

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

**FRANKLIN COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS**

***(AUDITED)***

***FOR THE EIGHTEEN MONTH PERIOD ENDED  
DECEMBER 31, 2003***

**JONATHAN WYLLY, CHIEF FINANCIAL OFFICER**





**Auditor of State  
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the Alcohol, Drug and Mental Health Board of Franklin County prepared by Trimble, Julian & Grube, Inc. for the eighteen month period July 1, 2002 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

BETTY MONTGOMERY  
Auditor of State

June 24, 2005

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**ADAMH BOARD OF FRANKLIN COUNTY**  
**FRANKLIN COUNTY, OHIO**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE EIGHTEEN MONTH PERIOD ENDED DECEMBER 31, 2003**

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# TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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## Independent Auditor’s Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Alcohol, Drug and Mental Health Board of Franklin County, Ohio (the “ADAMH Board”) as of and for the eighteen month period ended December 31, 2003, which collectively comprise the ADAMH Board’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the ADAMH Board’s management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in 1.A., the financial statements of the Alcohol, Drug, and Mental Health Board, Franklin County, are intended to present the financial position, and the changes in financial position, where applicable, of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of Franklin County that is attributable to the transactions of the ADAMH Board. They do not purport to, and do not, present fairly the financial position of Franklin County as of December 31, 2003, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Alcohol, Drug and Mental Health Board of Franklin County, Ohio, as of December 31, 2003, and the respective changes in financial position thereof and the respective budgetary comparison for the general and state mental health, alcohol and drug funds for the eighteen month period ended in conformity with accounting principles generally accepted in the United States of America.

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

As disclosed in Note 11 to the financial statements, the ADAMH Board implemented Governmental Accounting Standards Board (GASB) Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, GASB Statement No. 37, Basic Financial Statements for State and Local Governments: Omnibus, GASB Statement No. 38, Certain Financial Statement Note Disclosures, GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units, GASB Interpretation No. 6 Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, and GASB Statement No. 41, Budgetary Comparison Schedule - Perspective Differences for the eighteen month period ended December 31, 2003. As disclosed in Note 4, capital assets have been restated to reflect the reclassification of assets previously recorded by the ADAMH Board as assets of Franklin County and change in capitalization threshold.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2005, on our consideration of the ADAMH Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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



Trimble, Julian & Grube, Inc.  
April 25, 2005



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

**MANAGEMENT'S DISCUSSION & ANALYSIS**

**FOR THE EIGHTEEN MONTH PERIOD ENDED DECEMBER 31, 2003  
(UNAUDITED)**

As management of the Alcohol, Drug and Mental Health (ADAMH) Board, we are providing this overview of ADAMH Board's financial activities for the eighteen month period ended December 31, 2003. Please read this overview in conjunction with the ADAMH Board's basic financial statements, which follow.

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

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the eighteen month period ended December 31, 2003 are as follows:

- The assets of the ADAMH Board exceeded its liabilities at the close of 2003 by \$36,863,068 (net assets).
- As of the close of 2003, the ADAMH Board's governmental funds reported combined ending fund balances of \$24,567,140.
- At the close of the 2003, unreserved fund balance was \$21,859,017.
- As of the close of 2003, the ADAMH Board had cumulated deposit amounts totaling \$24,587,756.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

While this document contains information about the funds used by the ADAMH Board to provide services to our citizens, the view of the ADAMH Board as a whole looks at all financial transactions and asks the question, "How did we do financially during the eighteen month period ended December 31, 2003?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS**

**FOR THE EIGHTEEN MONTH PERIOD ENDED DECEMBER 31, 2003  
(UNAUDITED)**

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

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

***Fund Financial Statements***

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

**Governmental Funds**

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

The ADAMH Board maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and State Mental Health Alcohol and Drug Fund. Data from the other eight governmental funds are combined into a single, aggregated presentation.

The basic governmental fund financial statements can be found starting on page 13 of this report.

***Fiduciary Funds***

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

***Notes to the basic financial statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 20 of this report.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS**

**FOR THE EIGHTEEN MONTH PERIOD ENDED DECEMBER 31, 2003  
(UNAUDITED)**

**THE ADAMH BOARD AS A WHOLE**

Recall that the Statement of Net Assets provides the perspective of the ADAMH Board as a whole. Table 1, below, provides a summary of the ADAMH Board's net assets for 2003 compared to 2002.

**TABLE 1**

**Net Assets**

	Governmental Activities	
	2003	2002
Current and other assets	\$ 90,428,734	\$ 77,332,977
Capital assets	3,376,210	3,614,958
Total Assets	93,804,944	80,947,935
Current liabilities	56,286,709	59,956,936
Long-term liabilities	655,167	735,309
Total Liabilities	56,941,876	60,692,245
Net Assets	\$ 36,863,068	\$ 20,255,690

By far the largest portion of the ADAMH Board's net assets (55.3%) is restricted for its health services function. 8.3% of net assets is invested in capital assets (e.g. land, buildings, equipment, etc.), less any related debt used to acquire those assets that is still outstanding. The ADAMH Board uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the ADAMH Board's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Unrestricted net assets of \$11,960,502 may be used to meet the Board's ongoing obligations to citizens and creditors.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS**

**FOR THE EIGHTEEN MONTH PERIOD ENDED DECEMBER 31, 2003  
(UNAUDITED)**

Table 2 shows the changes in net assets for the eighteen month period ended December 31, 2003. Since this is the first year the ADAMH Board has prepared financial statements following GASB Statement 34, revenue and expense comparisons to the previous period are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

