

Dave Yost • Auditor of State

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

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Alcohol, Drug, and Mental Health Board of Franklin County, Franklin County, Ohio (the ADAMH Board), a blended component unit presented as a major special revenue fund of Franklin County, Ohio, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the ADAMH Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Alcohol, Drug, and Mental Health Board of Franklin County, Franklin County, Ohio, as of December 31, 2012, and the respective changes in financial position, thereof and the respective budgetary comparisons for the General and the State Mental Health, Alcohol, and Drug funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the ADAMH Board's basic financial statements taken as a whole. This schedule presents additional analysis and is not a required part of the basic financial statements.

The Schedule of Federal Award Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2013, on our consideration of the ADAMH Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the ADAMH Board's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

June 14, 2013

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

For the year ended December 31, 2012
(UNAUDITED)

As management of the Alcohol, Drug and Mental Health ("ADAMH") Board, we are providing this overview of ADAMH Board's financial activities for the year ended December 31, 2012. Please read this overview in conjunction with the ADAMH Board's basic financial statements, which follow.

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

FINANCIAL HIGHLIGHTS

Key financial highlights for the year ended December 31, 2012 are as follows:

- The ADAMH Board's assets exceeded its liabilities and deferred inflows of resources at the close of 2012 by \$86,855,925 of this amount; \$11,723,519 is considered restricted.
- As of the close of 2012, the ADAMH Board's governmental funds reported combined ending restricted fund balances of \$3,218,257.
- As of the close of 2012, the ADAMH Board had cumulated deposit amounts totaling \$76,891,971.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

The government-wide financial statements provide information about the activities of the whole ADAMH Board, presenting both an aggregate view of the ADAMH Board's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars 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.

While this document contains information about the funds used by the ADAMH Board to provide services to our citizens, the view of the ADAMH Board as a whole looks at all financial transactions and asks the question, "How did we do financially during the year ended December 31, 2012?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets, liabilities, and deferred inflows 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.

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

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. The ADAMH Board's funds are divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

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

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

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the ADAMH Board. Fiduciary funds are not reflected in the government-wide financial statements because those resources are not available to support the ADAMH Board's own programs. The basic fiduciary fund financial statement can be found on page 23.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 24 of this report.

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MANAGEMENT'S DISCUSSION AND ANALYSIS**

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THE ADAMH BOARD AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the ADAMH Board as a whole. Table 1, below, provides a summary of the ADAMH Board's net position for 2012 compared to 2011.

Table 1 - Net Position

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
Current and Other Assets	\$146,827,651	\$128,270,353
Capital Assets	<u>2,171,243</u>	<u>2,232,342</u>
Total Assets	<u>\$148,998,894</u>	<u>\$130,502,695</u>
Current Liabilities	\$6,279,921	\$5,567,897
Long-term Liabilities	<u>535,618</u>	<u>517,084</u>
Total Liabilities	<u>\$6,815,539</u>	<u>\$6,084,981</u>
Deferred Inflows of Resources:		
Property Tax	<u>\$55,327,430</u>	<u>\$55,059,200</u>
Total Deferred Inflow of Resources	<u>\$55,327,430</u>	<u>\$55,059,200</u>
Invested in Capital Assets Net of Related Debt	\$2,171,243	\$2,232,342
Restricted for:		
Health Services	11,723,519	5,005,444
Unrestricted	<u>72,961,163</u>	<u>62,120,728</u>
Total Net Position	<u>\$86,855,925</u>	<u>\$69,358,514</u>

Total assets increased by \$18.5 million (14%) between 2011 and 2012. This increase is primarily attributed to the impact of Medicaid consolidation. Beginning with State Fiscal Year (SFY) 2011, the State assumed financial responsibility for providing the required match for the Medicaid program. The ADAMH Board is in process of developing and funding new community based programs with the Levy resources that are no longer required for Medicaid Match.

Total liabilities increased by \$0.7 million (12%) between 2011 and 2012. This increase is primarily attributed to a \$0.8 million increase in accounts payable (another by-product of the State's Medicaid consolidation). Effective with SFY 2011, the ADAMH Board is serving as the fiscal agent for the Medicaid program and as such the transactions are reported in the agency fund.

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Table 2 - Changes in Net Position

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
Program Revenues:		
Grants and Contributions	\$20,474,618	\$47,636,114
General Revenues:		
Property Taxes	52,832,561	53,710,856
Grants and Entitlements	5,453,608	9,128,142
Other Unrestricted Revenues	6	212,407
Total Revenues	\$78,760,793	\$110,687,519
Expenses:		
Health Services	\$54,852,640	\$96,987,529
General Government	6,410,742	7,614,459
Total Expenses	\$61,263,382	\$104,601,988
Changes in Net Position	\$17,497,411	\$6,085,531
Net Position - Beginning	\$69,358,514	\$63,272,983
Net Position - Ending	\$86,855,925	\$69,358,514

