

**ALCOHOL, DRUG AND MENTAL HEALTH
BOARD OF FRANKLIN COUNTY
(A BLENDED COMPONENT UNIT OF FRANKLIN COUNTY)
FRANKLIN COUNTY
SINGLE AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2015**



Dave Yost • Auditor of State

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

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Alcohol, Drug and Mental Health Board of Franklin County, Franklin County, Ohio (the ADAMH Board), a blended component unit presented as a major special revenue fund of Franklin County, Ohio as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the ADAMH Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the ADAMH Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the ADAMH Board's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Alcohol, Drug and Mental Health Board of Franklin County, Franklin County, Ohio, a blended component unit presented as a major special revenue fund of Franklin County, Ohio as of December 31, 2015, and the respective changes in financial position and the respective budgetary comparisons for the General Fund and State Mental Health, Alcohol and Drug Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended December 31, 2015, the ADAMH Board adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, and schedules of net pension liabilities and pension contributions 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the ADAMH Board's basic financial statements taken as a whole.

The Schedule of Receipts and Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule 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 Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2016, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the ADAMH Board's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

June 2, 2016

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

As management of the Alcohol, Drug and Mental Health Board of Franklin County (“the ADAMH Board”), we are providing this overview of the ADAMH Board’s financial activities for the year ended December 31, 2015. 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. The 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 the ADAMH Board is financially responsible.

FINANCIAL HIGHLIGHTS

Key financial highlights for the year ended December 31, 2015 are as follows:

- The ADAMH Board’s assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of 2015 by \$90,193,536 of this amount; \$9,896,563 is considered restricted.
- As of the close of 2015, the ADAMH Board’s governmental funds reported combined ending restricted fund balances of \$4,846,944.
- As of the close of 2015, the ADAMH Board has cumulated deposit amounts totaling \$87,459,492.

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.

Government-wide Financial Statements

The government-wide financial statements 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 remain 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.

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, 2015?” The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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 position and changes in net position. This change in net position 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’s capital assets will also need to be evaluated.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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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 their constituents. The ADAMH Board's funds are divided into two categories: governmental funds and fiduciary funds.

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 their constituents. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled as part of the financial statements.

The ADAMH Board maintains eight 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 six governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found starting on page 17 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the ADAMH Board. Fiduciary funds are not reflected in the government-wide financial statements because those resources are not available to support the ADAMH Board's own programs.

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 basic financial statements can be found starting on page 25 of this report.

THE ADAMH BOARD AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the ADAMH Board as a whole. Table 1, below, provides a summary of the ADAMH Board's net position for 2015 compared to 2014.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

Table 1 - Net Position

	Governmental Activities	
	2015	2014
Current and Other Assets	\$150,138,454	\$155,014,520
Capital Assets	1,873,819	1,996,124
Total Assets	\$152,012,273	\$157,010,644
Deferred Outflows of Resources:		
Pension	\$576,625	\$395,385
Total Deferred Outflows of Resources	\$576,625	\$395,385
Current Liabilities	\$6,294,879	\$6,966,385
Net Pension Liability	3,254,579	3,181,069
Long-term Liabilities	724,727	658,611
Total Liabilities	\$10,274,185	\$10,806,065
Deferred Inflows of Resources:		
Property Tax	\$52,064,000	\$52,190,000
Pension	57,177	0
Total Deferred Inflows of Resources	\$52,121,177	\$52,190,000
Net Investment in Capital Assets	\$1,873,819	\$1,996,124
Restricted for:		
Health Services	9,896,563	9,991,259
Unrestricted	78,423,154	82,422,581
Total Net Position	\$90,193,536	\$94,409,964

Total assets (\$4,998,371 decrease) and total liabilities (\$531,880 decrease) were relatively unchanged between 2014 and 2015.

During 2015, the ADAMH Board adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the ADAMH Board's actual financial condition by adding deferred inflows of resources related to pension and the net pension liability to the reported net position and subtracting deferred outflows of resources related to pension.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with Generally Accepted Accounting Principles ("GASB"). When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the ADAMH Board's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the ADAMH Board, part of a bargained-for benefit to the employee, and should accordingly be reported by the ADAMH Board as a liability since they received the benefit of the exchange. However, the ADAMH Board is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the ADAMH Board. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the Statement of Net Position.

In accordance with GASB 68, the ADAMH Board's statements are prepared on an accrual basis of accounting and include an annual pension expense for their proportionate share of each plan's change in *net pension liability* not accounted for as deferred inflows/outflows of resources.

As a result of implementing GASB 68, the ADAMH Board is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014. The net pension liability reduced beginning of year net position by \$2,785,684 in governmental activities.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$395,385 for governmental activities computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows of resources. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$352,418 for governmental activities.

Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	Governmental Activities
Total 2015 program expenses under GASB 68	\$74,215,929
Pension expense under GASB 68	(352,418)
2015 contractually required contribution	402,971
Adjusted 2015 program expenses	74,266,482
Total 2014 program expenses under GASB 27	74,134,968
Increase in program expenses not related to pension	\$131,514

Table 2 - Changes in Net Position

	Governmental Activities	
	2015	2014
Program Revenues:		
Operating Grants and Contributions	\$13,946,315	\$17,072,034
General Revenues:		
Property Taxes	49,808,606	50,498,265
Grants and Entitlements not restricted to specific programs	6,244,215	6,410,165
Other Unrestricted Revenues	365	0
Total Revenues	\$69,999,501	\$73,980,464
Expenses:		
Health Services	\$66,536,811	\$66,456,402
General Government	7,679,118	7,678,566
Total Expenses	\$74,215,929	\$74,134,968
Changes in Net Position	(\$4,216,428)	(\$154,504)
Net Position - Beginning, restated	94,409,964	N/A
Net Position - Ending	\$90,193,536	\$94,409,964

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

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.