**TABLE 2**

**Changes in Net Assets**

	Governmental Activities
Program revenues:	
Grants and contributions	\$ 137,013,807
General revenues:	
Property taxes	57,002,715
Other unrestricted revenues	104,919
Total revenues	194,121,441
Expenses:	
General government	7,332,469
Health Services	170,130,353
Interest on long-term debt	51,241
Total expenses	177,514,063
Increase in net assets	16,607,378
Net Assets - 7/1/2002	20,255,690
Net Assets - 12/31/2003	\$ 36,863,068

**TABLE 3**

<b>Functions/Programs</b>	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
Governmental Activities:		
Health Services	\$ (170,130,353)	\$ 33,116,546
General Government	(7,332,469)	7,332,469
Interest on long-term debt	(51,241)	51,241
Total Governmental Activities	\$ (177,514,063)	\$ 40,500,256

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

ALCOHOL, DRUG AND MENTAL HEALTH BOARD  
OF FRANKLIN COUNTY

MANAGEMENT'S DISCUSSION & ANALYSIS

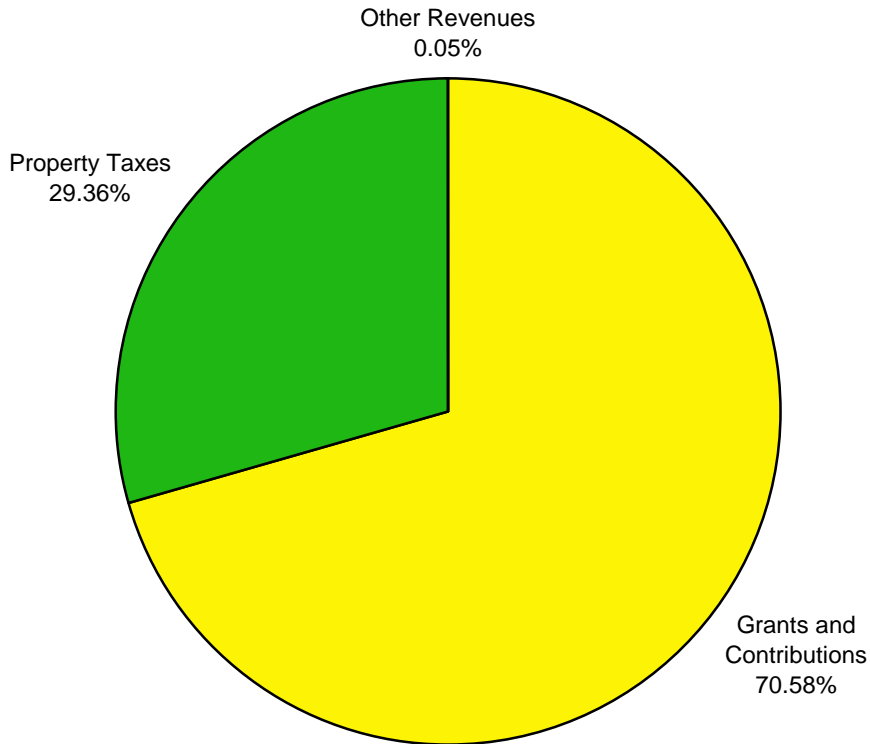
FOR THE EIGHTEEN MONTH PERIOD ENDED DECEMBER 31, 2003  
(UNAUDITED)

**Total versus Net Cost of Services**

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

In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

The Board's reliance upon both grants and property taxes is demonstrated by the chart below indicating 70.58% of total revenues from grants and approximately 29.36% of revenues from property taxes. The general revenues from property taxes are intended to cover the net cost of services indicated in the chart on the preceding page.



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

**MANAGEMENT'S DISCUSSION & ANALYSIS**

**FOR THE EIGHTEEN MONTH PERIOD ENDED DECEMBER 31, 2003  
(UNAUDITED)**

**THE ADAMH BOARD'S FUNDS**

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

As of the end of 2003, the ADAMH Board's governmental funds reported combined ending fund balances of 24,567,140, a 41.4% increase over the eighteen month period.

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2003 and June 30, 2002.

	<b>Fund Balance 12/31/2003</b>	<b>(Restated) Fund Balance 06/30/2002</b>	<b>Increase (Decrease)</b>
General	\$ 2,708,123	\$ 14,417,895	\$ (11,709,772)
State Mental Health			
Alcohol and Drug	16,564,660	-	16,564,660
Other Governmental	5,294,357	2,958,146	2,336,211
Total	\$ 24,567,140	\$ 17,376,041	\$ 7,191,099

The general fund is the chief operating fund of the ADAMH Board. At the end of the 2003, the entire fund balance was designated for the risk fund. Although the entire balance of the State Mental Health Alcohol & Drug and other governmental funds was unreserved, the remaining fund balances will be paid to provider and other governmental agencies once requests for reimbursement are submitted.

The decrease in the General Fund balance is a result of increases in ongoing general fund expenditures outstripping similar increases in ongoing general fund revenues, and the advance of \$3,500,000 to other special revenue funds of the Board.

