,075 | - | (2,075) | - | - |
| Compensated Absences | <u>574,877</u> | <u>35,883</u> | <u>(55,702)</u> | <u>555,058</u> | <u>56,385</u> |
| Total | <u>\$ 611,952</u> | <u>\$ 35,883</u> | <u>\$ (92,777)</u> | <u>\$ 555,058</u> | <u>\$ 56,385</u> |

A. General Obligation Bonds

In 1986, the Franklin County Commissioners authorized the issuance of \$795,000 in general obligation bonds at 7.375% of which the proceeds were used to renovate the building the ADAMH Board currently occupies. The ADAMH Board retired the debt on December 1, 2010, the final maturity date.

B. Compensated Absences

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

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

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

NOTE 6. – 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

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

For the year ended December 31, 2010

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 7. – CONTINGENT LIABILITIES

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

Litigation

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

NOTE 8. – EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN

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

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

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

For the year ended December 31, 2010

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

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

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan.

The ADAMH Board's employer contribution rate for 2010 was 14.0%. For the period January 1 through February 28, a portion of the ADAMH Board's contribution equal to 5.5% of covered payroll was allocated to fund the post-employment health care plan; for the period March 1 through December 31, 2010 this amount was decreased to 5.0%. For the required 10.0% employee contribution, the employee pick-up percent of covered payroll was 5% in 2010. The ADAMH Board's required contributions to OPERS for the years ended December 31, 2010, 2009 and 2008 were as follows:

| | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|----------------------------------|-------------------|-------------------|-------------------|
| Employer Share | \$ 438,779 | \$ 498,125 | \$ 520,709 |
| Employee Share, paid by employer | <u>156,707</u> | <u>177,902</u> | <u>185,968</u> |
| Total Contributions | <u>\$ 595,486</u> | <u>\$ 676,027</u> | <u>\$ 706,677</u> |

NOTE 9. – OTHER POST-EMPLOYMENT BENEFITS

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

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

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

To qualify for post-employment healthcare coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service

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

For the year ended December 31, 2010

credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The healthcare coverage provided by OPERS meets the definition of an Other Post-Employment Benefit ("OPEB") as described in GASB Statement 45.

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

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

B. Funding Policy

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, state and local employers contributed at a rate of 14.0% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post-Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5% of covered payroll from January 1 through February 28, 2010, and 4.23% from March 1 through December 31, 2010. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The rates stated above are the contractually-required contribution rates for OPERS. The portion of the ADAMH Board's employer contributions used to fund post-employment health care benefits for January 1 through December 31, 2010 were \$266,401.