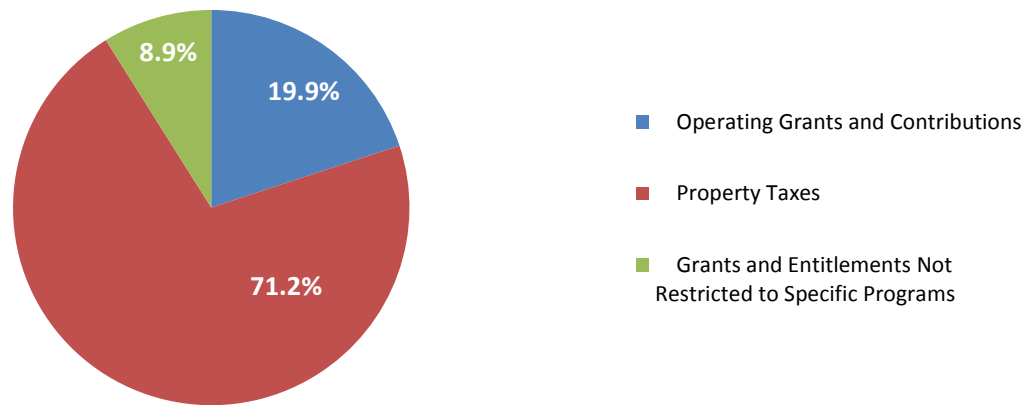
Total versus Net Cost of Services

The Statement of Activities shows the cost of program services and the 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

<u>Functions / Programs</u>	<u>2015 Total Cost of Services</u>	<u>2014 Total Cost of Services</u>	<u>2015 Net Cost of Services</u>	<u>2014 Net Cost of Services</u>
Governmental Activities:				
Health Services	\$66,536,811	\$66,456,402	\$52,735,674	\$49,526,474
General Government	7,679,118	7,678,566	\$7,533,940	\$7,536,460
Total Governmental Activities	<u>\$74,215,929</u>	<u>\$74,134,968</u>	<u>\$60,269,614</u>	<u>\$57,062,934</u>

The ADAMH Board's reliance upon both grants and property taxes is demonstrated by the pie chart on the following page indicating 19.9% of total revenues from operating grants and contributions, approximately 71.2% of revenues from property taxes, and approximately 8.9% of revenues from grants and entitlements not restricted to specific programs. The general revenues from property taxes and grants and entitlements not restricted to specific programs are intended to cover the net cost of services indicated in Table 3, above.



Property taxes (\$49.8 million) 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.

Grants and entitlements not restricted to specific programs (\$6.2 million) are comprised of State reimbursements of property taxes (real estate, personal property, personal property replacement and manufactured homes). Operating grants and contributions were \$13.9 million.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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THE ADAMH BOARD'S FUNDS

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

At the end of 2015, the ADAMH Board's governmental funds reported a combined ending fund balance of \$82,103,291, a 3% (\$2.5 million) decrease over the prior year. The decrease in fund balance can be attributed to ADAMH's planned approach to spend down Governmental fund reserves in the final years of the current levy cycle.

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2015.

Table 4 - Changes in Governmental Assets

	<u>Fund Balance</u> <u>12/31/2015</u>	<u>Fund Balance</u> <u>12/31/2014</u>	<u>Increase /</u> <u>(Decrease)</u>
General	\$77,268,262	\$80,247,835	(\$2,979,573)
State Mental Health, Alcohol & Drug	1,851,959	2,823,462	(971,503)
Other Governmental	2,983,070	1,567,090	1,415,980
Total	<u>\$82,103,291</u>	<u>\$84,638,387</u>	<u>(\$2,535,096)</u>

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 2015, the ADAMH Board amended its General Fund revenue budget throughout the year. For the General Fund, original and final budgeted revenues were \$59,221,709 and \$59,564,477, respectively. Actual revenues for fiscal year 2015 were \$57,715,417. This represents a \$1,849,060 shortage of final budgeted revenues.

General Fund original and final appropriations were \$71,812,854. The actual 2015 budget basis expenditures totaled \$59,912,423 (\$11,900,431 less than the budgeted appropriations). Unrealized appropriations can be attributed to providers having until January 29, 2016 to submit claims and block grant requests for contract year 2015 activity, some of the expenditures did not occur until calendar year 2016.

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

The ADAMH Board's investment in capital assets for its governmental activities as of December 31, 2015 amounts to a total cost of \$3,668,969 or \$1,873,819 net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, and machinery and equipment. A portion of the ADAMH Board's investment in capital assets includes the Engagement Center, a mental health and substance abuse treatment facility. Total depreciation for the twelve-month period was \$100,670. Detailed information regarding capital asset activity is included in the Note 4 to the basic financial statements.

CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS

1. Over the next five years, the ADAMH Board envisions the consumer landscape will be impacted by the following challenges and opportunities:
 - a. Changing community demographics, continuing severe economic stressors and increased complexity of consumer and family needs will challenge the ADAMH Board to provide culturally competent services, delivered by culturally capable professionals that address the following socioeconomic and health factors:
 - i. Sustained levels of unemployment and associated mental health and addiction implications;
 - ii. Increased poverty—more people are in more extreme poverty;
 - iii. People exposed to trauma (neighborhood, war, etc.);
 - iv. Children, youth and families at risk;
 - v. Emerging immigrants;
 - vi. Stigma;
 - vii. Aging population and caregivers;
 - viii. Integration of increased numbers of ex-offenders into community;
 - ix. Diversion from jails/prisons;
 - x. Increasing acuity of consumers at time of entry into system; and
 - xi. Homelessness.
 - b. Increasing number of diverse healthcare plans, including national healthcare reform and Medicaid expansion, with differing benefits (e.g. access to medications) will challenge consumers and families in meeting their expectations from multiple public payer systems.
 - c. A significant increase in the need for specialized treatments for individuals with dual disorders (i.e. both mental health and substance abuse) as well as an increase in the demand for intensive treatments (e.g. high use of psychiatric beds and crisis services.).
 - d. An expectation for health care “homes” in which mental health and substance abuse treatment is integrated with primary healthcare rather than a separate and distinct system.
 - e. Increased demand for more supportive housing and support services (e.g. vocational, crisis stabilization) will require the ADAMH Board to determine the un-met need and the level of supports that are required within a continuum of care.