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

**GENERAL FUND BUDGETARY INFORMATION**

The ADAMH Board's budget is prepared in accordance with Ohio law and is based on the budgetary basis of accounting, utilizing cash receipts, disbursements and encumbrances. Differences between the original budget and the final amended budget in the general fund were significant. This is due mainly to the fact the original budget was for only a one year period. The final budgetary numbers are based on an eighteen month period. The ADAMH Board's actual revenues exceeded the final revenue estimate by \$2,270,959, or 2.3%, and actual expenditures were \$10,206,214 (9.2%) less than the final amended appropriations.

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

**MANAGEMENT'S DISCUSSION & ANALYSIS**

**FOR THE EIGHTEEN MONTH PERIOD ENDED DECEMBER 31, 2003  
(UNAUDITED)**

**State Mental Health Alcohol and Drug Fund**

The state mental health alcohol and drug fund, a major governmental fund, had revenues of \$61,154,022 and expenditures of \$44,589,362 for the eighteen month period ended 2003. The net increase in fund balance for the state mental health alcohol and drug fund was \$16,564,660 which was attributed to accounting for provider reconciliations related to change in ending fiscal year from June 30 to December 31.

**CAPITAL ASSETS**

The ADAMH Board's investment in capital assets for its governmental activities as of December 31, 2003 amounts to a total cost of \$4,348,388, or \$3,376,210, net of accumulated depreciation. This investment in capital assets includes land, buildings & improvements, and machinery & equipment. Total acquisitions and disposals for the eighteen month period ending December 31, 2003 were \$1,620,145 and \$2,369,722, respectively, and total depreciation for the eighteen month period was \$168,853. Detailed information regarding capital asset activity is included in the Note 4 to the basic financial statements.

**DEBT ADMINISTRATION**

At December 31, 2003, the ADAMH Board had \$332,661 in general obligation bonds and capital lease obligations outstanding. Of this total, \$63,694 is due within one year and \$268,967 is due in more than one year. The following table summarizes the bonds and notes outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2004</u>	Governmental Activities <u>2003</u>
General obligation bonds	\$ 245,000	\$ 280,000
Capital Leases	<u>87,661</u>	<u>162,198</u>
Total	<u>\$ 332,661</u>	<u>\$ 442,198</u>

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

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

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

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

**MANAGEMENT'S DISCUSSION & ANALYSIS**

**FOR THE EIGHTEEN MONTH PERIOD ENDED DECEMBER 31, 2003  
(UNAUDITED)**

**CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS**

- Changes in the insurance market will accelerate and shift costs from the private to public market, which will increase demand for services, and change consumer expectations for the types of services to be received.
- An increase in the proportion of consumers who are Medicaid eligible will continue to require payments for services that are not optional and increase the number of contract agencies who are targeting Medicaid consumers. This may impact the availability of funding for non-Medicaid consumers.
- Economic and market fluctuations may limit voter/taxpayer support for human service levy options.
- The demand for services is expected to increase in terms of quality and complexity, while resources are likely to decrease. In addition, expectations of new and emerging populations may increase the need for additional culturally competent services.
- Discretionary revenues are expected to diminish over the next few years.
- The uncertainty surrounding the economy may have an impact on our community and the demand for services.

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

This financial report is designed to provide an overview of ADAMH Board's finances and 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.



ALCOHOL, DRUG AND MENTAL HEALTH BOARD  
OF FRANKLIN COUNTY

STATEMENT OF NET ASSETS  
AS OF DECEMBER 31, 2003

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Equity with County Treasurer	\$ 23,817,171
Receivables:	
Property and Other Taxes	38,322,416
Accounts	69,328
Due from other governments	28,193,273
Due from other funds of Franklin County	26,546
Capital assets, net of accumulated depreciation:	
Nondepreciable	310,227
Depreciable	<u>3,065,983</u>
Total Assets	<u>93,804,944</u>
<b>LIABILITIES</b>	
Accounts payable	14,465,126
Accrued wages and benefits	198,018
Claims payable	2,119,364
Unearned revenue	39,317,493
Due to other funds of Franklin County	186,708
Long-term liabilities	
Due within one year	115,694
Due in more than one year	<u>539,473</u>
Total Liabilities	<u>56,941,876</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	3,043,549
Restricted for:	
Health Services	20,369,362
Other Purposes	1,489,655
Unrestricted	<u>11,960,502</u>
Total Net Assets	<u>\$ 36,863,068</u>

See accompanying notes to the basic financial statements

ALCOHOL, DRUG AND MENTAL HEALTH BOARD  
OF FRANKLIN COUNTY

STATEMENT OF ACTIVITIES  
FOR THE EIGHTEEN MONTH PERIOD ENDED DECEMBER 31, 2003

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u> Operating Grants and Contributions	<u>Net (Expense) Revenue &amp; Changes in Net Assets</u> Total Governmental Activities
Governmental Activities:			
Health Services	\$ 170,130,353	\$ 137,013,807	\$ (33,116,546)
General Government	7,332,469	-	(7,332,469)
Interest on long-term debt	51,241	-	(51,241)
Total Governmental Activities	<u>177,514,063</u>	<u>137,013,807</u>	<u>(40,500,256)</u>
General Revenues:			
			57,002,715
			104,919
Total general revenues			<u>57,107,634</u>
			16,607,378
			<u>20,255,690</u>
			<u>\$ 36,863,068</u>