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

Total versus Net Cost of Services

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

Table 3 - Functions/Programs

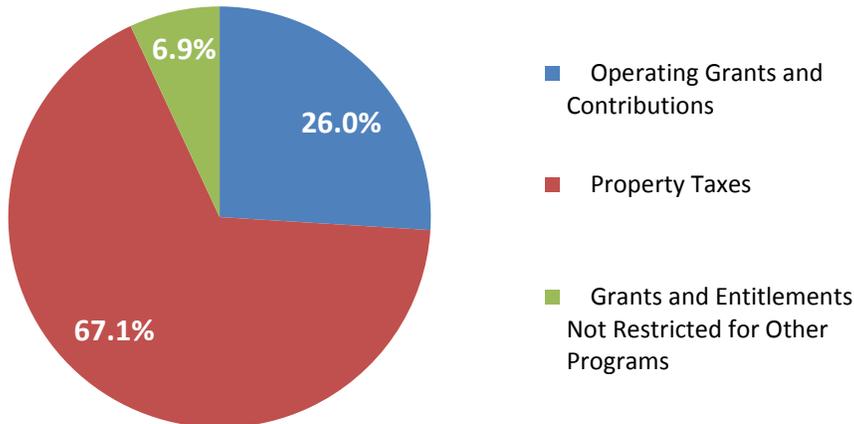
Functions / Programs	2012 Total Cost of Services	2011 Total Cost of Services	2012 Net Cost of Services	2011 Net Cost of Services
Governmental Activities:				
Health Services	\$54,852,640	\$96,987,529	\$34,378,022	\$49,351,415
General Government	6,410,742	7,614,459	6,410,742	7,614,459
Total Governmental Activities	\$61,263,382	\$104,601,988	\$40,788,764	\$56,965,874

The ADAMH Board's reliance upon both grants and property taxes is demonstrated by the pie chart below indicating 26.0% of total revenues from grants, approximately 67.1% of revenues from property taxes, and approximately 6.9% of revenues from grants and entitlements not

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restricted for other programs. The general revenues from property taxes and grants and entitlements not restricted for other programs are intended to cover the net cost of services indicated in Table 3, above.



Property taxes (\$52.8 million) are generated from a 2.2 mil 10-year levy that began collections in calendar year 2007. Revenues in this category are contingent upon property valuations of residential and commercial real estate and tangible personal property (TPP) (refer to Note 1, Section G for details regarding the phase-out of TPP).

Grants and entitlements not restricted to specific programs (\$5.4 million) are comprised of State reimbursements of property taxes (real estate, personal property, personal property replacement and manufactured homes).

Operating grants and contributions of \$20.4 million decreased by \$27.2 million between 2011 and 2012. This is attributed to the impact of the State's decision to consolidate the Medicaid program. Effective with SFY 2011, the ADAMH Board is serving as the fiscal agent for the Medicaid program and as such the transactions are reported in an agency fund.

THE ADAMH BOARD'S FUNDS

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

At the end of 2012, the ADAMH Board's governmental funds reported a combined ending fund balance of \$70,719,081, a 19.5% (\$11.6 million) increase over the prior year. The majority (\$11.8 million) of this increase is ascribed to increased Equity with the County Treasurer within the General Fund.

ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY
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The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2012.

Table 4 - Changes in Governmental Assets

	<u>Fund Balance</u> <u>12/31/2012</u>	<u>Fund Balance</u> <u>12/31/2011</u>	<u>Increase /</u> <u>Decrease</u>
General	\$67,500,824	\$55,810,238	\$11,690,586
State Mental Health, Alcohol & Drug	1,699,043	1,640,878	\$58,165
Other Governmental	1,519,214	1,710,434	(191,220)
Total	<u>\$70,719,081</u>	<u>\$59,161,550</u>	<u>\$11,557,531</u>

GENERAL FUND BUDGETARY INFORMATION

The ADAMH Board's budget is prepared in accordance with Ohio law and is based on the budgetary basis of accounting, utilizing cash receipts, disbursements and encumbrances.

During the course of 2012, the ADAMH Board amended its General Fund revenue budget throughout the year. For the General Fund, original and final budgeted revenues were \$63,384,641 and \$60,399,237, respectively. Actual revenues for fiscal year 2012 were \$59,502,421. This represents a (\$896,816) shortage of final budgeted revenues.

General Fund original appropriations were \$59,999,008. Since providers had until January 31, 2013 to submit claims and block grant requests for contract year 2012 activity, some of the expenditures did not occur until calendar year 2012, thus the actual 2012 budget basis expenditures totaled \$47,043,842, which was \$12,955,166 less than the final budgeted appropriations.

CAPITAL ASSETS

The ADAMH Board's investment in capital assets for its governmental activities as of December 31, 2012 amounts to a total cost of \$3,679,163, or \$2,171,243 net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, and machinery and equipment. A portion of the ADAMH Board's investment in capital assets includes the Engagement Center, a mental health and substance abuse treatment facility. Total depreciation for the twelve-month period was \$107,580. Detailed information regarding capital asset activity is included in the Note 3 to the basic financial statements.

CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS

1. Over the next five years, the ADAMH Board envisions the consumer landscape will be impacted by the following challenges and opportunities:
 - a. Changing community demographics, continuing severe economic stressors and increased complexity of consumer and family needs will challenge the ADAMH

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

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Board to provide culturally competent services, delivered by culturally capable professionals that address the following socioeconomic and health factors:

- i. Sustained levels of unemployment and associated mental health and addiction implications;
 - ii. Increased poverty – more people are in more extreme poverty;
 - iii. People exposed to trauma (neighborhood, war, etc.);
 - iv. Children, youth and families at risk;
 - v. Emerging immigrants;
 - vi. Stigma;
 - vii. Aging population and caregivers;
 - viii. Integration of increased numbers of ex-offenders into community;
 - ix. Diversion from jails/prisons;
 - x. Increasing acuity of consumers at time of entry into system; and
 - xi. Homelessness.
- b. Increasing number of diverse healthcare plans, including national healthcare reform, with differing benefits (e.g. access to medications) will challenge consumers and families in meeting their expectations from multiple public payer systems.
 - c. A significant increase in the need for specialized treatments for individuals with dual disorders (i.e. both mental health and substance abuse) as well as an increase in the demand for intensive treatments (e.g. high use of psychiatric beds and crisis services.).
 - d. An expectation for health care “homes” in which mental health and substance abuse treatment is integrated with primary healthcare rather than a separate and distinct system.
 - e. Increased demand for more supportive housing and support services (e.g. vocational, crisis stabilization) will require the ADAMH Board to determine the unmet need and the level of supports that are required within a continuum of care.
 - f. Increased advocacy from consumers and family members for vital services from the public system of care.
2. The ADAMH Board envisions the provider network will be impacted by the following challenges and opportunities:
- a. Capability of providers to meet the demands of consumers will be challenged by:
 - i. Rapidly changing reimbursement environment with multiple healthcare plans for insured & non-insured consumers;
 - ii. Increased demand for price, quality, transparency, and performance reimbursements; and
-

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

For the year ended December 31, 2012
(UNAUDITED)

- iii. Insufficient diversity in the workforce.
 - b. Opportunity to partner with primary healthcare providers to develop integrated systems of care that address both the mental health and substance abuse treatment and physical healthcare needs of the patient.
 - c. Sustainability of the current provider system (e.g. network of providers) in light of changing reimbursement structures.
3. The ADAMH Board envisions the community will be impacted by the following challenges and opportunities:
- a. Availability of discretionary funds (resources available) is uncertain due to the:
 - i. Reduction in local levy funds due to slowed housing starts or de-valuation of property;
 - ii. Uncertainty of community support of the local levy due to continued economic uncertainty;
 - iii. Reduction of non-levy discretionary funds as a result of economic recession; and
 - iv. Elevation of Medicaid match financing to the State of Ohio.
 - b. Re-definition of the ADAMH Board's relationship with the State's hospitalization program.
 - c. Increased number of consumers who are Medicaid-eligible will require the ADAMH Board to:
 - i. Re-define its relationship with the Medicaid program; and
 - ii. Evaluate the impact of the State's Medicaid cost-containment, including the possibility of managed care.
 - d. Impact of Federal Affordable Healthcare Act on the ADAMH Board system of care from 2014 and beyond is uncertain due to the:
 - i. Development of medical home models;
 - ii. Growth in Medicaid eligibility;
 - iii. Development of health care exchanges;
 - iv. Employer choice to opt-in/out;
 - v. Continuing political/legal challenges to implementation; and
 - vi. Health information technologies.
 - e. Changing community expectations for priority prevention and treatment services that will be available within the new business environment:
 - i. Integration of new models of prevention services into diverse learning environments;
-

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MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

4. Levy Revenues

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

Table 5: Levy Revenues

Levy Revenue History							
Description	2006	2007	2008	2009	2010	2011	2012
REAL ESTATE TAX	\$34,923,837.33	\$53,476,890.16	\$52,634,407.70	\$52,793,742.84	\$53,674,033.93	\$53,092,692.74	\$50,499,792.00
PERSONAL PROPERTY TAX	\$3,806,593.34	\$2,987,773.54	\$1,634,479.45	\$349,796.02	\$168,070.60	\$37,704.17	\$36,299.02
HOUSE TRAILER TAX	\$24,339.37	\$35,834.01	\$28,360.26	\$26,645.78	\$23,829.74	\$23,140.47	\$24,423.82
STATE REIMB-REAL ESTATE TAXES	\$2,920,381.94	\$5,093,172.62	\$5,886,487.15	\$5,975,139.33	\$6,001,417.08	\$6,039,323.93	\$5,689,809.75
STATE REIMB-PERS PROP TAXES	\$142,255.29	\$88,171.07	\$69,346.94	\$34,673.47	\$0.00	\$0.00	\$0.00
STATE REIMB-PU TAX REPLACEMENT	\$444,360.00	\$355,488.00	\$500,229.46	\$443,016.90	\$410,546.68	\$177,744.00	\$0.00
STATE REIMB-MAN HOMES	\$1,884.19	\$3,556.30	\$11,300.12	\$11,874.79	\$12,416.22	\$12,435.62	\$12,739.48
STATE REIMB-PP REPLACEMENT	\$1,294,945.96	\$2,363,402.69	\$3,372,951.46	\$4,646,113.45	\$4,749,896.43	\$3,532,213.58	\$2,284,878.47
TOTALS	\$43,558,597.42	\$64,404,288.39	\$64,137,562.54	\$64,281,002.58	\$65,040,210.68	\$62,915,254.51	\$58,547,942.54

