

**HAMILTON COUNTY MENTAL HEALTH
AND RECOVERY SERVICES BOARD**

FINANCIAL STATEMENTS

June 30, 2008



Mary Taylor, CPA
Auditor of State

Board of Trustees
Hamilton County Mental Health and Recovery Services Board
2350 Auburn Avenue
Cincinnati, Ohio 45219

We have reviewed the *Report of Independent Accountants* of the Hamilton County Mental Health and Recovery Services Board, prepared by Joseph Decosimo and Company, LLC, for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 4, 2009

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**HAMILTON COUNTY MENTAL HEALTH
AND RECOVERY SERVICES BOARD**

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Trustees
Hamilton County Mental Health and Recovery Services Board
Cincinnati, Ohio

We have audited the accompanying financial statements of the governmental activities and the major fund of the Hamilton County Mental Health and Recovery Services Board (the Board) as of and for the year ended June 30, 2008, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

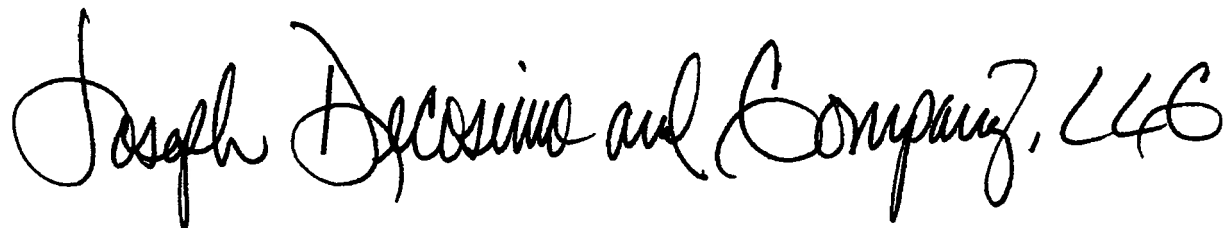
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

As discussed in Note 1, the financial statements present only the Board and do not purport to, and do not, present fairly the financial position of the County of Hamilton, Ohio, as of June 30, 2008, the changes in its financial position, or, where applicable, its cash flows for the period then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Hamilton County Mental Health and Recovery Services Board as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2009, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 13 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Hamilton County Mental Health and Recovery Services Board has not presented the budgetary comparison information for the Mental Health and Recovery Services Fund that accounting principles generally accepted in the United States of America require to supplement, although not to be part of, the basic financial statements.

A handwritten signature in black ink that reads "Joseph Decosimo and Company, LLC". The signature is written in a cursive, flowing style.

Cincinnati, Ohio
February 2, 2009



MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

These financial statements represent the Fiscal Year (FY) from July 1, 2007 to June 30, 2008. Due to the dissolving of the Hamilton County Community Mental Health Board (HCCMHB) and the Hamilton County Alcohol and Drug Addiction Services Board (HCADASB) and simultaneously establishing the new Hamilton County Mental Health and Recovery Services Board (HCMHRSB) on October 19, 2006, the prior HCMHRSB financial statements were for the partial reporting period of October 19, 2006 to June 30, 2007. This will limit our ability to report on significant variances from FY 2008 to the 2007 partial period.

This discussion and analysis provides key information from management highlighting the overall financial performance of the HCMHRSB for the year ended June 30, 2008. This is meant to be an easily readable summary of the most important financial information regarding the accompanying financial statements. Please read it in conjunction with the HCMHRSB's financial statements.

Financial Highlights

Major financial highlights for FY 2008 are listed below and the "Statement of Net Assets" is detailed in the chart on the next page:

- The Total Net Assets found on the HCMHRSB "Statement of Net Assets" at year-end were \$34.7 million. Of this amount, \$28.1 million is unrestricted and may be used to meet the HCMHRSB's ongoing obligations to consumers and creditors.
- The Mental Health and Recovery Services Fund balance was \$18.5 million at the end of FY 2008. This fund balance equals approximately 2.1 months of Total Governmental Fund Expenditures.
- The Net Change in Fund Balance at year-end was a decrease of \$687 thousand.