See accompanying notes to the basic financial statements

ALCOHOL, DRUG AND MENTAL HEALTH BOARD  
OF FRANKLIN COUNTY

BALANCE SHEET  
ALL GOVERNMENTAL FUNDS  
AS OF DECEMBER 31, 2003

	General	State Mental Health Alcohol & Drug	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Equity with county treasurer	\$ 13,462,557	\$ 3,911,290	\$ 6,443,324	\$ 23,817,171
Receivables:				
Accounts	69,328	-	-	69,328
Property and other taxes	38,322,416	-	-	38,322,416
Due from other governments	10,675,225	14,979,195	2,538,853	28,193,273
Interfund receivable	3,500,000	-	-	3,500,000
Due from other funds	1,715,731	526,779	341,693	2,584,203
Due from other funds of Franklin County	-	-	26,546	26,546
	<b>\$ 67,745,257</b>	<b>\$ 19,417,264</b>	<b>\$ 9,350,416</b>	<b>\$ 96,512,937</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 13,794,516	\$ 125,248	\$ 545,362	\$ 14,465,126
Accrued wages payable	190,844	-	7,174	198,018
Claims payable	2,119,364	-	-	2,119,364
Unearned revenue	39,317,493	-	-	39,317,493
Deferred revenue	9,163,180	10,504	401,201	9,574,885
Interfund payable	-	1,640,000	1,860,000	3,500,000
Due to other funds	329,645	1,076,852	1,177,706	2,584,203
Due to other funds of Franklin County	122,092	-	64,616	186,708
	<b>65,037,134</b>	<b>2,852,604</b>	<b>4,056,059</b>	<b>71,945,797</b>
<b>FUND BALANCE</b>				
Designated for Risk Fund	2,708,123	-	-	2,708,123
Unreserved, undesignated, reported in:				
Special Revenue Funds	-	16,564,660	5,294,357	21,859,017
Total Fund Balance	2,708,123	16,564,660	5,294,357	24,567,140
	<b>\$ 67,745,257</b>	<b>\$ 19,417,264</b>	<b>\$ 9,350,416</b>	<b>\$ 96,512,937</b>

See accompanying notes to the basic financial statements

ALCOHOL, DRUG AND MENTAL HEALTH BOARD  
OF FRANKLIN COUNTY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
FOR THE EIGHTEEN MONTH PERIOD ENDED DECEMBER 31, 2003

<b>Total Governmental Fund Balances</b>	\$	24,567,140
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		3,376,210
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		9,574,885
Long-Term liabilities, including bonds, capital leases, and compensated absences, are not due and payable in the current period and therefore are not reported in the funds:		
	Compensated Absences Payable	(322,506)
	Capital Lease Payable	(87,661)
	General Obligation Bonds	(245,000)
		<u>(655,167)</u>
 <b>Net Assets of Governmental Activities</b>	 \$	 <u><u>36,863,068</u></u>

See accompanying notes to the basic financial statements

ALCOHOL, DRUG AND MENTAL HEALTH BOARD  
OF FRANKLIN COUNTY

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
ALL GOVERNMENTAL FUNDS  
FOR THE EIGHTEEN MONTH PERIOD ENDING DECEMBER 31, 2003

	General Fund	State Mental Health Alcohol & Drug	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 57,002,715	\$ -	\$ -	\$ 57,002,715
Intergovernmental	46,522,960	61,154,022	19,761,940	127,438,922
Other	104,919	-	-	104,919
Total Revenues	103,630,594	61,154,022	19,761,940	184,546,556
Expenditures:				
Current Operations:				
Health:				
Contract Services	106,451,616	44,589,362	17,201,087	168,242,065
General Government	7,107,827	-	224,642	7,332,469
Capital Outlay	1,620,145	-	-	1,620,145
Debt Service:				
Principal	109,537	-	-	109,537
Interest and Fiscal Charges	51,241	-	-	51,241
Total Expenditures	115,340,366	44,589,362	17,425,729	177,355,457
Excess of Revenues over (under) Expenditures	(11,709,772)	16,564,660	2,336,211	7,191,099
Fund Balance at Beginning of Year (Restated - See Note 11)	14,417,895	-	2,958,146	17,376,041
Fund Balance at End of Year	\$ 2,708,123	\$ 16,564,660	\$ 5,294,357	\$ 24,567,140

See accompanying notes to the basic financial statements

ALCOHOL, DRUG AND MENTAL HEALTH BOARD  
OF FRANKLIN COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE EIGHTEEN MONTH PERIOD ENDED DECEMBER 31, 2003

**Net Change in Fund Balances - Total Governmental Funds** **\$ 7,191,099**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,451,292
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, disposals, trade-ins, and donations) is to decrease net assets.	(1,690,040)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	9,574,885
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and does not result in an expense in the statement of activities.	109,537
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.	<u>(29,395)</u>
<b>Change in Net Assets of Governmental Activities</b>	<u><u>\$ 16,607,378</u></u>

See accompanying notes to the basic financial statements

ALCOHOL, DRUG AND MENTAL HEALTH BOARD  
OF FRANKLIN COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE EIGHTEEN MONTH PERIOD ENDED DECEMBER 31, 2003