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

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5. Medicaid Consolidation

The State of Ohio is in process of "elevating" its Medicaid program. Beginning with SFY 2011 the state assumed responsibility for the financing of Medicaid match. This has a material financial impact (benefit) for the ADAMH Board given the approximately \$17 million in local levy resources that were used to fund Medicaid match in the previous three years.

In SFY 2012, the ADAMH Board administered the payments of Medicaid claims, but the State will be financially responsible for all Medicaid match. In SFY 2013, all aspects of Medicaid administration will be managed at the State level.

The ADAMH Board's calendar year 2013 (actual) and 2014 (projected) expenditure budgets will be materially reduced from previous years due to this consolidation.

6. SHARES and The Three C COG

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

CONTACTING THE ADAMH BOARD'S FINANCIAL MANAGEMENT

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

ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY
STATEMENT OF NET POSITION
December 31, 2012

		Governmental Activities
ASSETS		
Equity with County Treasurer	\$	76,891,971
Due from other governments		12,747,604
Property taxes receivable		57,188,076
Capital assets, net of accumulated depreciation:		
Nondepreciable		236,113
Depreciable		1,935,130
Total assets	\$	148,998,894
LIABILITIES		
Accrued wages	\$	127,024
Accounts Payable		6,152,897
Long-term liabilities:		
Due within one year		56,424
Due in more than one year		479,194
Total liabilities	\$	6,815,539
DEFERRED INFLOWS OF RESOURCES		
Property Tax	\$	55,327,430
NET POSITION		
Net investment in Capital Assets	\$	2,171,243
Restricted for:		
Health Services		11,723,519
Unrestricted		72,961,163
Total net position	\$	86,855,925

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

For the year ended December 31, 2012

	Program Revenues	Net (Expense) Revenue and Change In Net Assets
	Operating Grants and Contributions	Total Governmental Activities
	Expenses	
Governmental Activities:		
Health Services	\$54,852,640	\$20,474,618
General Government	6,410,742	0
Total Governmental Activities	\$61,263,382	(\$34,378,022) (6,410,742) (\$40,788,764)
General Revenues:		
Property taxes - General Purpose		\$52,832,561
Grants and Entitlements Not Restricted to Specific Programs		5,453,608
Other unrestricted revenues		6
Total general revenues		\$58,286,175
Change in Net Position		17,497,411
Net position - beginning		69,358,514
Net position - ending		\$ 86,855,925

ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY
BALANCE SHEET
ALL GOVERNMENTAL FUNDS
December 31, 2012

	General	State Mental Health Alcohol & Drug	Other Governmental Funds	Total Governmental Funds
ASSETS				
Equity with County Treasurer	\$72,703,588	\$1,153,052	\$3,035,331	\$76,891,971
Due from other Governments	2,764,667	1,766,520	8,216,417	12,747,604
Property taxes receivable	57,188,076	0	0	57,188,076
Total assets	\$132,656,331	\$2,919,572	\$11,251,748	\$146,827,651
LIABILITIES				
Accrued wages	\$127,024	\$0	\$0	\$127,024
Accounts payable	3,705,097	181,940	2,265,860	6,152,897
Total liabilities	\$3,832,121	\$181,940	\$2,265,860	\$6,279,921
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	\$5,995,956	\$1,038,589	\$7,466,674	\$14,501,219
Property tax	55,327,430	0	0	55,327,430
Total deferred inflows of resources	\$61,323,386	\$1,038,589	\$7,466,674	\$69,828,649
FUND BALANCE				
Restricted	0	1,699,043	1,519,214	3,218,257
Unassigned	\$67,500,824	\$0	\$0	\$67,500,824
Total Fund Balance	\$67,500,824	\$1,699,043	\$1,519,214	\$70,719,081
Total liabilities, deferred inflows of resources, and fund balance	\$132,656,331	\$2,919,572	\$11,251,748	\$146,827,651

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

For the twelve month period ended December 31, 2012

Total Governmental Fund Balances	\$70,719,081
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,171,243
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	14,501,219
Long-term liabilities, including capital lease obligations and compensated absences, are not due and payable in the current period and therefore are not reported in the funds:	
Compensated Absences Payable	(535,618)
Net Position of Governmental Activities	\$86,855,925