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

NOTE 10. – RELATED PARTY TRANSACTIONS

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

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

For the year ended December 31, 2010

| FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE | FEDERAL CFDA NUMBER | GRANT AWARD YEAR | RECEIPTS | DISBURSE- MENTS |
|---|--|--|--|--|
| U.S. DEPARTMENT OF JUSTICE/BUREAU OF JUSTICE ASSISTANCE Passed Through Ohio Department of Rehabilitation and Correction Prisoner Reentry Initiative Demonstration (Offender Reentry) | 16.202 | 2009, 2010 | <u>103,798</u> | <u>107,682</u> |
| U.S. DEPARTMENT OF LABOR EMPLOYMENT TRAINING ADMINISTRATION Passed Through Ohio Department of Rehabilitation and Correction Reintegration of Ex-Offenders Program | 17.270 | 2010 | <u>32,526</u> | <u>41,585</u> |
| U.S. DEPARTMENT OF EDUCATION/OFFICE OF SAFE AND DRUG FREE SCHOOLS Passed Through Ohio Department of Alcohol and Drug Addiction Services Safe and Drug-Free Schools and Communities: State Grants | 84.186 | 2010 | <u>48,158</u> | <u>54,586</u> |
| U.S. DEPARTMENT OF EDUCATION/OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES Passed Through Ohio Department of Rehabilitation Services Rehabilitative Services - Vocational Rehabilitation Grants to States | 84.126 | 2009, 2010, 2011 | <u>864,263</u> | <u>770,867</u> |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES/SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION Passed Through Ohio Department of Mental Health Projects for Assistance in Transition from Homelessness (PATH) Child Care and Development Block Grant Social Services Block Grant Children's Health Insurance Program Medical Assistance Program ARRA FMAP Medicaid Block Grants for Community Mental Health Services | 93.150 93.575 93.667 93.767 93.778 93.778 93.958 | 2009, 2010, 2011 2009, 2010, 2011 2010, 2011 2009, 2010, 2011 2009, 2010, 2011 2009, 2010, 2011 2010, 2011 | 589,475 150,413 757,760 5,493,450 42,314,821 6,704,557 1,292,364 | 320,359 164,317 757,769 5,100,807 47,593,746 6,773,639 1,548,217 |
| TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - MENTAL HEALTH: | | | <u>57,302,840</u> | <u>62,258,854</u> |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES/SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION Passed Through Ohio Department of Alcohol and Drug Addition Services Children's Health Insurance Program Medical Assistance Program ARRA FMAP Medicaid Block Grants for Prevention and Treatment of Substance Abuse | 93.767 93.778 93.778 93.959 | 2009, 2010, 2011 08, 2009, 2010, 20 2009, 2010, 2011 2010, 2011 | 1,756,567 6,039,389 957,101 4,629,839 | 1,647,521 7,188,109 1,023,446 5,863,297 |
| TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - SUBSTANCE ABUSE: | | | <u>13,382,896</u> | <u>15,722,373</u> |
| TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES/SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION: | | | <u>70,685,736</u> | <u>77,981,227</u> |
| TOTAL PASS-THROUGH GRANTOR AWARDS | | | <u>71,734,481</u> | <u>78,955,947</u> |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES/SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION SAMHSA: Substance Abuse and Mental Health Service - Projects of Regional and National Significance | 93.243 | 2009, 2010 | 296,295 | 296,295 |
| TOTAL FEDERAL AWARDS: | | | <u>72,030,776</u> | <u>79,252,242</u> |

**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY
NOTES TO THE FEDERAL AWARDS EXPENDITURE AND REVENUE SCHEDULE**

For the year ended December 31, 2010

NOTE 1. – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditure Schedule (the Schedule) summarizes activity of the Alcohol, Drug and Mental Health Board of Franklin County (ADAMH) federal award programs. The schedule is prepared on the cash basis of accounting

NOTE 2. – SUBRECIPIENTS

The ADAMH Board passes-through certain Federal assistance received from Ohio Department of Mental Health (ODMH), Ohio Alcohol and Drug Addition Services (ODADAS), Ohio Department of Rehabilitation Services (DRC), Ohio Rehabilitation Services (RSC) and Substance Abuse and Mental Health Services Administration (SAMHSA) to not-for-profit agencies (subrecipients). As described in Note 1, the ADAMH Board records expenditures of Federal awards to subrecipients when paid in cash.

The subrecipient agencies have certain compliance responsibilities related to administering these Federal programs. Under Federal Circular A-133, the ADAMH Board is responsible for monitoring subrecipients to help assure that Federal awards are expended for authorized purposes in compliance with law, regulations and the provisions of contracts or grant agreements, and that performance goals are achieved.

NOTE 3. – MATCHING REQUIREMENTS

Certain Federal programs require the ADAMH Board contribute non-Federal funds (matching funds) to support the Federally-funded programs. The ADAMH Board has complied with the matching requirements (if applicable) for the major federal programs identified in the summary. The expenditure of non-Federal matching funds is not included on the Schedule.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Alcohol, Drug, and Mental Health Board of Franklin County, Franklin County, (the ADAMH Board), a blended component unit presented as a major special revenue fund of Franklin County, as of and for the year ended December 31, 2010, which collectively comprise the ADAMH Board's basic financial statements, and have issued our report thereon dated May 27, 2011. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the ADAMH Board's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the ADAMH Board's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the ADAMH Board's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the ADAMH Board's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

As part of reasonably assuring whether the ADAMH Board's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts.