	Original Budget	Final Budget	Actual	Variance Over/(Under)
<b>Revenues</b>				
Real Estate Taxes	\$ 25,198,628	\$ 50,397,256	\$ 46,822,822	\$ (3,574,434)
Personal Property Taxes	4,641,655	9,283,310	10,140,429	857,119
Intergovernmental	19,530,620	38,578,270	42,919,347	4,341,077
Other Revenue	-	-	647,197	647,197
Total Revenues	<u>49,370,903</u>	<u>98,258,836</u>	<u>100,529,795</u>	<u>2,270,959</u>
<b>Expenditures</b>				
Health	46,356,393	110,323,972	100,123,620	10,200,352
Capital Outlay	67,921	524,250	518,388	5,862
Debt Services	-	109,537	109,537	-
Total Expenditures	<u>46,424,314</u>	<u>110,957,759</u>	<u>100,751,545</u>	<u>10,206,214</u>
Excess of Revenues Over/ (Under) Expenditures	<u>2,946,589</u>	<u>(12,698,923)</u>	<u>(221,750)</u>	<u>12,477,173</u>
<b>Other Financing Sources/(Uses)</b>				
Advances in	7,290,000	7,290,000	-	(7,290,000)
Advances out	-	-	(3,500,000)	(3,500,000)
Total other financing sources/(uses)	<u>7,290,000</u>	<u>7,290,000</u>	<u>(3,500,000)</u>	<u>(10,790,000)</u>
Net change in fund balance	10,236,589	(5,408,923)	(3,721,750)	1,687,173
Fund balances at beginning of year	13,882,483	13,882,483	13,882,483	-
Fund balances at end of year	<u>\$ 24,119,072</u>	<u>\$ 8,473,560</u>	<u>\$ 10,160,733</u>	<u>\$ 1,687,173</u>

See accompanying notes to the basic financial statements

ALCOHOL, DRUG AND MENTAL HEALTH BOARD  
OF FRANKLIN COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL  
STATE MENTAL HEALTH ALCOHOL AND DRUG FUND  
FOR THE EIGHTEEN MONTH PERIOD ENDED DECEMBER 31, 2003

	Original Budget	Final Budget	Actual	Variance Over/(Under)
<b>Revenues</b>				
Intergovernmental	\$ 16,579,948	\$ 49,347,675	\$ 46,082,254	\$ (3,265,421)
Total Revenues	<u>16,579,948</u>	<u>49,347,675</u>	<u>46,082,254</u>	<u>(3,265,421)</u>
<b>Expenditures</b>				
Health	14,581,442	47,799,434	43,810,967	3,988,467
Total Expenditures	<u>14,581,442</u>	<u>47,799,434</u>	<u>43,810,967</u>	<u>3,988,467</u>
Excess of Revenues Over/ (Under) Expenditures	<u>1,998,506</u>	<u>1,548,241</u>	<u>2,271,287</u>	<u>723,046</u>
<b>Other Financing Sources/(Uses)</b>				
Advances in	-	-	1,640,000	1,640,000
Total other financing sources/(uses)	<u>-</u>	<u>-</u>	<u>1,640,000</u>	<u>1,640,000</u>
Net change in fund balance	1,998,506	1,548,241	3,911,287	2,363,046
Fund balances at beginning of year	-	-	-	-
Fund balances at end of year	<u>\$ 1,998,506</u>	<u>\$ 1,548,241</u>	<u>\$ 3,911,287</u>	<u>\$ 2,363,046</u>

See accompanying notes to the basic financial statements



ALCOHOL, DRUG AND MENTAL HEALTH BOARD  
OF FRANKLIN COUNTY

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
AS OF DECEMBER 31, 2003

	Agency Fund
<b>ASSETS</b>	
Equity with County Treasurer	\$ 770,585
Total Assets	<u>770,585</u>
<b>LIABILITIES</b>	
Funds Held for Others	770,585
Total Liabilities	<u>770,585</u>
<b>NET ASSETS</b>	<u><u>\$ -</u></u>

See accompanying notes to the basic financial statements

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE EIGHTEEN MONTH PERIOD ENDED DECEMBER 31, 2003**

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

**A. Reporting Entity**

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

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

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

*RELATED ORGANIZATION:*

Franklin County Family and Children First Council

The operation of the Franklin County Family and Children First Council is controlled by an oversight committee. As a whole, the ADAMH Board and the Franklin County Department of Job and Family Services are the administrative agents, and the Franklin County Auditor is the fiscal agent. The ADAMH Board has presented the financial activity of the Franklin County Family and Children First Council within an agency fund.

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE EIGHTEEN MONTH PERIOD ENDED DECEMBER 31, 2003**

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

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

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

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

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

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

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: tuition, grants, and contract services.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Contractual services provided by the ADAMH Board during the year for which payment is not received in the available period. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE EIGHTEEN MONTH PERIOD ENDED DECEMBER 31, 2003**

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

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

Expenses/Expenditures

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

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

The government reports the following major governmental funds:

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

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

Additionally, the government reports the following fund type:

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

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

**D. Budgetary Process**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE EIGHTEEN MONTH PERIOD ENDED DECEMBER 31, 2003**

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

Estimated Resources: The certificate of estimated resources issued by the Budget Commission states the projected revenue of each fund and establishes a limit on the amount the County may appropriate. The County's total contemplated expenditures from any fund during the fiscal year cannot exceed the amount available as stated in the certificate of estimated resources. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. During the year, as actual revenues vary from the estimates, the certificate may be amended further if an estimate needs either to be increased or decreased. Such amendments were made during 2004. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate at the time the original appropriations resolution was adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during 2004.