**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY
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- f. Increased advocacy from consumers and family members for vital services from the public system of care.
2. The ADAMH Board envisions the provider network will be impacted by the following challenges and opportunities:
- a. Capability of providers to meet the demands of consumers will be challenged by:
 - i. Rapidly changing reimbursement environment with multiple healthcare plans for insured & non-insured consumers;
 - ii. Increased demand for price, quality, transparency, and performance reimbursements; and
 - iii. Insufficient diversity in the workforce.
 - b. Opportunity to partner with primary healthcare providers to develop integrated systems of care that address both the mental health and substance abuse treatment and physical healthcare needs of the patient.
 - c. Sustainability of the current provider system (e.g. network of providers) in light of changing reimbursement structures.
3. The ADAMH Board envisions the community will be impacted by the following challenges and opportunities:
- a. Availability of discretionary funds (resources available) is uncertain due to the:
 - i. Reduction in local levy funds due to slowed housing starts or de-valuation of property;
 - ii. Uncertainty of community support of the local levy due to continued economic uncertainty;
 - iii. Reduction of non-levy discretionary funds as a result of economic recession; and
 - iv. Elevation of Medicaid match financing to the State of Ohio.
 - b. Re-definition of the ADAMH Board's relationship with the State's hospitalization program.
 - c. Increased number of consumers who are Medicaid-eligible will require the ADAMH Board to:
 - i. Re-define its relationship with the Medicaid program; and
 - ii. Evaluate the impact of the State's Medicaid cost-containment, including the possibility of managed care.
 - d. Impact of Federal Affordable Healthcare Act on the ADAMH Board system of care from 2014 and beyond is uncertain due to the:
 - i. Development of medical home models;
 - ii. Growth in Medicaid eligibility;
 - iii. Development of health care exchanges;
 - iv. Employer choice to opt-in/out;
 - v. Continuing political/legal challenges to implementation; and
 - vi. Health information technologies.

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- e. Changing community expectations for priority prevention and treatment services that will be available within the new business environment:
 - i. Integration of new models of prevention services into diverse learning environments;
 - ii. New requirements for school-based civic service or service leadership may create opportunities for community organizations;
 - iii. Increase of violence, crime, and deteriorating conditions in certain communities threaten the health, safety and stability of its citizens (particularly youth);
 - iv. Loss of income, housing, jobs, and other life-threatening conditions are negatively impacting the health/stability of citizens and families;
 - v. Integration of new models of treatment services that incorporate peer supported environments;
 - vi.
 - vii. Faith institutions are being sought by residents seeking a wide range of services (i.e., food, shelter, counseling, youth programs, safety, etc.).
 - f. Increased poverty—more people are in more extreme poverty.
 - g. Increased expectations among all funders for systems to collaborate.
 - h. Increased advocacy from and for consumers and family members for vital services.
4. Levy Revenues

The reduction in housing values from the septennial assessment resulted in a 6.2% decrease in 2011 property tax values. In 2012, Class 1 (Residential/Agriculture) valuations were flat and Class 2 (Commercial) valuations decreased by an additional 2.7%. In addition, the SFY 2012-13 state biennial budget accelerated the phase out of the TPP hold harmless provisions. Both of these factors have decreased the revenue received from the ADAMH Board property tax levy. The ADAMH Board projects no more than a 1% annual rate of recovery from this loss through the end of the current levy cycle in 2016.

Table 5 - Levy Revenues

DESCRIPTION	2009	2010	2011	2012	2013	2014	2015
REAL ESTATE TAX	\$52,793,743	\$53,674,034	\$53,092,693	\$50,499,792	\$50,886,275	\$50,463,683	\$50,720,564
PERSONAL PROPERTY TAX	\$349,796	\$168,071	\$37,704	\$36,299	\$30,011	\$14,082	\$2,546
HOUSE TRAILER TAX	\$26,646	\$23,830	\$23,140	\$24,424	\$24,651	\$22,749	\$24,496
STATE REIMB-REAL ESTATE TAXES	\$5,975,139	\$6,001,417	\$6,039,324	\$5,689,810	\$5,723,513	\$5,816,615	\$5,810,773
STATE REIMB-PERS PROP TAXES	\$34,673	\$0	\$0	\$0	\$0	\$0	\$0
STATE REIMB-PU TAX REPLACEMENT	\$443,017	\$410,547	\$177,744	\$0	\$0	\$0	\$0
STATE REIMB-MAN HOMES	\$11,875	\$12,416	\$12,436	\$12,739	\$13,072	\$13,135	\$12,254
STATE REIMB-PP REPLACEMENT	\$4,646,113	\$4,749,896	\$3,532,214	\$2,284,878	\$1,052,369	\$1,052,369	\$526,185
TOTALS	\$64,281,002	\$65,040,211	\$62,915,255	\$58,547,942	\$57,729,891	\$57,382,633	\$57,096,818

On November 3, 2015, Franklin County residents approved a 2.2 mill 5 year renewal levy for the ADAMH Board. Collections for the new levy cycle will begin in 2017. Projected revenue for the first year (2017) are estimated to be \$57.5 million.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

5. Insurance Reform

Beginning January 2014, the State of Ohio expanded Medicaid eligibility by permitting individuals with an income at or below 138% of the Federal Poverty Level to enroll in the State's Medicaid program. This expansion, coupled with insurance coverage from the Affordable Care Act (ACA) via healthcare exchanges, has decreased the amount of core treatment services the ADAMH Board purchased during 2015.

If Medicaid and ACA continue this expansion, it will afford the Board an opportunity to invest additional resources in recovery support programs that will further enhance consumer care.

6. SHARES and The Three C COG

The Alcohol, Drug and Mental Health Board of Franklin County, the Hamilton County Mental Health and Recovery Services Board and the Alcohol, Drug Addiction, and Mental Health Services Board of Cuyahoga County who jointly have formed a council of government entity known as the **Three C Recovery and Health Care Network** (the COG), have contracted with a vendor to develop a Shared Healthcare and Recovery Enterprise System (SHARES) that will support management of client enrollment, benefit management, provider contracting, payment processes, and utilization and outcomes management. SHARES is necessary to support the payor role of the Boards, as a component of the local authority's statutory responsibility for developing, funding, overseeing, and evaluating mental health and substance abuse care for their respective jurisdictions at this time.