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However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management, the audit committee, Board of Trustees, and federal awarding agencies and pass-through entities, and others within the ADAMH Board. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

May 27, 2011



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Trustees:

Compliance

We have audited the compliance of Alcohol, Drug, and Mental Health Board of Franklin County (the ADAMH Board) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of ADAMH's major federal programs for the year ended December 31, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the ADAMH Board's major federal programs. The ADAMH Board's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the ADAMH Board's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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.

In our opinion, the Alcohol, Drug, and Mental Health Board of Franklin County, Franklin County, Ohio complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as Finding 2010-001.

Internal Control Over Compliance

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

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In planning and performing our audit, we considered the ADAMH Board's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the ADAMH Board's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

The ADAMH Board's response to the finding identified in our audit is described in the accompanying corrective action plan. We did not audit the ADAMH Board's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the audit committee, management, Board of Trustees, Franklin County, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

May 27, 2011

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|---|---|
| <i>(d)(1)(i)</i> | Type of Financial Statement Opinion | Unqualified |
| <i>(d)(1)(ii)</i> | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(ii)</i> | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iii)</i> | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iv)</i> | Were there any material internal control weaknesses reported for major federal programs? | No |
| <i>(d)(1)(iv)</i> | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| <i>(d)(1)(v)</i> | Type of Major Programs' Compliance Opinion | Unqualified |
| <i>(d)(1)(vi)</i> | Are there any reportable findings under § .510(a)? | Yes |
| <i>(d)(1)(vii)</i> | Major Programs (list): | Medicaid 93.778 State Children's Health Insurance Program 93.767 |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A\B Programs | Type A: > \$ 2,377,567 Type B: all others |
| <i>(d)(1)(ix)</i> | Low Risk Auditee? | No |

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

None

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2010
(Continued)**

| |
|---------------------------------------|
| 3. FINDINGS FOR FEDERAL AWARDS |
|---------------------------------------|

1. Filing Annual Single Audit Packet – Material Non-Compliance

| | |
|------------------------------------|---|
| Finding Number | 2010-001 |
| CFDA Title and Number | Medicaid 93.778 State Children’s Health Insurance Program 93.767 |
| Federal Award Number / Year | 2008, 2009, 2010, 2011 |
| Federal Agency | U.S. Department of Health and Human Services |
| Pass-Through Agency | Ohio Department of Mental Health and Ohio Department of Alcohol and Drug Services |

OMB Circular A-133 Subpart B § __.200(a) requires Non-Federal entities that expend \$500,000 for fiscal or more in a year in Federal awards shall have a single or program-specific audit conducted for that year in accordance with the provisions of this part. Guidance on determining Federal awards expended is provided in § __.205. OMB Circular A-133 Subpart B § __.200 (b) requires Non-Federal entities that expend \$500,000 for fiscal or more in a year in Federal awards shall have a single audit conducted in accordance with § __.500 except when they elect to have a program-specific audit. OMB Circular A-133 § .320(a) requires such report to be filed with the Federal Audit Clearing House within nine months after the end of the audit period.

The Board expended \$66,735,146 in federal awards in 2009. The 2009 Single Audit report filing was not completed until February 14, 2011, which did not meet the required filing deadline as denoted above.

Without filing the required reports with the Federal Audit Clearinghouse in a timely manner the Board will not meet the criteria for a low-risk auditee status under OMB Circular A-133§ .530 and it could affect the Board’s federal funding status.

We recommend the Board implement a monitoring procedure to ensure the Board timely files the Single Audit report within nine months after the end of the audit period.

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

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
FISCAL YEAR END DECEMBER 31, 2010**

| Finding Number | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
|----------------|---|-----------------------------|----------------------------|
| 1 | <p>The ADAMH Board of Franklin County filed its 2009 Single Audit report with the Federal Clearinghouse late due to miscommunications between management and the Ohio State Auditor's Office.</p> <p>To prevent future Federal Clearinghouse filing issues, the Board has changed its practices to ensure that all Ohio State Auditor's communications are forwarded to the Board's Internal Auditor. The Internal Auditor is responsible for ensuring the Board's audit reports are filed with appropriated federal, state and local agencies.</p> | Complete | Willie Pinkins |



Dave Yost • Auditor of State

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

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 21, 2011**