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

For the year ended December 31, 2012

	General Fund	State Mental Health Alcohol & Drug	Other Government Funds	Total Governmental Funds
REVENUES				
Taxes	\$50,612,777	\$0	\$0	\$50,612,777
Intergovernmental	8,505,006	3,187,788	10,435,703	22,128,497
Other	6	0	0	6
Total revenues	\$59,117,789	\$3,187,788	\$10,435,703	\$72,741,280
Expenditures				
Current Operations:				
Health Services	\$41,096,094	\$3,129,623	\$10,626,923	\$54,852,640
General government	6,331,109	0	0	6,331,109
Total expenditures	\$47,427,203	\$3,129,623	\$10,626,923	\$61,183,749
Net change in fund balances	\$11,690,586	\$58,165	(\$191,220)	\$11,557,531
Fund balances-beginning	55,810,238	1,640,878	1,710,434	59,161,550
Fund balances-ending	\$ 67,500,824	\$ 1,699,043	\$ 1,519,214	\$ 70,719,081

ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES
For the twelve month period ended December 31, 2012

Net Change in Fund Balances - Total Governmental Funds **\$11,557,531**

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period:

Capital Outlay	\$46,481	
Depreciation	<u>(\$107,580)</u>	(\$61,099)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds. \$6,019,513

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. (\$18,534)

Changes in Net Position of Governmental Activities **\$17,497,411**

ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES-BUDGET (NON-GAAP BASIS)
AND ACTUAL-GENERAL FUND

For the year ended December 31, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Budgetary Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Real Estate Taxes	\$ 53,305,700	\$ 52,496,877	\$ 50,560,515	\$ (1,936,362)
Intergovernmental	10,074,741	7,898,160	8,941,556	\$ 1,043,396
Other Revenue	4,200	4,200	350	\$ (3,850)
Total Revenue	<u>63,384,641</u>	<u>60,399,237</u>	<u>59,502,421</u>	<u>(896,816)</u>
Expenditures				
Health Services	50,240,249	50,240,249	40,592,113	9,648,136
General Government	9,758,759	9,758,759	6,451,729	3,307,030
Total expenditures	<u>59,999,008</u>	<u>59,999,008</u>	<u>47,043,842</u>	<u>12,955,166</u>
Net change in fund balances	3,385,633	400,229	12,458,579	12,058,350
Fund balances - beginning	<u>57,457,299</u>	<u>57,457,299</u>	<u>57,457,299</u>	<u>0</u>
Fund balances - ending	<u>\$ 60,842,932</u>	<u>\$ 57,857,528</u>	<u>\$ 69,915,878</u>	<u>\$ 12,058,350</u>

ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET (NON-GAAP BASIS)
AND ACTUAL - STATE MENTAL HEALTH, ALCOHOL AND DRUG FUND
 For the year ended December 31, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Budgetary Actual</u>	<u>Variances with Final Budget</u>
Revenues:				
Intergovernmental	\$2,551,221	\$4,956,781	\$3,173,457	(\$1,783,324)
Total Revenue	<u>\$2,551,221</u>	<u>\$4,956,781</u>	<u>\$3,173,457</u>	<u>(\$1,783,324)</u>
Expenditures:				
Health Services	\$2,551,221	\$4,499,612	\$3,346,560	\$1,153,052
Total Expenditures	<u>\$2,551,221</u>	<u>\$4,499,612</u>	<u>\$3,346,560</u>	<u>\$1,153,052</u>
Net Change in Fund Balance	\$0	\$457,169	(\$173,103)	(\$630,272)
Fund Balances - beginning	<u>\$1,326,155</u>	<u>\$1,326,155</u>	<u>\$1,326,155</u>	<u>\$0</u>
Fund Balances - ending	<u>\$1,326,155</u>	<u>\$1,783,324</u>	<u>\$1,153,052</u>	<u>(\$630,272)</u>

**ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND**

For the year ended December 31, 2012

ASSETS

Equity with County Treasurer	\$274,647
Due from other Governments	<u>632,636</u>
Total Assets	<u><u>\$907,283</u></u>

LIABILITIES

Accounts Payable	<u>\$907,283</u>
Total Liabilities	<u><u>\$907,283</u></u>

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

For the year ended December 31, 2012

NOTE 1. – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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 chaired by the ADAMH Board CFO. The ADAMH Board CEO serves on the Executive Council. The Educational Service Center of Central Ohio is the administrative and fiscal agent.

JOINT VENTURE:

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

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

For the year ended December 31, 2012

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

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

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

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

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

The government reports the following major governmental funds:

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

The *State Mental Health Alcohol and Drug Fund* is a special revenue fund used to account for programs funded with proceeds received from the State of Ohio.

Fiduciary Fund—Fiduciary fund reporting uses the accrual basis of accounting. Because of their custodial nature, fiduciary funds do not measure results of operations and do not have a measurement focus. The ADAMH Board uses an agency fund to account for the assets held in a custodial capacity as fiscal agent for the Medicaid programs of the Ohio Department of Mental Health and the Ohio Department of Alcohol and Drug Addiction.

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

For the year ended December 31, 2012

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

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

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

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

C. Fund Balance Classifications

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

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

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

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

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

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

For the year ended December 31, 2012

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

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

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

D. Government-wide and fund financial statements

Government-wide Financial Statements—The Statement of Net Position and the Statement of Activities display information about the ADAMH Board as a whole. These statements include the financial activities of the primary government.