CONTACTING THE ADAMH BOARD'S FINANCIAL MANAGEMENT

This financial report is designed to provide an overview of the ADAMH Board's finances and its accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jonathan Wylly, Chief Financial Officer, Alcohol, Drug and Mental Health Board of Franklin County, 447 East Broad Street, Columbus, Ohio 43215-3822, phone number 614-222-3790.

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

**STATEMENT OF NET POSITION
DECEMBER 31, 2015**

	Governmental Activities
ASSETS	
Equity with County Treasurer	\$ 87,459,492
Accounts receivable	241,145
Due from other governments	10,474,817
Property taxes receivable	51,963,000
Capital assets, net of accumulated depreciation:	
Nondepreciable	236,113
Depreciable	1,637,706
 Total assets	 152,012,273
DEFERRED OUTFLOWS OF RESOURCES	
Pension	576,625
LIABILITIES	
Accrued wages	244,226
Accounts Payable	6,050,653
Long-term liabilities:	
Due within one year	46,616
Due in more than one year:	
Net pension liability	3,254,579
Other amounts due in more than one year	678,111
 Total liabilities	 10,274,185
DEFERRED INFLOWS OF RESOURCES	
Property Tax	52,064,000
Pension	57,177
 Total deferred inflows of resources	 52,121,177
NET POSITION	
Net investment in Capital Assets	1,873,819
Restricted for:	
Health Services	9,896,563
Unrestricted	78,423,154
 Total net position	 \$ 90,193,536

See accompanying notes to the basic financial statements.

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

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER December 31, 2015**

		Program Revenues	Net (Expense) Revenue and Change In Net Position
	Expenses	Operating Grants and Contributions	Total Governmental Activities
Governmental Activities:			
Health Services	\$ 66,536,811	\$ 13,801,137	\$ (52,735,674)
General Government	7,679,118	145,178	(7,533,940)
Total Governmental Activities	74,215,929	13,946,315	(60,269,614)
General Revenues:			
Property taxes - General Purpose			49,808,606
Grants and Entitlements Not Restricted to Specific Programs			6,244,215
Other unrestricted revenues			365
Total general revenues			56,053,186
Change in Net Position			(4,216,428)
Net position - beginning, restated			94,409,964
Net position - ending			\$ 90,193,536

See accompanying notes to the basic financial statements.

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

**BALANCE SHEET
ALL GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	General	State Mental Health Alcohol & Drug	Other Governmental Funds	Total Governmental Funds
ASSETS				
Equity with County Treasurer	\$ 83,946,531	\$ 1,020,951	\$ 2,492,010	\$ 87,459,492
Accounts receivable	241,145	-	-	241,145
Due from other Governments	2,896,000	3,324,206	4,254,611	10,474,817
Property taxes receivable	51,963,000	-	-	51,963,000
Interfund Receivable	242,963	-	-	242,963
Total assets	\$ 139,289,639	\$ 4,345,157	\$ 6,746,621	\$ 150,381,417
LIABILITIES				
Accrued wages	232,311	-	11,915	244,226
Accounts payable	5,134,071	353,356	563,226	6,050,653
Interfund Payable	-	-	242,963	242,963
Total liabilities	5,366,382	353,356	818,104	6,537,842
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	4,590,995	2,139,842	2,945,447	9,676,284
Property tax	52,064,000	-	-	52,064,000
Total deferred inflows of resources	56,654,995	2,139,842	2,945,447	61,740,284
Fund Balance				
Restricted	-	1,851,959	2,994,985	4,846,944
Assigned	11,024,225	-	-	11,024,225
Unassigned	66,244,037	-	(11,915)	66,232,122
Total fund balances	77,268,262	1,851,959	2,983,070	82,103,291
Total liabilities, deferred inflows of resources, and fund balances	\$ 139,289,639	\$ 4,345,157	\$ 6,746,621	\$ 150,381,417

See accompanying notes to the basic financial statements.

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

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES**

FOR THE YEAR ENDED DECEMBER 31, 2015

Total Governmental Fund Balances		\$82,103,291
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		1,873,819
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		9,676,284
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds:		(724,727)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
	Deferred Outflows - Pension	576,625
	Deferred Inflows - Pension	(57,177)
	Net Pension Liability	<u>(3,254,579)</u>
		<u>(2,735,131)</u>
Net Position of Governmental Activities		\$90,193,536

See accompanying notes to the basic financial statements.

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General Fund	State Mental Health Alcohol & Drug	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 50,623,606	\$ -	\$ -	\$ 50,623,606
Intergovernmental	7,047,845	4,759,792	9,111,357	20,918,994
Other	365	-	-	365
Total revenues	57,671,816	4,759,792	9,111,357	71,542,965
Expenditures				
Current Operations				
Health Services	53,261,050	5,731,295	7,544,466	66,536,811
General government	7,390,339	-	150,911	7,541,250
Total expenditures	60,651,389	5,731,295	7,695,377	74,078,061
 Net change in fund balances	 (2,979,573)	 (971,503)	 1,415,980	 (2,535,096)
 Fund balances-beginning	 80,247,835	 2,823,462	 1,567,090	 84,638,387
 Fund balances-ending	 \$ 77,268,262	 \$ 1,851,959	 \$ 2,983,070	 \$ 82,103,291

See accompanying notes to the basic financial statements

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

Net Change in Fund Balances - Total Governmental Funds **(\$2,535,096)**

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. In the current period:

	Capital Outlay	20,000	
	Depreciation Expense	<u>(100,670)</u>	(80,670)

The net effect of various miscellaneous transactions involving capital assets (i.e. disposals and donations) is to decrease net position.

The Statement of Activities reports losses arising from the disposal of capital assets. Conversely, the governmental funds do not report any loss on the disposal of capital assets. (41,635)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds. (1,543,464)

Contractually required contributions are reported as expenditures in governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows. 402,971

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the Statement of Activities. (352,418)

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. (66,116)

Changes in Net Position of Governmental Activities **(\$4,216,428)**

See accompanying notes to the basic financial statements.