Appropriations: The appropriations resolution is the Commissioners' authorization to spend resources. The resolution sets annual limits on expenditures plus encumbrances at the level of control selected by the Commissioners. Appropriation requests are submitted to the Office of Management and Budget (OMB) by the agencies. In light of available resources and County priorities, the County Administrator and OMB develop a joint budget recommendation that is submitted to the Commissioners. Public budget hearings are held with the various elected officials and agency administrators. At the conclusion of the budget hearings, the Commissioners convene a meeting with the County Administrator and OMB to amend the recommended budget. Revisions to the original budget require a resolution signed by at least two Commissioners. Supplemental appropriations were made during 2004.

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

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

**E. Deposits and Investments**

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

Cash resources of the majority of individual funds are combined to form a pool of cash and investments managed by the County Treasurer. Interest earned on investments is accrued as earned. Under existing Ohio law, all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Distribution is made utilizing a formula based on the average month-end balance of cash and cash equivalents of all funds. No interest was credited to the ADAMH Board by the County Treasurer for the eighteen month period ending December 31, 2003.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE EIGHTEEN MONTH PERIOD ENDED DECEMBER 31, 2003**

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

**F. Receivables and Payables**

Property taxes include amounts levied against all real, public utility and tangible personal property located in the County. Property tax revenue received during 2002 and 2003 for real and public utility property taxes represents collection of 2001 and 2002 taxes, respectively. Property tax payments received during 2002 and 2003 for tangible personal property (other than public utility property) is for 2002 and 2003 taxes, respectively.

2002 real property taxes are levied after October 1, 2002, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by state law at 35 percent of appraised market value. 2002 real property taxes are collected in and intended to finance 2003. The total assessed value upon which the 2002 real estate tax collection was based was \$18.749 billion. The full tax rate applied to real property for all County units was \$16.99 per \$1,000 of assessed valuation.

Tangible personal property is that property used in business and is assessed at 25 percent of true value, as defined. Tangible personal property taxes are levied on January 1<sup>st</sup> of the current year. The total value upon which the 2002 tax collection was assessed was \$2.579 billion.

Public utility taxes are assessed not only on land and improvements, but also on tangible personal property at true value, which is a percentage of cost. Percentages vary according to the type of utility. The total value upon which the 2002 tax collection was based was \$783 million.

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

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20<sup>th</sup>; if paid semi-annually, the first payment is due January 20<sup>th</sup> with the remainder to be paid by June 20<sup>th</sup>. Real property owners' tax bills are reduced by homestead and rollback deductions, when applicable. The amount of these reductions is reimbursed to the County by the State. Tangible personal property taxes are due semi-annually with the first payment due April 30<sup>th</sup> and the remainder to be paid by September 20<sup>th</sup>. Due dates are normally extended an additional 30 days. By state law, the first \$10,000 of taxable value for each business is exempt from taxation.

"Property taxes receivable" represents delinquent real and tangible personal property and public utility taxes outstanding as of the last settlement (net of allowances for uncollectible amounts) and real property and public utility taxes that were measurable at year-end and for which there is an enforceable legal claim. In the fund financial statements, the entire receivable is offset by deferred revenue since the taxes were not levied to finance 2003 operations. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE EIGHTEEN MONTH PERIOD ENDED DECEMBER 31, 2003**

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

**G. Capital Assets and Depreciation**

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

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

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

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

**H. Compensated Absences**

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE EIGHTEEN MONTH PERIOD ENDED DECEMBER 31, 2003**

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

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

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

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

**J. Unreported Claims Liability**

Health care costs associated with Medicaid claims are accrued as services are rendered by contract providers for providing mental health and substance abuse treatment services. Payments are made to providers on individual claims for which services have been performed.

Incurred but not reported (IBNR) claims exist for Medicaid claims that have been received by the ADAMH Board from providers but have not been adjudicated by the computer processing system. Subsequent actual claim experience will differ from the estimated liability due to variances in estimated and actual claims and other factors. The ADAMH Board had incurred but not reported claims of \$2,119,364 for the eighteen month period ended December 31, 2003 which is recorded as a liability on government-wide and fund financial statements.

**K. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. A designation of fund balance has been established to account for possible unforeseen claims.

**L. Interfund Balances**

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

**M. Estimates**

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



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE EIGHTEEN MONTH PERIOD ENDED DECEMBER 31, 2003**

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

**N. Net Assets**

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

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

**O. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the ADAMH Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the eighteen month period ended December 31, 2003.

**NOTE 2 - BUDGETARY BASIS OF ACCOUNTING**

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

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

	General Fund	State Mental Health Alcohol and Drug
Non-GAAP Budgetary Basis	\$ (3,721,750)	\$ 3,911,287
Basis Difference:		
Net Adjustment for Revenue Accruals	3,100,799	15,071,768
Net Adjustment for Expenditure Accruals	(14,588,821)	(778,395)
Net Adjustment for Other Financing Sources	3,500,000	(1,640,000)
GAAP Basis	\$ (11,709,772)	\$ 16,564,660

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE EIGHTEEN MONTH PERIOD ENDED DECEMBER 31, 2003**

**NOTE 3 - DEPOSITS AND INVESTMENTS**

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

Moneys held by the County are classified by state statute into two categories. Active monies are public monies determined to be necessary to meet current demands on the treasury. Active monies must be maintained either as cash in the County treasury, in commercial accounts payable or able to be withdrawn on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

**Legal Requirements**

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts.
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County.
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
8. Up to 25 percent of the County's total average portfolio in either of the following investments:
  - a. High grade commercial paper when the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation, and the notes mature not later than 180 days after purchase.
  - b. Banker acceptances of banks insured by the FDIC when the obligations are eligible for purchase by the Federal Reserve System and mature not later than 180 days after purchase.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE EIGHTEEN MONTH PERIOD ENDED DECEMBER 31, 2003**

**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

9. Written repurchase agreements in the securities described in division (1) or (2) provided that the market value of the agreement exceed its cost by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days.