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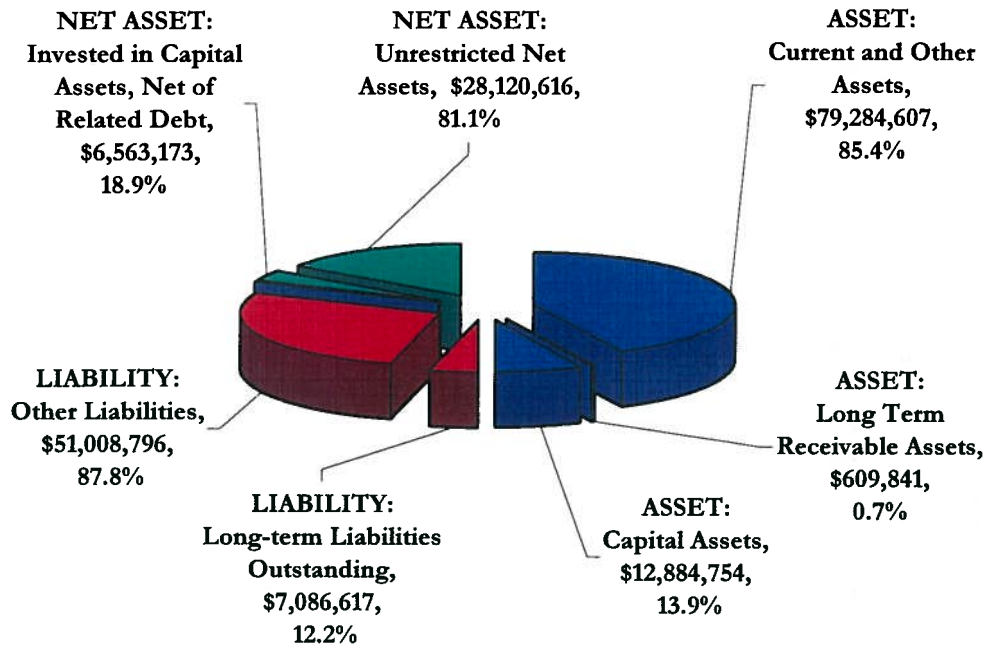
Jonathan L. Steinberg, Ph.D.

President | CEO

Patrick Tribbe

**HCMHRSB
Management's Discussion and Analysis
Year Ended June 30, 2008
Unaudited**

**HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
FY 2008 STATEMENT OF NET ASSETS
TOTAL ASSETS: \$92,779,202
TOTAL LIABILITIES: \$58,095,413
NET ASSETS: \$34,683,789**



OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the HCMHRSB's basic financial statements. The HCMHRSB's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and (3) notes to the financial statements.

GOVERNMENT WIDE FINANCIAL STATEMENTS – The government-wide financial statements are designed to provide readers with a broad overview of the HCMHRSB's finances in a manner similar to a private-sector business.

The Statement of Net Assets – This presents information on all of the HCMHRSB's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the HCMHRSB is improving or deteriorating.

The Statement of Activities – This presents information showing how the HCMHRSB's net assets changed during the most recent period. All changes in net assets are reported as soon as

HCMHR SB
Management's Discussion and Analysis
Year Ended June 30, 2008
Unaudited

the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in previous or future fiscal years (e.g. uncollected taxes and earned but unused vacation leave).

Expenses – As a single purpose government, the HCMHR SB's expenses are for the provision of community mental health and alcohol and drug addiction services. These expenses include Agency Provider Contracts, Building Management – SAMAD, HCMHR SB Salaries, Benefits, Taxes and Operating Expenses, Depreciation, Auditor and Treasurer Fees, and State Direct Payments.

Program Revenues – These revenues include Drake, Health and Hospital Indigent Care, Medicaid, State and Federal Grants, Title XX, Inter-County and State Direct Payments.

General Revenues – These revenues include Property Taxes Levied for Mental Health, Grants and Contributions Not Restricted to Specific Programs, Capital & Rental Income and Miscellaneous.

FUND FINANCIAL STATEMENTS – The accounts of the HCMHR SB are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Governmental Fund Types – Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the HCMHR SB's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The HCMHR SB accounts for its activities using one governmental fund and that is the Mental Health and Recovery Services Fund. This fund is used to account for all financial resources relating to the operations of the community-wide mental health and alcohol and drug addiction systems.

Notes to the basic financial statements – The notes provide additional information that is essential to understanding the data provided in the government-wide and fund financial statements.