**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY
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, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Budgetary Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Property Taxes	\$ 52,043,671	\$ 52,672,750	\$ 50,747,606	\$ (1,925,144)
Intergovernmental	7,178,038	6,891,727	6,967,446	75,719
Other Revenue	-	-	365	365
Total Revenues	<u>59,221,709</u>	<u>59,564,477</u>	<u>57,715,417</u>	<u>(1,849,060)</u>
Expenditures				
Health Services	63,340,238	63,340,238	52,417,791	10,922,447
General Government	8,472,616	8,472,616	7,494,632	977,984
Total expenditures	<u>71,812,854</u>	<u>71,812,854</u>	<u>59,912,423</u>	<u>11,900,431</u>
Net change in fund balances	(12,591,145)	(12,248,377)	(2,197,006)	10,051,371
Fund balances - beginning	<u>83,031,537</u>	<u>83,031,537</u>	<u>83,031,537</u>	<u>-</u>
Fund balances - ending	<u>\$ 70,440,392</u>	<u>\$ 70,783,160</u>	<u>\$ 80,834,531</u>	<u>\$ 10,051,371</u>

See accompanying notes to the basic financial statements

**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY
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, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Budgetary Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Intergovernmental	\$ 5,046,487	\$ 5,697,727	\$ 4,379,958	\$ (1,317,769)
Total Revenues	<u>5,046,487</u>	<u>5,697,727</u>	<u>4,379,958</u>	<u>(1,317,769)</u>
Expenditures				
Health Services	5,046,487	5,697,727	5,598,905	98,822
Total expenditures	<u>5,046,487</u>	<u>5,697,727</u>	<u>5,598,905</u>	<u>98,822</u>
Net change in fund balances	-	-	(1,218,947)	(1,218,947)
Fund balances - beginning	2,239,898	2,239,898	2,239,898	-
Fund balances - ending	<u><u>\$ 2,239,898</u></u>	<u><u>\$ 2,239,898</u></u>	<u><u>\$ 1,020,951</u></u>	<u><u>\$ (1,218,947)</u></u>

See accompanying notes to the basic financial statements

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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’ governing 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 the organizations’ resources; or (3) the ADAMH Board is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the ADAMH Board is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the ADAMH Board in that the ADAMH Board approves the budget, the issuance of debt or the levying of taxes. Based upon the application of this criterion, the ADAMH Board has no component units. The basic financial statements of the reporting entity include only those of the ADAMH Board. The following organizations are described due to their relationship to the ADAMH Board:

JOINT VENTURE:

Three C Recovery and Health Care Network—The Alcohol, Drug and Mental Health Board of Franklin County, the Alcohol, Drug Addiction and Mental Health Services Board of Cuyahoga County, and the Hamilton County Mental Health and Recovery Services Board formed a council of governments (the COG) pursuant to Chapters 340 and 167 of the Ohio Revised Code. The purpose of the COG is to work collaboratively to plan and develop a new health care management information system known as the “Shared Health and Recovery Enterprise System” (SHARES).

To promote accountability and transparency, the ADAMH Board established a new fund in 2014 to account for reimbursement of the ADAMH Board’s payroll expenses for the COG operations. An interfund loan has been established between the General and the COG fund to provide sufficient cash flow for the COG fund. The COG became fully operational in fiscal year 2016.

The loan between funds is classified as Interfund Payable/Receivable. Interfund balances are eliminated on the Statement of Net Position. Interfund Payable/Receivable at December 31, 2015 are as follows:

<u>Receivable Fund</u> General	<u>Payable Fund</u> Council of Governments (Other Governmental Funds)	<u>Amount</u> \$ 242,963
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**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

NOTE 1. – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. 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 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 ADAMH Board 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.

Because different measurement focuses and bases of accounting are used in the government-wide Statement of Net Position and in governmental fund statements, amounts reported as *restricted fund balances* in governmental funds may be different from amounts reported as *restricted net position* in the Statement of Net Position.

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 a special revenue fund used to account for programs funded with proceeds received from the State of Ohio.

Fiduciary Fund—Fiduciary fund reporting uses the accrual basis of accounting. Because of their custodial nature, fiduciary funds do not measure results of operations and do not have a measurement focus.

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 Inflows, Unavailable Revenues—Deferred Inflows, unavailable revenue arise 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 inflows, unavailable revenues.

Deferred Inflows, Property Tax Revenue—On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred inflows, property tax.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

NOTE 1. – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement focus, basis of accounting, and financial statement presentation (Continued)

Deferred outflows/inflows of resources for Pension – The Statement of Net Position reports a separate section for deferred outflows and inflows of resources for Pension. Deferred outflows of resources represent a consumption of net position for pension liabilities that applies to a future period and will not be recognized as an outflow of resources (expense) until then. Deferred inflows of resources represents an acquisition of net position for pension that applies to a future period and will not be recognized until that time.

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.

C. Fund Balance Classifications

Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions” presents five fund balance classifications and clarifies the existing governmental fund type definitions.

Nonspendable Fund Balance—the nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example inventories and prepaid amounts.

Restricted Fund Balance—the restricted classification is used when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments (i.e., State Statutes); or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance—the committed fund balance classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the ADAMH Board’s highest level of decision-making authority.

Assigned Fund Balance—the assigned fund balance includes amounts that are constrained by the ADAMH Board’s intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned Fund Balance—the unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

Based on GASB 54 fund balance classification, the ADAMH Board’s General Fund is reported as assigned and unassigned and the special revenue fund balances are restricted.

The ADAMH Board applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

NOTE 1. – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Government-wide and fund financial statements

Government-wide Financial Statements—The Statement of Net Position 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.

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, current liabilities, and deferred inflows of resources, 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.

E. Budgetary Process

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

Estimated Resources—The certificate of estimated resources issued by the Budget Commission states the projected revenue of each fund and establishes a limit on the amount the County may appropriate. The County's total contemplated expenditures from any fund during the fiscal year cannot exceed the amount available as stated in the certificate of estimated resources. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. During the year, as actual revenues vary from the estimates, the certificate may be amended further if an estimate needs either to be increased or decreased. Such amendments were made during 2015. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

NOTE 1. – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during 2015.

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 2015.

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

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

F. 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, 2015.

G. Receivables

Property taxes include amounts levied against all real, public utility and tangible personal property located in the County. Property tax revenue received during 2015 for real and public utility property taxes represents collection of 2014 taxes. Property tax payments received during 2015 for tangible personal property (other than public utility property) are for 2015 taxes.