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

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

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

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a Balance Sheet, which generally includes only current assets 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.

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

For the year ended December 31, 2012

E. 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.

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 2012. 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 2012.

Appropriations—The appropriations resolution is the Commissioners' authorization to spend resources. The resolution sets annual limits on expenditures plus encumbrances at the level of control selected by the Commissioners. Appropriation requests are submitted to the County's Office of Management and Budget ("OMB") by the agencies. In light of available resources and County priorities, the County Administrator and OMB develop a joint budget recommendation that is submitted to the Commissioners. Public budget hearings are held with the various elected officials and agency administrators. At the conclusion of the budget hearings, the Commissioners convene a meeting with the County Administrator and OMB to amend the recommended budget. Revisions to the original budget require a resolution signed by at least two Commissioners. Supplemental appropriations were made during 2012.

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.

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

For the year ended December 31, 2012

F. Deposits and Investments

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

Cash resources of the majority of individual funds are combined to form a pool of cash and investments managed by the County Treasurer. Interest earned on investments is accrued as earned. Under existing Ohio law, all investment earnings are assigned to the County's General Fund unless statutorily required to be credited to a specific fund. Distribution is made utilizing a formula based on the average month-end balance of cash and cash equivalents of all funds. No interest was credited to the ADAMH Board by the County Treasurer for the year ending December 31, 2012.

G. 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 2012 for real and public utility property taxes represents collection of 2011 taxes. Property tax payments received during 2012 for tangible personal property (other than public utility property) are for 2012 taxes.

2012 real property taxes are levied after October 1, 2012, on the assessed value as of January 1, 2012, the lien date. Assessed values are established by state law at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2012. The total assessed value upon which the 2012 tax collection was based was \$25.6 billion. The full tax rate applied to real property for ADAMH was \$2.20 per \$1,000 of assessed valuation.

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

Public utility taxes are assessed not only on land and improvements, but also on tangible personal property at true value, which is a percentage of cost. Percentages vary according to the type of utility. The total assessed value upon which the 2012 tax collection was based was \$667 million.

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

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

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

For the year ended December 31, 2012

“Property taxes receivable” represents delinquent real and public utility taxes outstanding as of the last settlement (net of allowances for uncollectible amounts) and real property and public utility taxes that were measurable at year-end and for which there is an enforceable legal claim. In the fund financial statements, the majority of the receivable is offset by unearned revenue since the taxes were not levied to finance 2012 operations. In the full accrual-basis government-wide financial statements, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is unearned.

The County uses actual billings and estimates based on the tax rate multiplied by property value to estimate taxes receivable. The eventual collection of substantially all real property and public utility taxes (both current and delinquent) is reasonably assured due to the County's ability to force foreclosure of the properties on which the taxes are levied.

H. Capital Assets and Depreciation

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

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

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

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

I. Compensated Absences

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

The criteria for determining vacation and sick leave liabilities are based on the ADAMH Board's policies for employee benefits. In general, vacation and sick leave are accumulated based on

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

For the year ended December 31, 2012

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

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

J. Accrued Liabilities and Long-Term Obligations

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

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

K. Fund Balance

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

L. 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.

M. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

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

For the year ended December 31, 2012

N. 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 2012.

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 Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual – for the General Fund and State Mental Health Alcohol and Drug Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

Excess (Deficiency) of Revenues Over (Under) Expenditures		
		State Mental
		Health Alcohol
	<u>General Fund</u>	<u>and Drug</u>
Non-GAAP Budgetary Basis	\$ 12,458,578	(\$173,103)
Basis Difference		
Net Adjustment for Revenue Accruals	(384,631)	14,331
Net Adjustment for Expenditure Accruals	(382,361)	<u>216,937</u>
GAAP Basis	\$ 11,690,586	\$ 58,165

ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the year ended December 31, 2012

NOTE 3. – CAPITAL ASSETS

Governmental capital asset activity for the year ended December 31, 2012, was as follows:

Description	Beginning			Ending
Capital Assets not being depreciated:	Balance	Additions	Deletions	Balance
Land	\$ 236,113	\$ -	\$ -	\$ 236,113
Total Capital Assets not being depreciated	\$ 236,113	\$ -	\$ -	\$ 236,113
Capital assets, being depreciated:				
Buildings and improvements	\$ 3,214,181	\$ -	\$ -	\$ 3,214,181
Machinery & Equipment	\$ 182,388	\$ 46,481	\$ -	\$ 228,869
Total Capital Assets being depreciated	\$ 3,396,569	\$ 46,481	\$ -	\$ 3,443,050
Less accumulated depreciation for:				
Buildings and improvements	\$ (1,319,305)	\$ (81,642)	\$ -	\$ (1,400,947)
Machinery & Equipment	\$ (81,035)	\$ (25,938)	\$ -	\$ (106,973)
Total	\$ (1,400,340)	\$ (107,580)	\$ -	\$ (1,507,920)
Total capital assets net	\$ 2,232,342	\$ (61,099)	\$ -	\$ 2,171,243