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

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

The County's deposits include amounts held in demand accounts and savings accounts. For the eighteen month period, the carrying amount of the ADAMH's deposits was \$24,587,756. Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the County Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

**NOTE 4 - CAPITAL ASSETS**

Capital asset balances as of June 30, 2002 have been restated to reflect the reclassification of assets previously recorded by the ADAMH as assets of Franklin County, as well as the ADAMH Board incorrectly applying the \$5,000 capitalization threshold from the beginning balance. Governmental capital asset activity for the eighteen month period ended December 31, 2003, was as follows:

Description	Beginning Balance	Prior Period Restate	Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciated assets:						
Land	\$ 113,360	\$ 240,913	\$ 354,273	\$ -	\$ (44,046)	\$ 310,227
Capital assets, being depreciated:						
Buildings and Improvements	3,924,713	664,901	4,589,614	1,613,320	(2,325,676)	3,877,258
Machinery and Equipment	2,637,006	(2,482,928)	154,078	6,825	-	160,903
Total	<u>6,675,079</u>	<u>(1,577,114)</u>	<u>5,097,965</u>	<u>1,620,145</u>	<u>(2,369,722)</u>	<u>4,348,388</u>
Less accumulated depreciation for:						
Buildings and Improvements			(1,439,730)	(137,229)	679,682	(897,277)
Machinery and Equipment			(43,277)	(31,624)	-	(74,901)
Total			<u>(1,483,007)</u>	<u>(168,853)</u>	<u>679,682</u>	<u>(972,178)</u>
Total capital assets, net			<u>\$ 3,614,958</u>	<u>\$ 1,451,292</u>	<u>\$ (1,690,040)</u>	<u>\$ 3,376,210</u>

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE EIGHTEEN MONTH PERIOD ENDED DECEMBER 31, 2003**

**NOTE 5 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

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

Capital assets consisting of equipment have been capitalized. These amounts represent the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments for the eighteen month period ended December 31, 2003 totaled \$74,537 as paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of December 31, 2003:

Eighteen month period ended December 31,	Copiers
2004	\$ 39,007
2005	39,007
2006	26,445
Total minimum lease payments	104,459
Less: amount represent interest	(16,798)
Present value of minimum lease payments	<u>\$ 87,661</u>

**NOTE 6 - LONG-TERM OBLIGATIONS**

Long-term liability activity for the eighteen month period ended December 31, 2003, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
General Obligation Bonds	\$ 280,000	\$ -	\$ (35,000)	\$ 245,000	\$ 35,000
Capital Leases	162,198	-	(74,537)	87,661	28,694
Compensated Absences	293,111	29,395	-	322,506	52,000
Total	<u>\$ 735,309</u>	<u>\$ 29,395</u>	<u>\$ (109,537)</u>	<u>\$ 655,167</u>	<u>\$ 115,694</u>

**General Obligation Bonds**

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

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

The following is a schedule of the future principal and interest payments required for the repayment of the general obligation bonds as of December 31, 2003.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE EIGHTEEN MONTH PERIOD ENDED DECEMBER 31, 2003**

**NOTE 6 - LONG-TERM OBLIGATIONS (Continued)**

For the eighteen month period ended December 31,	Principal	Interest	Total
2004	\$ 35,000	\$ 18,069	\$ 53,069
2005	35,000	15,488	50,488
2006	35,000	12,906	47,906
2007	35,000	10,325	45,325
2008	35,000	7,744	42,744
2009-2010	70,000	7,743	77,743
<b>Totals</b>	<b>\$ 245,000</b>	<b>\$ 72,275</b>	<b>\$ 317,275</b>

**Compensated Absences**

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

At December 31, 2003, the compensated absences liability totaled \$322,506, an increase of \$29,395 from the previous eighteen month period. The portion of the compensated absences liability attributed to vacation and sick leave was \$100,201 and \$222,305, respectively. The compensated absences will be paid from the funds in which the salaries are paid.

**NOTE 7 - RISK MANAGEMENT**

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE EIGHTEEN MONTH PERIOD ENDED DECEMBER 31, 2003**

**NOTE 8 - CONTINGENT LIABILITIES**

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

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

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

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

- Cash Flow
- Client Related Risk
- Revenue Risk

The recommended fund balance designation requirement was developed as a percentage of total client service related cost. These percentages, separately identified for each component, were then converted to a dollar amount for the current operating year identifying a minimum level, optimal level and maximum level. At December 31, 2003 the Board designated \$2,708,123 for possible future financial shortfalls.

**Litigation**

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

**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE EIGHTEEN MONTH PERIOD ENDED DECEMBER 31, 2003**

**NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2003, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Separate divisions for law enforcement and public safety exist only within the Traditional Plan.

The 2003 member contribution rate for County employees was 8.5 percent of covered payroll. The ADAMH Board's employer contribution rate for 2003 was 13.55 percent of covered payroll. The ADAMH Board's required contributions to OPERS for the years ended December 31, 2003, 2002, and 2001 were \$588,759, \$564,728, and \$525,069, respectively. The full amount has been contributed for each year.