HCMHRSB
Management's Discussion and Analysis
Year Ended June 30, 2008
Unaudited

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A. Net Assets at year-end

The table (below) and discussion (next page) of the Net Assets at Year End present a condensed summary of the HCMHRSB's overall financial position as of June 30, 2007 and FY 2008.

	Statement of Net Assets as of June 30, 2007	Statement of Net Assets as of June 30, 2008	Statement of Net Assets Var. \$ Incr. (Decr.)	Statement of Net Assets Var. % Incr. (Decr.)
Current assets	\$ 70,028,398	\$ 79,284,607	\$ 9,256,209	13.2 %
Long term receivables	1,292,063	609,841	(682,222)	(52.8) %
Capital assets	12,690,427	12,884,754	194,327	1.5 %
Total Assets	84,010,888	92,779,202	8,768,314	10.4 %
Other liabilities	47,401,895	51,008,796	3,606,901	7.6 %
Long-term liabilities outstanding	7,375,757	7,086,617	(289,140)	(3.9) %
Total Liabilities	54,777,652	58,095,413	3,317,761	6.1 %
Net Assets:				
Invested in capital assets, net of related debt	6,022,943	6,563,173	540,230	9.0 %
Unrestricted	23,210,293	28,120,616	4,910,323	21.2 %
Total Net Assets	\$ 29,233,236	\$ 34,683,789	\$ 5,450,553	18.6 %

**HCMHRSB
Management's Discussion and Analysis
Year Ended June 30, 2008
Unaudited**

Total Assets - \$8.8 million Increase:

Primary causes of the increase in Assets are:

1. Taxes receivable net increase of \$6.3 million primarily includes \$4.4 million for a full year of MH Levy funds accrued for the period ended June 30, 2008, but not received from the County Auditor until FY 2009, \$1.2 million of FY 2008 MH Levy Revenue received in July, 2008 and \$600 thousand of delinquent taxes due for FY 2008.
2. Due from other governments' net increase of \$5.5 million related to a \$4.6 million increase in the Medicaid accrual and a \$1 million hospital refund accrual.
3. Depreciable capital assets, net of accumulated depreciation increase of \$1.3 million primarily recognizing the transfer of accumulated construction in progress expenditures to capital assets with the completion of the ADAS Center renovation.
4. Prepaid contract services net decrease of \$4.7 million primarily representing the AOD agencies paying off their FY 2007 Pre-Payments with the submission of claims.

Total Liabilities - \$3.3 million Increase:

Primary causes of the increase in Liabilities are:

1. Unearned revenue increase of \$4.5 million reflects a full year of MH Levy funds accrued for FY 2008, but not received from the County Auditor until FY 2009.
2. Contracts payable decrease of \$1.0 million representing a reduction in payments to MH and AOD agencies made after FY 2008 for FY 2008 services.

Total Net Assets – \$5.5 million Increase:

The total increase of \$4.9 million in Unrestricted Net Assets is primarily the result of the overall increase in Total Assets (\$8.8 million) partially offset by an increase in Total Liabilities (\$3.3 million) as detailed above.

B. Governmental Activities during FY 2008

The table on the next page and subsequent analysis presents a condensed summary of the HCMHRSB's activities during FY 2008 and the resulting change in net assets.

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

HCMHRSB
Management's Discussion and Analysis
Year Ended June 30, 2008
Unaudited

	Activities
	FY 6/30/08
Revenues	
Total Program Revenues	\$ 45,584,249
Total General Revenues	67,403,177
Total Revenues:	112,987,426
Program Expenses:	
Total Program Expenses	107,536,873
Increase in Net Assets	5,450,553
Net Assets, Beginning of Year	29,233,236
Net Assets, End of Year	\$ 34,683,789

Total Program Revenues – \$45.6 million:

1. Program Revenues are primarily composed of:
 - a. Medicaid (\$30.1 million),
 - b. State and federal grants (\$7.2 million),
 - c. Inter-County revenue (\$3.2 million),
 - d. Health and hospital indigent care levy (\$1.8 million),
 - e. Drake levy (\$1.7 thousand),
 - f. Title XX (\$822 thousand),
 - g. State Direct payments (\$703 thousand).