Expenditures

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

NOTE 4. – LONG-TERM OBLIGATIONS

Long-term liability activity for the year ended December 31, 2012, was as follows:

	Beginning			Ending	
	Balance	Additions	Reductions	Balance	Due in
					One Year
Compensated Absences	\$517,084	\$74,202	(\$55,668)	\$535,618	\$56,424

A. Compensated Absences

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

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

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

For the year ended December 31, 2012

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

NOTE 5. – RISK MANAGEMENT

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

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

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

NOTE 6. – CONTINGENT LIABILITIES

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

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

NOTE 7. – EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN

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

1. The Traditional Pension Plan—a cost-sharing multiple-employer defined benefit pension plan.

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

For the year ended December 31, 2012

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

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

Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy via internet at <https://www.opers.org/investments/cafr.shtml> or by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan.

The ADAMH Board’s employer contribution rate for 2012 was 14.0%. Member Contribution rates were 10.0%; the employee pick-up percent of covered payroll was 5% in 2012. The ADAMH Board’s required contributions to OPERS for the years ended December 31, 2012, 2011 and 2010 were as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Employer Share	\$ 471,674	\$ 440,595	\$ 438,779
Employer Share, paid by employer	<u>168,455</u>	<u>157,355</u>	<u>156,707</u>
Total Contributions	640,129	\$ 597,950	\$ 595,486

NOTE 8. – OTHER POST-EMPLOYMENT BENEFITS

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

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

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

For the year ended December 31, 2012

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

To qualify for post-employment healthcare coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The healthcare coverage provided by OPERS meets the definition of an Other Post-Employment Benefit ("OPEB") as described in GASB Statement 45.

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy via internet at <https://www.opers.org/investments/cafr.shtml> or by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

B. Funding Policy

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed at a rate of 14.0% of covered payroll. This is the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post-Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2012. The portion of employer contributions allocated to health care for the calendar year beginning 2013 remained the same, but they are subject to change based on Board action. Employers will be notified if the portion allocated to health care changes during the calendar year 2013. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided.

The rates stated above are the contractually-required contribution rates for OPERS. The approximate portion of the ADAMH Board's 2012, 2011, and 2010 required employer contributions used to fund Post-Employment Health Care Benefits were \$182,894, \$172,746, and \$266,401, respectively. 100 percent has been contributed for all three years.

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

For the year ended December 31, 2012

NOTE 9. – 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 10. – CHANGES IN ACCOUNTING PRINCIPLE

The ADAMH Board has implemented Governmental Accounting Standards Board (GASB) statement no. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this Statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. State and local governments enter into transactions that result in the consumption or acquisition of net assets in one period that are applicable to future periods, and this Statement provides guidance for reporting deferred outflows of resources and deferred inflows of resources balances.

The ADAMH Board has implemented Governmental Accounting Standards Board (GASB) statement no. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY
 FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2012

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT AWARD YEAR	RECEIPTS	DISBURSE- MENTS
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES/SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION				
Passed Through Ohio Department of Mental Health				
Projects for Assistance in Transition from Homelessness (PATH)	93.150	2012, 2013	296,483	315,837
Social Services Block Grant	93.667	2012, 2013	1,019,368	798,349
Children's Health Insurance Program	93.767	2011, 2012	41,624	30,044
Medical Assistance Program	93.778	2010, 2011, 2012	328,089	225,501
Block Grants for Community Mental Health Services	93.958	2011, 2012, 2013	<u>1,255,917</u>	<u>1,211,914</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - MENTAL HEALTH:			<u>2,941,481</u>	<u>2,581,645</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES/SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION				
Passed Through Ohio Department of Alcohol and Drug Addition				
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	2012	48,000	48,000
Children's Health Insurance Program	93.767	2011, 2012	25,443	11,668
Medical Assistance Program	93.778	2011, 2012	35,090	43,380
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2005, 2009, 2010, 2012, 2013	<u>5,225,246</u>	<u>5,237,633</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - SUBSTANCE ABUSE:			<u>5,333,779</u>	<u>5,340,681</u>
TOTAL FEDERAL AWARDS:			<u>8,275,260</u>	<u>7,922,326</u>

ALCOHOL, DRUG AND MENTAL HEALTH BOARD OF FRANKLIN COUNTY
NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE

For the year ended December 31, 2012

Note A – Significant Accounting Policies

The accompanying Federal Awards Receipts and Expenditures (the Schedule) reports the Alcohol, Drug and Mental Health Board of Franklin County (ADAMH) Federal award programs' receipts and disbursements. The Schedule is presented on the cash basis of accounting.

Note B – Subrecipients

The ADAMH Board Passes certain Federal awards received from the Ohio Department of Mental Health (ODMH) and Ohio Alcohol and Drug Addiction Services (ODADAS) to other governments or not-for-profit agencies (Subrecipients). As Note 1 Describes, the ADAMH Board reports expenditures of Federal awards to Subrecipients when paid in cash.