2015 real property taxes are levied after October 1, 2015, on the assessed value as of January 1, 2015, the lien date. Assessed values are established by state law at 35 percent of appraised market value. 2014 real property taxes are collected in and intended to finance 2015. The total assessed value upon which the 2015 tax collection was based was \$25.6 billion. The full tax rate applied to real property for ADAMH was \$2.20 per \$1,000 of assessed valuation.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

NOTE 1. – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Receivables (Continued)

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 was eliminated in 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 2015 tax collection was based was \$803 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 deferred inflows, property tax since the taxes were not levied to finance 2015 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 deferred inflows, property tax.

The County uses 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.

H. Capital Assets and Depreciation

Capital assets, which include land, buildings, and improvements and machinery and equipment are reported in the government-wide Statement of Net Position. 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 the 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 buildings and improvements and machinery and equipment are 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:

**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

NOTE 1. – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets and Depreciation (Continued)

<u>Classification</u>	<u>Useful Life</u>
Buildings	50–55 years
Building Improvements	10–25 years
Machinery & Equipment	5–10 years

I. 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.

J. 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.

K. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

NOTE 1. – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fund Balance

Fund Balance for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the ADAMH Board is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

M. Estimates

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

N. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on its 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 position is 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 2015.

NOTE 2. – BUDGETARY BASIS OF ACCOUNTING

While the ADAMH Board 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 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 on the next page:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

NOTE 2. – BUDGETARY BASIS OF ACCOUNTING (Continued)

(Deficiency) of Revenues (Under) Expenditures

	<u>General Fund</u>	<u>State Mental Health Alcohol and Drug</u>
Non-GAAP Budgetary Basis	(\$2,197,006)	(\$1,218,947)
Basis Difference		
Net Adjustment for Revenue Accruals	(43,601)	379,834
Net Adjustment for Expenditure Accruals	<u>(738,966)</u>	<u>(132,390)</u>
GAAP Basis	<u>(\$2,979,573)</u>	<u>(\$971,503)</u>

NOTE 3. – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For 2015, the Board implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported December 31, 2014:

	<u>Governmental Activities</u>
Net position December 31, 2014	\$97,195,648
Adjustments:	
Net Pension Liability	(3,181,069)
Deferred Outflow - Payments Subsequent to Measurement E	<u>395,385</u>
Restated Net Position December 31, 2014	<u>\$94,409,964</u>

Other than employer contributions subsequent to the measurement date, the Board made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

NOTE 4. – CAPITAL ASSETS

Governmental capital asset activity for the year ended December 31, 2015, was as follows:

Description	Beginning			Ending
Capital Assets not being depreciated:	Balance	Additions	Deletions	Balance
Land	\$ 236,113	\$ -	\$ -	\$ 236,113
Total Capital Assets not being depreciated	\$ 236,113	\$ -	\$ -	\$ 236,113
Capital assets, being depreciated:				
Buildings and improvements	\$ 3,214,181	\$ -	\$ -	\$ 3,214,181
Machinery & Equipment	\$ 263,685	\$ 20,000	\$ (65,010)	\$ 218,675
Total Capital Assets being depreciated	\$ 3,477,866	\$ 20,000	\$ (65,010)	\$ 3,432,856
Less accumulated depreciation for:				
Buildings and improvements	\$ (1,559,401)	\$ (76,406)	\$ -	\$ (1,635,807)
Machinery & Equipment	\$ (158,454)	\$ (24,264)	\$ 23,375	\$ (159,343)
Total	\$ (1,717,855)	\$ (100,670)	\$ 23,375	\$ (1,795,150)
Total capital assets net	\$ 1,996,124	\$ (80,670)	\$ (41,635)	\$ 1,873,819

Expenditures

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

NOTE 5. – LONG-TERM OBLIGATIONS

Long-term liability activity for the year ended December 31, 2015, was as follows:

2015				
Beginning				Ending
Balance	Additions	Reductions	Balance	Due In
One Year				
\$ 658,611	\$ 128,745	\$ (62,629)	\$ 724,727	\$ 46,616

Compensated Absences

The ADAMH Board permits employees to accumulate earned but unused vacation and sick leave benefits. Compensated absences will be paid from the General Fund and the Council of Governments Fund. 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. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

NOTE 5. – LONG-TERM OBLIGATIONS (Continued)

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 receive 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. Franklin 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, Franklin County-owned equipment, steam boilers, and machinery. In addition, a "Money and Securities Policy" is in effect for all Franklin County employees. Settled claims have not exceeded commercial coverage in any of the last three years. There has not been a significant reduction in coverage from the prior year. Franklin 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 ADAMH Board members and staff, additional director's and officer's liability insurance for ADAMH 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 agents. 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 in the past three years.

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 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the Statement of Net Position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

The net pension liability represents the ADAMH Board's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the ADAMH Board's obligation for this liability to annually required payments. The ADAMH Board cannot control benefit terms or the manner in which pensions are financed; however, the ADAMH Board does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – The ADAMH Board employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. the ADAMH Board employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the

Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements:	Age and Service Requirements:	Age and Service Requirements:
Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula:	Formula:	Formula:
2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
2015 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
 2015 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0
Total Employer	14.0 %
Employee	10.0 %

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Board's contractually required contribution was \$402,971 for 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. The ADAMH Board's proportion of the net pension liability was based on the ADAMH Board's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS
Proportionate Share of the Net Pension Liability	\$3,254,579
Proportion of the Net Pension Liability	0.026984%
Pension Expense	\$352,418

At December 31, 2015, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS
Deferred Outflows of Resources	
Net difference between projected and actual earnings on pension plan investments	\$173,654
Board contributions subsequent to the measurement date	402,971
Total Deferred Outflows of Resources	\$576,625
 Deferred Inflows of Resources	
Differences between expected and actual experience	\$57,177

\$402,971 reported as deferred outflows of resources related to pension resulting from the ADAMH Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

Year Ending December 31:	OPERS
2016	\$17,032
2017	17,032
2018	39,000
2019	43,413
Total	\$116,477

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement on the following page:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the ADAMH Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the ADAMH Board's approved asset allocation policy for 2014 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other investments	18.00	4.59
Total	<u>100.00 %</u>	<u>5.28 %</u>

Discount Rate

The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Board's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the ADAMH Board's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the ADAMH Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

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

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Board's proportionate share of the net pension liability	\$5,987,493	\$3,254,579	\$952,807

NOTE 9. – POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

OPERS administers three separate pension plans (see Note 8): the Traditional Pension Plan – a cost sharing, multi-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost-sharing, multi-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment health care 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 health care coverage.