Total General Revenues – \$67.4 million:

2. General Revenues are comprised of:
 - a. Property taxes levied for mental health (\$37.8 million),
 - b. Grants and contributions not restricted to specific programs (\$28.3 million),
 - c. Capital and rental income (\$1.3 million),
 - d. Miscellaneous revenue (\$15 thousand).

Total Program Expenses – \$107.5 million:

3. Program Expenses are made up of:
 - a. Agency provider contract payments (\$100.8 million),
 - b. Salaries, benefits & taxes (\$3.1 million),
 - c. Building management – SAMAD (\$1.0 million),
 - d. Operating expenditures (\$915 thousand),
 - e. State direct payments (\$703 thousand),
 - f. County auditor and treasurer fees (\$510 thousand),
 - g. Depreciation (\$420 thousand).

FINANCIAL ANALYSIS OF THE MAJOR FUND

Governmental Funds

The focus of the HCMHR SB's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the HCMHR SB's financing requirements. In particular, the unreserved fund balance may serve as a useful measure of the HCMHR SB's net resources available for spending as of June 30, 2008. The HCMHR SB has one governmental fund and that is the Mental Health and Recovery Services Fund. All activity of the HCMHR SB is reported in this fund.

- ***Mental Health and Recovery Services Fund*** – The fund balance for FY 2008 was \$18.5 million including \$16.2 million of unreserved funds. The Mental Health and Recovery Services fund balance equals approximately 2.1 months of total governmental fund expenditures.

MENTAL HEALTH AND RECOVERY SERVICES FUND BUDGETARY HIGHLIGHTS

The HCMHR SB amended its Mental Health and Recovery Services Fund Budget with the Hamilton County Commissioners (CY 2008) and the Board of Trustees (FY 2008) as changes occurred in the HCMHR SB's revenues and expenditures.

An internal analysis of significant variances between the FY 2008 Final Budget versus Actual Revenues & Expenditures is as follows:

Title XX - \$167 thousand & 25.5% Variance:

- The variance is related to the receipt and recognition of FY 2007 funds after the close of the FY 2007 audit.

Federal Grants - \$46 thousand and 11.5% Variance:

- This revenue source is primarily related to a three year grant for the Housing and Urban Development's Homeless Housing and Residential Treatment (HUD – HRRT) Program. We received \$56 thousand of FY 2007 funds after the close of the FY 2007 audit.

Inter-County Revenue – (\$2.0 million) & (46.4%) Variance:

- The primary causes of the variance are:
 - The late receipt of AOD IMPACT Revenue (\$1.1 million) that appears on the Statement of Activities (full accrual) but not on the Statement of Revenues, Expenditures, and Change in Fund Balance (modified accrual), which does not recognize revenue received sixty days after the close of the fiscal year. This IMPACT Revenue will be recognized on the FY 2009 Statement of Revenues, Expenditures, and Change in Fund Balance.
 - The agencies did not submit the level IMPACT claims as originally budgeted.
 - The repayment of \$668 thousand to the Hamilton County Department of Job and Family Services for their share of unspent Family Access Partnership (FAP) funds.

Drake Levy Revenue – \$168 thousand & 11.1% Variance:

- The Hamilton County Commissioners granted the HCMHRSB additional Drake Levy revenues in FY 2008 compared to FY 2007.

Health and Hospital Indigent Care Levy Revenue – (\$452 thousand) & (19.7%) Variance:

- The agencies did not submit the level of AOD Health and Hospital Indigent Care (HHIC) Levy claims as originally budgeted causing the reduction in reimbursement of HHIC revenue.

Miscellaneous – (\$54 thousand) & (50.8%) Variance

- The primary cause of the variance is the change in the payment schedule for The Health Foundation of Greater Cincinnati grants for Improving Access to Mental Health and Behavioral Health Services for School-Age Children (\$21 thousand) and the Recovery Center (\$16 thousand). These funds were accrued in FY 2007.

Salaries, Benefits & Taxes – \$260 thousand & 7.7% Variance:

- The variance was caused by the HCMHRSB having an actual average headcount of 38 positions versus a budget of 42 positions.