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

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

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Plan (TP) – a cost-sharing multiple-employer defined benefit plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS provides retirement, disability, survivor and post-retirement health care benefits to qualifying members of both the Traditional and the Combined Plans; however, health care benefits are not statutorily guaranteed. 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 must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the Retirement System is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12.

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2003 employer contribution rate was 13.55% of covered payroll, and 5% was used to fund health care.

The assumptions and calculations below were based on the Retirement System's latest Actuarial Review performed as of December 31, 2002.

An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE EIGHTEEN MONTH PERIOD ENDED DECEMBER 31, 2003**

**NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (Continued)**

The investment assumption rate for 2002 was 8%. An annual increase of 4%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4% base increase, were assumed to range from .5% to 6.3%. Health care costs were assumed to increase 4.00% annually.

OPEB's are advance-funded on an actuarially determined basis. At year-end 2003, the number of active contributing participants in the Traditional and Combined Plans totaled 364,881. The contribution rates stated above are the actuarially determined contribution requirements for OPERS. The portion of the County's 2003 contributions that were used to fund post-employment benefits were \$181,610.

\$10 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2002. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 billion, respectively.

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

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account. In response to the adverse investment returns experienced by OPERS from 2000 through 2002 and the continued staggering rate of health care inflation, the OPERS Board, during 2003, considered extending "Choices" type cost cutting measures to all active members and benefit recipients. As of this date, the Board has not determined the exact changes that will be made to the health care plan

**NOTE 11 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES**

**A. Changes in Accounting Principles**

The ADAMH Board has implemented the following authoritative guidance for the eighteen month period ending December 31, 2003. GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," was implemented, which pertains to the financial reporting of certain types of revenue received by the District for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions, and voluntary nonexchange transactions. The adoption of this statement had no effect on fund balances as previously reported by the ADAMH Board at June 30, 2002.

GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At June 30, 2002, there was no effect on fund balance as a result of implementing GASB Statements Nos. 37, 38, 39, and 41.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE EIGHTEEN MONTH PERIOD ENDED DECEMBER 31, 2003**

**NOTE 11 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES  
(Continued)**

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes and rescinds certain financial statement note disclosures, and GASB Statement No. 39, determines whether certain organizations are component units.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparison for the general and each major special revenue fund.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice. GASB Interpretation No. 6 had no effect on beginning fund balance at June 30, 2002.

**B. Restatement of Fund Balances**

**Governmental Activities - Restatement of Fund Balance** – Beginning fund balances were restated based upon misstatements to receivables and payables from prior years and reclassification of funds. This had the following impact on fund balances:

	General	Nonmajor	Total
Fund balance June 30, 2002	\$ 14,827,391	\$ -	\$ 14,827,391
Correction of errors	(409,496)	2,958,146	2,548,650
Restated fund balance, June 30, 2002	\$ 14,417,895	\$ 2,958,146	\$ 17,376,041

The transition from governmental fund balance to net assets of the governmental activities is presented as follows:

	Total
Fund Balance June 30, 2002	\$ 17,376,041
GASB 34 Adjustments:	
Capital Assets	3,614,958
General Obligation Bonds	(280,000)
Capital Lease Obligations	(162,198)
Compensated Absences	(293,111)
Net Assets June 30, 2002	\$ 20,255,690

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE EIGHTEEN MONTH PERIOD ENDED DECEMBER 31, 2003**

**NOTE 12 - RELATED PARTY TRANSACTIONS**

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

**NOTE 13 - INTERFUND TRANSACTIONS**

A. Interfund balances for the eighteen month period ended December 31, 2003 consisted of the following, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	State Mental Health Alcohol & Drug	\$ 1,640,000
General Fund	Other Governmental Funds	\$ 1,860,000

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by December 31. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at December 31, 2003 are reported on the Statement of Net Assets.

B. Interfund balances at December 31, 2003 as reported on the fund financial statements, consist of the following amounts due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 848,851
General	State Mental Health Alcohol and Drug	866,880
State Mental Health Alcohol and Drug	General	320,628
State Mental Health Alcohol and Drug	Nonmajor governmental funds	206,151
Nonmajor governmental funds	General	9,017
Nonmajor governmental funds	State Mental Health Alcohol and Drug	209,972
Nonmajor governmental funds	Nonmajor governmental funds	122,704

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

# TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Alcohol, Drug and Mental Health Board of Franklin County, Ohio, (the “ADAMH Board”), as of and for the eighteen month period ended December 31, 2003, which collectively comprise the ADAMH Board’s basic financial statements and have issued our report thereon dated April 25, 2005. During the eighteen month period ending December 31, 2003, the ADAMH Board implemented Governmental Accounting Standards Board (GASB) Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions; GASB Statement No. 34, Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments; GASB Statement No. 37, Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments: Omnibus; GASB Statement No. 38, Certain Financial Statement Note Disclosures; GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units; GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, and GASB Statement No. 41, Budgetary Comparison Schedule - Perspective Differences. As disclosed in Note 4, capital assets have been restated to reflect the reclassification of assets previously recorded by the ADAMH Board as assets of Franklin County and change in capitalization threshold. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the ADAMH Board’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the ADAMH Board in a separate letter dated April 25, 2005.

Board of Trustees  
ADAMH Board of Franklin County

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the ADAMH Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

*Trimble, Julian & Grube, Inc.*

Trimble, Julian & Grube, Inc.  
April 25, 2005



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

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

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 7, 2005**