In order to qualify for post-retirement health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code (ORC) 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 ORC Chapter 145.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy via internet at <https://www.opers.org/investments/cafr.shtml> or by writing to 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 2015, state and local employers contributed at a rate of 14.0% of covered payroll. This is the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

NOTE 9. – POSTEMPLOYMENT BENEFITS (Continued)

OPERS' Post Employment Health Care plan was established under, and is administrated 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 2.0 percent during calendar year 2015. The portion of employer contributions allocated to health care for members in the Combined Plan was 2.0 percent during calendar year 2015. The portion of employer contributions allocated to health care for the calendar year beginning January 1, 2015 remained the same but they are subject to change based on Board action. Employers will be notified if the portion allocated to health care changes during the calendar year 2015. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provide. 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 approximate portion of the ADAMH Board's 2015, 2014, and 2013, required employer contributions used to fund Post–Employment Health Care Benefits were \$57,567, \$69,101, and \$32,977, respectively. 100 percent has been contributed for all three years.

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.

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

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE ADAMH BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM - TRADITIONAL PLAN
LAST TWO YEARS**

	<u>2014</u>	<u>2013</u>
ADAMH Board's Proportion of the Net Pension Liability	0.026984%	0.026984%
ADAMH Board's Proportionate Share of the Net Pension Liability	\$3,254,579	\$3,181,069
ADAMH Board's Covered-Employee Payroll	\$3,294,875	\$3,297,746
ADAMH Board's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	98.78%	96.46%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%

Notes: The ADAMH Board implemented GASB Statement 68 in 2015.
Information prior to 2013 is not available.
The schedule is reported as of the measurement date of the Net Pension Liability.

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

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE ADAMH BOARD CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM - TRADITIONAL PLAN
LAST THREE YEARS**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$402,971	\$395,385	\$428,707
Contributions in Relation to the Contractually Required Contribution	<u>402,971</u>	<u>395,385</u>	<u>428,707</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
ADAMH Board's Covered-Employee Payroll	\$3,358,092	\$3,294,875	\$3,297,746
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	13.00%

Notes: The ADAMH Board implemented GASB Statement 68 in 2015.
Information prior to 2013 is not available.