Operating Expenses – \$62 thousand & 6.3% Variance:

- The variance was caused by:
 - The under spending in Building Management Fees because of a Property Tax refund (\$174 thousand), Indirect Charges (\$157 thousand) and Travel (\$3 thousand),
 - Legislation was passed in Ohio allowing Counties to charge back a portion of their Board of Election costs to those political subdivisions that requested the placement of an issue on the ballot. We received an unbudgeted charge of \$186 thousand as our share of the Board of Election costs associated with our successful MH Levy ballot.
 - Over utilization of Temporary Help (\$48 thousand), Furniture & Equipment Under \$5,000 (\$19 thousand) and Subscriptions, Dues and Publications (\$19 thousand).

Capital Outlay – (\$487 thousand) & (374.0%) Variance:

- The expensing of improvements related to the ADAS Center (\$606 thousand) partially offset by the under spending of capital funds (\$119 thousand) is the primary cause of the variance.

Auditor and Treasurer Fees – \$89 thousand & 14.9% Variance:

- The County Auditor revised and increased the projected Auditor and Treasurer Fees for FY 2008 that were included in the Final Budget. The actual charges associated with the projected fee increase in the budget revision did not materialize.

Principle Retirement – (\$346 thousand) & (100%) Variance:

- The \$346 thousand represents the following:
 - The annual amount forgiven (\$305 thousand) of the \$6.5 million in forgivable mortgages held by ODMH and ODADAS at June 30, 2007.
 - The \$41 thousand yearly payment to the Ohio Department of Administrative Services for the Mortgage it is holding (\$203 thousand at June 30, 2007) on the ADAS Center.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of FY 2008, the HCMHRSB had \$12.9 million invested in a broad range of capital assets, including land, buildings and equipment. See Note 4 to the financial statements for more details.

**Capital Assets at Year-End
(Net of Depreciation)**

	June 30, 2008
Land	\$ 1,719,837
Construction in progress	7,891
Buildings	11,137,415
Furniture and equipment	19,611
Total Capital Assets	\$ 12,884,754

The major capital asset event during FY 2008 was the completion of the construction in progress related to the ongoing renovation of the ADAS Center. The entire cost of the ADAS Center renovation is now being depreciated.

Long Term Obligations

A summary of long-term obligations is located in Note 7.

The primary long-term debt of the HCMHRSB is related to its mortgage payable obligations. The mortgage payable of the HCMHRSB consists of loan contracts made with the ODMH (\$4.8 million), the ODADAS (\$1.4 million) and the Ohio Department of Administrative Services (ODAS) (\$162 thousand). These loan contracts are for the purchase and/or improvement of various properties in the County for use in providing mental health and/or alcohol and drug addiction services.

Required payments for accrued vacation and sick leave in the event of employee retirement or layoff, as well as, accrued vacation in the event of employee resignation, constitutes \$765 thousand of the HCMHRSB's long-term obligations.

ECONOMIC FACTORS

Ted Strickland, Governor of the State of Ohio, has released a somber budget projection for the next biennium in the event that Ohio does not obtain funding from President Obama's Federal Stimulus Package. Governor Strickland has stated that the State of Ohio is facing a projected \$7.3 billion short fall for the July 1, 2009 through June 30, 2011, state biennium. The Governor's office also released a 13-page document compiled from reports by state agencies describing program reductions if the departments had to operate with across-the-board 25% cuts.

At the Ohio Department of Mental Health (ODMH), the offices of Children's Services and Prevention, Forensic Services and Residency programs would be closed, eliminating these programs. Community linkage staff would be eliminated from eleven prisons. State funding for uninsured and housing programs would be severely restricted or eliminated. Hamilton County and other counties with local levies would only have local funding for uninsured persons while counties without local levies would eliminate all services for persons without private insurance or Medicaid. ODMH would likely close one more state psychiatric hospital.

In addition to the 25% state general revenue fund cuts, the Ohio Department of Alcohol and Drug Addiction Services (ODADAS) would lose an additional \$15 million in federal SAMSHA Block Grant funding because they could not meet Maintenance of Effort requirements.

ODADAS predicts that the combined impact of these state and federal cuts would eliminate treatment services to over 10,000 consumers state-wide, and prevention services to over 15,000 youth. ODADAS funding for 3,500 persons receiving forensic linkage and Drug Court services would also be eliminated.

The Ohio Departments of Corrections and Youth Services both projected that they would be forced to close institutions (6 by ODRC and 3 by ODYS) and eliminate in-house mental health and drug and alcohol programs, as well as programs that link consumers to mental health and drug and alcohol services upon release.