As a Subrecipient, the ADAMH Board has certain compliance responsibilities, such as monitoring its Subrecipients to help assure they use these sub awards as authorized by laws, regulations, and the provisions or contracts or grant agreements, and that Subrecipients achieve the awards performance goals.

Note C – Matching Requirements

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



Dave Yost • Auditor of State

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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Alcohol, Drug, and Mental Health Board of Franklin County, Franklin County, Ohio, (the ADAMH Board), a blended component unit presented as a major special revenue fund of Franklin County, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the ADAMH Board's basic financial statements and have issued our report thereon dated June 14, 2013.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the ADAMH Board's financial statements. We consider finding 2012-01 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the ADAMH Board's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

June 14, 2013



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133, AND FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE

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

To the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Alcohol, Drug and Mental Health Board of Franklin County's, Franklin County, Ohio, (the ADAMH Board) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the ADAMH Board's major federal programs for the year ended December 31, 2012. The *Summary of Audit Results* in the accompanying schedule of findings identifies the ADAMH Board's major federal programs.

Management's Responsibility

The ADAMH Board's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the ADAMH Board's compliance for each of the ADAMH Board's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the ADAMH Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Alcohol, Drug and Mental Health Board of Franklin County complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2012.

88 East Broad Street, Tenth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-3402 or 800-443-9275 Fax: 614-728-7199
www.ohioauditor.gov

Report on Internal Control Over Compliance

The ADAMH Board's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the ADAMH Board's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the ADAMH Board's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

June 14, 2013

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Block Grants for Prevention and Treatment of Substance Abuse - #93,959, Social Services Block Grant - #93.667, Block Grants for Community Mental Health Services - #93.958, Projects for Assistance in Transition from Homelessness (PATH) - #93.150
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2012
(Continued)**

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

FINDING NUMBER 2012-01

Financial Reporting –Material Weakness

Sound financial reporting is the responsibility of the ADAMH Board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following audit adjustments were made to the ADAMH Board's financial statements and the accounting records for the year ended December 31, 2012:

1. Adjustment to increase accounts payable and health services expense in Other Governmental Funds and Governmental Type Activities for \$1,560,593. This adjustment was issued to bring on payables that were incurred at December 31, 2012, in which the cash expenditure was made in March 2013. Per the ADAMH Board's Accounting User Guide, it is the Board's policy to review vouchers for January, February, and March of the following year in determining Accounts Payable.
2. Adjustment to increase intergovernmental revenue for \$469,524, decreasing other revenue by \$457,875, and increasing ending fund balance by \$11,667 for the General Fund Budget and Actual Statement.
3. Adjustment to update the beginning and ending budgetary balances increase intergovernmental revenue for \$250,650 and decreasing other revenue by \$250,650 for the General Fund Budget and Actual Statement.

The following audit adjustments were not material to the ADAMH Board's financial statements and were not made to the accounting records:

1. Unadjusted variance to increase due from other governments and due to other governments for \$263,264 for the General Fund and Governmental Type Activities.
2. Unadjusted variance to decrease due from other governments and deferred inflows for unavailable revenues for \$164,058 for Other Governmental Funds, and due from other governments and intergovernmental revenues for \$164,058 for Governmental Type Activities.
3. Unadjusted variance to increase accounts payable and health services expense in the General Fund and Governmental Type Activities for \$25,351.

Lack or failure of controls over financial reporting can result in errors and irregularities that may go undetected through the compilation and reporting process.

We recommend the ADAMH Board develop and enhance policies and procedures to further improve its controls over financial reporting to help ensure the information accurately reflects the activity of the ADAMH Board and thereby increasing the reliability of the financial data and reporting. We also recommend the ADAMH Board enhance/implement procedures over the completeness and accuracy of financial information reported within the ADAMH Board's annual report. Such procedures may include review of the financial statements and related components by a member of management with analytical comparisons of the current year annual report to the prior year reports for obvious errors or omissions.

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2012
(Continued)**

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

FINDING NUMBER 2012-01 (Continued)

Financial Reporting –Material Weakness (Continued)

Official's Response:

During Calendar Year 2012, the availability of federal funds allocated by the Ohio Department of Alcohol and Drug Addiction Services (ODADAS) and requested by the ADAMH Board on behalf of its provider network was materially delayed between the time the funds were requested and the time the funds were received by the Board for disbursement. ODADAS reported this anomaly was due in part to the Substance Abuse and Mental Health Services Administration's (SAMHSA) delayed authorization of the federal award to the state. Without state and federal funds, expenses incurred by the Board's service providers would not be reimbursed. Therefore, the Board recognized these expenditures in 2013, when it could objectively measure them and when it became liable for payments for services delivered to consumers in 2012.

Although the ADAMH Board's interpretation of accounting standards differs from the State Auditor's office, the ADAMH Board has agreed to make the requested adjustments and will make appropriate procedural changes to prevent this situation from occurring in the future.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

FRANKLIN COUNTY ADAMH BOARD

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 9, 2013**