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

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS THROUGH ENTITY IDENTIFYING NUMBER	RECEIPTS PASSED THROUGH TO SUBRECIPIENTS	DISBURSEMENTS PASSED THROUGH TO SUBRECIPIENTS	RECEIPTS	DISBURSEMENTS
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Mental Health and Addiction Services (OMHAS)</i>						
Race to the Top: Early Learning Challenge	84.412A	99-0025-RTTT-C-15-1521	\$ 18,907	\$ 37,813	\$ 18,907	\$ 37,813
Race to the Top: Early Learning Challenge	84.412A	25-0025-RTTT-C-15-15212	37,813	-	37,813	-
	84.412A Total		<u>56,720</u>	<u>37,813</u>	<u>56,720</u>	<u>37,813</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			56,720	37,813	56,720	37,813
U.S. DEPARTMENT OF JUSTICE						
<i>Passed Through Ohio Department of Mental Health and Addiction Services (OMHAS)</i>						
Criminal and Juvenile Justice and Mental Health Collaborative Program	16.745	2012-MO-BX-0024	20,829	20,829	20,829	20,829
TOTAL U.S. DEPARTMENT OF JUSTICE			20,829	20,829	20,829	20,829
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES/SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION						
<i>Passed Through Ohio Department of Mental Health and Addiction Services (OMHAS)</i>						
Projects for Assistance in Transition from Homelessness (PATH)	93.150	99-0025-PATH-T-15-1577	235,954	314,589	235,954	314,589
Projects for Assistance in Transition from Homelessness (PATH)	93.150	99-0025-PATH-T-16-1577	157,303	-	157,303	-
	93.150 Total		<u>393,257</u>	<u>314,589</u>	<u>393,257</u>	<u>314,589</u>
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	25-6723-CABHI-T-15114	225,115	175,505	225,115	175,505
	93.243 Total		<u>225,115</u>	<u>175,505</u>	<u>225,115</u>	<u>175,505</u>
Social Services Block Grant	93.667		-	25	-	25
Social Services Block Grant	93.667		598,167	598,366	598,167	598,366
Social Services Block Grant	93.667		193,666	193,607	193,666	193,607
	93.667 Total		<u>791,833</u>	<u>791,998</u>	<u>791,833</u>	<u>791,998</u>
Block Grants for Community Mental Health Services	93.958		-	46,845	-	46,845
Block Grants for Community Mental Health Services	93.958	25-0025-EXOFFEND-C-15008	46,250	46,250	46,250	46,250
Block Grants for Community Mental Health Services	93.958	25-0025-HOUSING-T-15-15137	4,900	4,900	4,900	4,900
Block Grants for Community Mental Health Services	93.958	25-0025-HOUSING-T-15-15138	20,100	20,100	20,100	20,100
Block Grants for Community Mental Health Services	93.958	25-0025-HOUSING-T-15-15139	25,000	25,000	25,000	25,000
Block Grants for Community Mental Health Services	93.958		394,511	468,500	394,511	468,500
Block Grants for Community Mental Health Services	93.958	25-0418-HOUSING-T-16-16020	31,395	-	31,395	-
Block Grants for Community Mental Health Services	93.958		394,512	343,514	394,512	343,514
	93.958 Total		<u>916,668</u>	<u>955,109</u>	<u>916,668</u>	<u>955,109</u>
Block Grants for Prevention and Treatment of Substance Abuse	93.959	25-11203-UMADAOP-P-13-0500	-	1,387	-	1,387
Block Grants for Prevention and Treatment of Substance Abuse	93.959	25-11203-UMADAOP-P-14-0500	-	(1,387)	-	(1,387)
Block Grants for Prevention and Treatment of Substance Abuse	93.959	25-3201-CPREV-P-14-0225	30,679	30,679	30,679	30,679
Block Grants for Prevention and Treatment of Substance Abuse	93.959			62,365		62,365
Block Grants for Prevention and Treatment of Substance Abuse	93.959	25-11203-UMADAOP-P-15-0500	88,155	88,155	88,155	88,155
Block Grants for Prevention and Treatment of Substance Abuse	93.959	25-1849-WOMENS-T-15-8962	357,267	354,810	357,267	354,810
Block Grants for Prevention and Treatment of Substance Abuse	93.959	25-3188-WOMENS-T-15-1322	52,592	69,693	52,592	69,693
Block Grants for Prevention and Treatment of Substance Abuse	93.959	25-1175-WOMENS-T-15-8963	54,135	54,135	54,135	54,135
Block Grants for Prevention and Treatment of Substance Abuse	93.959	25-1880-WOMENS-T-15-9926	27,699	27,699	27,699	27,699
Block Grants for Prevention and Treatment of Substance Abuse	93.959	25-1183-WOMENS-T-15-9062	127,983	127,983	127,983	127,983
Block Grants for Prevention and Treatment of Substance Abuse	93.959	25-1183-WOMENS-T-15-9927	27,081	26,238	27,081	26,238
Block Grants for Prevention and Treatment of Substance Abuse	93.959	25-11203-CFRO-T-15-0656	35,643	36,447	35,643	36,447
Block Grants for Prevention and Treatment of Substance Abuse	93.959	25-8442-CPREV-P-15-0670	10,155	10,155	10,155	10,155
Block Grants for Prevention and Treatment of Substance Abuse	93.959	25-3201-CPREV-P-15-0225	40,668	40,668	40,668	40,668
Block Grants for Prevention and Treatment of Substance Abuse	93.959	25-6750-CPREV-P-15-10185	20,313	27,084	20,313	27,084
Block Grants for Prevention and Treatment of Substance Abuse	93.959		1,698,261	1,325,413	1,698,261	1,325,413
Block Grants for Prevention and Treatment of Substance Abuse	93.959	25-11203-UMADAOP-P-16-0500	58,255	58,255	58,255	58,255
Block Grants for Prevention and Treatment of Substance Abuse	93.959	25-1849-WOMENS-T-16-8962	236,093	236,093	236,093	236,093
Block Grants for Prevention and Treatment of Substance Abuse	93.959	25-1175-WOMENS-T-16-8963	25,000	25,000	25,000	25,000
Block Grants for Prevention and Treatment of Substance Abuse	93.959	25-1880-WOMENS-T-16-9926	15,885	15,885	15,885	15,885
Block Grants for Prevention and Treatment of Substance Abuse	93.959	25-1183-WOMENS-T-16-9062	84,575	84,575	84,575	84,575
Block Grants for Prevention and Treatment of Substance Abuse	93.959	25-1183-WOMENS-T-16-9927	17,896	17,896	17,896	17,896
Block Grants for Prevention and Treatment of Substance Abuse	93.959	25-11203-CFRO-T-16-0656	23,553	23,553	23,553	23,553
Block Grants for Prevention and Treatment of Substance Abuse	93.959	25-8442-CPREV-P-16-0670	6,710	6,710	6,710	6,710
Block Grants for Prevention and Treatment of Substance Abuse	93.959	25-6750-CPREV-P-16-10185	13,423	13,423	13,423	13,423
Block Grants for Prevention and Treatment of Substance Abuse	93.959		1,132,174	923,422	1,132,174	923,422
	93.959 Total		<u>4,184,195</u>	<u>3,688,336</u>	<u>4,184,195</u>	<u>3,688,336</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES/SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION			6,511,068	5,925,537	6,511,068	5,925,537
TOTAL RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS			<u>\$ 6,588,617</u>	<u>\$ 5,984,179</u>	<u>\$ 6,588,617</u>	<u>\$ 5,984,179</u>

The accompanying notes are an integral part of this schedule.

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

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE A. – BASIS OF PRESENTATION

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Alcohol, Drug and Mental Health Board of Franklin County (the ADAMH Board's) under programs of the federal government for the year ended December 31, 2015. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the ADAMH Board, it is not intended to and does not present the financial position or changes in net position of the ADAMH Board.

NOTE B. – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for Local Governments* (codified in 2 CFE Part 225) or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior year. The ADAMH Board has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C. – SUBRECIPIENTS

The ADAMH Board passes certain federal awards received from the Ohio Department of Mental Health and Addiction Services (OMHAS) to other governments or not-for-profit agencies (subrecipients). As Note B describes, the ADAMH Board reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the ADAMH Board has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

NOTE D. – MATCHING REQUIREMENTS

Certain Federal programs require the ADAMH Board to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The ADAMH Board has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Alcohol, Drug and Mental Health Board of Franklin County, Franklin County, Ohio (the ADAMH Board), a blended component unit presented as a major special revenue fund of Franklin County, Ohio, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the ADAMH Board's basic financial statements and have issued our report thereon dated June 2, 2016, wherein we noted the ADAMH Board adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the ADAMH Board's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the ADAMH Board's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the ADAMH Board's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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. However, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the ADAMH Board's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the ADAMH Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State
Columbus, Ohio

June 2, 2016



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Alcohol, Drug and Mental Health Board of Franklin County, Franklin County, Ohio (the ADAMH Board), a blended component unit presented as a major special revenue fund of Franklin County, Ohio, compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the ADAMH Board's major federal programs for the year ended December 31, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the ADAMH Board's major federal programs.

Management's Responsibility

The ADAMH Board's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the ADAMH Board's compliance for each of the ADAMH Board's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the ADAMH Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on each of the ADAMH Board's major programs. However, our audit does not provide a legal determination of the ADAMH Board's compliance.

Opinion on Each Major Federal Program

In our opinion, the Alcohol, Drug and Mental Health Board of Franklin County, Franklin County, Ohio complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2015.

Report on Internal Control Over Compliance

The ADAMH Board's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the ADAMH Board's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine 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's applicable 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

June 2, 2016

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	CFDA# 93.958 – Block Grants for Community Mental Health Services CFDA# 93.667 – Social Services Block Grant
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 28, 2016**