Other state departments that provide funding to local county agencies that serve our consumers such as Job and Family Services, Mental Retardation and Developmental Disabilities, the Department of Health and the Ohio Department of Aging would face similar cuts.

We are facing significant service reductions to our behavioral health system beginning July 1, 2009 in the event that Governor Strickland's budget projections come to fruition.

REQUESTS FOR ADDITIONAL INFORMATION

This financial report is designed to provide our citizens, taxpayers, consumers, and creditors with a general overview of the HCMHRSB's finances and to show the HCMHRSB's accountability for the money it receives. If you have questions about this report or need additional financial information about the HCMHRSB, please contact Patrick Tribbe, President/CEO at 2350 Auburn Avenue, Cincinnati, Ohio 45219.

HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
STATEMENT OF NET ASSETS
June 30, 2008

ASSETS:

Equity in pooled cash and investments with County Treasurer	\$ 23,595,347
Property taxes receivable	42,662,307
Due from other governments	12,199,646
Prepaid contract services	827,307
Long-term receivable-contract agencies	609,841
Nondepreciable capital assets	1,727,728
Depreciable capital assets, net of accumulated depreciation	<u>11,157,026</u>
Total assets	<u><u>92,779,202</u></u>

LIABILITIES:

Contracts payable	12,955,017
Accrued other	487,489
Deferred revenue	37,566,290
Long-term liabilities:	
Due within one year	554,474
Due in more than one year	<u>6,532,143</u>
Total liabilities	<u><u>58,095,413</u></u>

NET ASSETS:

Invested in capital assets, net of related debt	6,563,173
Unrestricted	<u>28,120,616</u>
Total net assets	<u><u>\$ 34,683,789</u></u>

The accompanying notes are an integral part of the financial statements.

HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

Program expenses:

Community Mental Health and Recovery Services:

Salaries, benefits and taxes	\$ 3,148,040
Operating expenses	915,270
Building management - SAMAD	1,026,030
County auditor and treasurer fees	509,699
State direct payments	703,170
Agency provider contracts	100,814,410
Depreciation	420,254
Total program expenses	<u>107,536,873</u>

Program revenues:

Operating grants and contributions restricted to specific programs:

Health and hospital indigent care	1,846,175
Drake Levy	1,679,870
Medicaid	30,142,703
State and federal grants	7,206,499
Title XX	821,899
Inter-County	3,183,933
State direct payments	703,170
Total program revenues	<u>45,584,249</u>
Program expenses in excess of revenues	<u>(61,952,624)</u>

General revenues:

Property taxes levied for mental health	37,810,130
Grants and contributions not restricted to specific programs	28,281,533
Capital and rental income	1,296,323
Miscellaneous	15,191
Total general revenues	<u>67,403,177</u>

Increase in net assets	5,450,553
Net assets, beginning of year	29,233,236
Net assets, end of year	<u>\$ 34,683,789</u>

The accompanying notes are an integral part of the financial statements.

HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
BALANCE SHEET - MENTAL HEALTH AND RECOVERY SERVICES FUND
June 30, 2008

ASSETS

Equity in pooled cash and investments with County Treasurer	\$	23,595,347
Property taxes receivable		42,662,307
Due from other governments		12,199,646
Prepaid contract services		827,307
Long-term receivable-contract agencies		609,841
Total assets		79,894,448

LIABILITIES AND FUND BALANCES

Liabilities:

Contracts payable		12,955,017
Accrued other		487,489
Deferred revenue		47,960,282
Total liabilities		61,402,788

Fund balances:

Unreserved		16,178,833
Reserved for encumbrances		875,679
Reserved for prepaid contract services		827,307
Reserved for long-term receivables		609,841
Total fund balances		18,491,660

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

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	10,393,992
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	12,884,754
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Mortgage payable		(6,321,560)
Compensated absences		(765,057)
Total		(7,086,617)
Net Assets of Governmental Activities	\$	34,683,789

The accompanying notes are an integral part of the financial statements.

HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND
BALANCE - MENTAL HEALTH AND RECOVERY SERVICE FUND
Year Ended June 30, 2008

Revenues:		
Taxes	\$	37,175,405
Intergovernmental:		
State general revenue funds - ODMH		21,328,857
State general revenue funds - ODADAS		4,053,658
State block grant funds - ODMH		1,426,979
State block grant funds - ODADAS		6,282,394
Medicaid - ODMH		24,155,358
Medicaid - ODADAS		3,411,756
Title XX		821,899
Federal grants		442,178
Inter-county revenues-mental health		1,469,871
Inter-county revenues-alcohol and drug addiction		881,786
Drake		1,679,870
Health and hospital indigent care		1,846,175
Other revenues:		
Capital and rental income		1,296,323
Miscellaneous		52,210
State direct payments		703,170
Total revenues		<u>107,027,889</u>
Expenditures:		
Agency provider contracts		100,814,410
Building management - SAMAD		1,026,030
State direct payments		703,170
Salaries, benefits and taxes		3,091,257
Operating expenses		912,671
Capital outlay		617,180
County auditor and treasurer fees		509,699
Debt service:		
Principal retirement		345,923
Forgiveness by ODMH & ODADAS		(305,423)
Total expenditures		<u>107,714,917</u>
Net change in fund balance		(687,028)
Fund balance, beginning year		19,178,688
Fund balance, end of year	\$	<u><u>18,491,660</u></u>

The accompanying notes are an integral part of the financial statements.

**HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2008**

Net Change in Fund Balance	\$	(687,028)
Amounts reported for governmental activities in the statement of activities are different because:		
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		5,654,114
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.		
Capital asset additions		614,581
Depreciation expense		(420,254)
Retirement of mortgage principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		345,923
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		<u>(56,783)</u>
Change in Net Assets of Governmental Activities	\$	<u><u>5,450,553</u></u>

The accompanying notes are an integral part of the financial statements.

HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
Notes to the Basic Financial Statements
Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

As authorized by Ohio Revised Code § 340.021, the Hamilton County Board of Commissioners voted on September 13, 2006, to dissolve the Hamilton County Alcohol and Drug Addiction Services (ADAS) Board and the Hamilton County Community Mental Health (MHB) Board on October 19, 2006, and simultaneously established the new Hamilton County Community Mental Health and Recovery Services Board (the Board). All property and obligations of or belonging to the two dissolved boards were transferred into the newly formed Board on October 19, 2006.

The newly formed Board operates as an administrative arm of the County of Hamilton, Ohio (the County) government, but has its own policy making Board of Trustees. The Board acts as an umbrella agency that has responsibility for a community-wide mental health, alcohol and drug addiction services system that is accessible to those in need of or desiring such services and who do not have the financial means to purchase this care from the private health care market. The Board plans, funds, coordinates, monitors and evaluates a network of services, which are provided through contract agencies to Hamilton County residents, both children and adults, who need and seek care for mental or emotional illness or alcohol and drug addiction.

B. Basis of Presentation

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the Board as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Board that are governmental and those that are considered business-type activities. The Board has no business-type activities.

The government-wide statements are prepared using the economic resources measurement focus, which differs from the manner in which the governmental fund financial statements are prepared. Therefore, the 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 of the Board's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and 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 Board, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Board.

Fund Financial Statements – Fund financial statements report detailed information about the Board. The focus of governmental fund financial statements is on major funds rather than reporting funds by type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present sources and uses of current financial resources.

HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
Notes to the Basic Financial Statements
Year Ended June 30, 2008

C. Fund Accounting

The Board uses a single fund to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The one fund of the Board is a governmental fund.

Governmental funds focus on the sources, uses and balances of current financial resources. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the Board's major governmental fund:

Mental Health and Recovery Services Fund – This fund is used to account for all financial resources relating to the operations of the community-wide mental health and alcohol and drug addiction systems.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements and relates to the timing of the measurements made.

The modified accrual basis of accounting is used by the governmental funds. On a modified accrual basis, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year. The available period for the Board is sixty days after fiscal year end.

The measurement focus of governmental fund accounting is on decrease 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, except for unmatured principal and interest on general long-term debt which is recognized when due. Allocations of cost, such as depreciation, are not recognized in the governmental funds.

Government-wide financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Revenues - Exchange and Non-exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the Board receives value without directly giving value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes were levied. Revenue from grants, entitlements, and donations is recognized in the fiscal 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 fiscal year when use is first permitted; matching requirements, in which the Board must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Board on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
Notes to the Basic Financial Statements
Year Ended June 30, 2008

Deferred Revenue - Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes measurable as of June 30, 2008, which are intended to finance fiscal year 2009 operations, have been reported as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

E. Equity in Pooled Cash and Investments with County Treasurer

The Hamilton County Treasurer acts as custodian of funds for the Board. Cash of the Board is shown on the balance sheet as equity in pooled cash and investments with County Treasurer and includes cash, demand deposits, and short-term investments with original maturities of three months or less, stated at cost. State statute authorizes the County Treasurer to invest in obligations of the U.S. Treasury, certificates of deposits and repurchase agreements.

F. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. The Board defines capital assets as those with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. All capital assets are capitalized at cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at their estimated fair values as of the date received. The Board does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All reported capital assets except land are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Buildings	40 years
Building improvements	15 years
Furniture and fixtures	3 years

G. Compensated Absences

The Board reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability represents the employees who are currently eligible to receive termination benefits and those that the Board has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at fiscal year end taking into consideration any limits specified in the Board's policy. The Board records a liability for all accumulated unused vacation time when earned for all employees. The Board records a liability for accumulated unused sick leave for all employees after ten years of accumulated service.

For governmental funds, the current portion of unpaid compensated absences is the amount normally due for payment during the current year.

The entire compensated absence liability is reported on the government-wide statement of net assets.

HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
Notes to the Basic Financial Statements
Year Ended June 30, 2008

H. Contracts Payable

Contracts payable consists of amounts owed to:

- Contract agencies and service providers for services rendered through to June 30, 2008.
- Contract agencies based on the criteria of the Performance Incentive Plan (PIP) as outlined in the contract agencies' contracts with the Board. As stipulated by contract, the PIP is calculated a year after the close of the fiscal year end.
- The Hamilton County Department of Jobs and Family Services (HCDJFS) as a result of the reconciliation of the Family Access Partnership (FAP) memorandum of understanding (MOU). Each year, the Board and the HCDJFS enter into a MOU to manage the mental health needs of children who are at risk for abuse, neglect and dependency and their families. HCDJFS and the Board each contribute 50% of the contract amount which is estimated based upon the number of clients served, the cost of service, and the Medicaid penetration. The Board serves as the fiscal agent for the project and invoices HCDJFS on a quarterly basis for HCDJFS' share of the project. The MOU requires the Board to perform annual reconciliations of actual expenses to the MOU Project Budget and actual amounts collected from HCDJFS. In the event that one-half of actual expenditures, excluding Medicaid Federal Financial Participation, are less than the amount collected from HCDJFS, the Board is required to refund HCDJFS so that MHRSB and HCDJFS are equal contributors. Contracts payable included \$667,754 of these refund obligations as of June 30, 2008, with an equal amount offsetting Inter-County Revenue.

I. Fund Balance Reserves

The Board records reservations for portions of fund equity that are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion that is available for appropriation in future periods. Fund reserves are established for encumbrances, prepaid contract services and long-term receivables.

J. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Board or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Board applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

K. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements and the reported amounts of revenues, expenses, and expenditures during the reporting period. Actual results may differ from those estimates.

HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
Notes to the Basic Financial Statements
Year Ended June 30, 2008

NOTE 2 - POOLING OF CASH AND INVESTMENTS

Statutes require the classification of monies held by the County into three categories. Category 1 consists of "active" monies, those monies which are required to be kept in a "cash or near cash" status for immediate use by the County. Such monies must be maintained either as cash in the County treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" monies, those monies not required for use within the current two year period of designation of depositories. Inactive monies may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of "interim" monies, those monies which are not needed for immediate use but will be needed before the end of the current period of designations. Interim monies may be invested or deposited in the following securities:

1. Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal agency;
3. Repurchase agreements in the securities enumerated above;
4. Bonds and other obligations of the state of Ohio; and
5. The State Treasurer's investment pool (STAROhio).

Public depositories must give collateral for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities the face value of which is at least 105% of the total value of public monies on deposit at the institution. Repurchase agreements must be collateralized by the specific government securities upon which repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require that collateral for public deposits and investments be maintained in the name of the County.

During 2008, the County monitored its compliance with the provisions of these statutes pertaining to the types of investments held and institutions in which deposits were made as well as collateral requirements. The County will continue to monitor compliance with applicable statutes in the future pertaining to public deposits and investments.

NOTE 3 - PROPERTY TAXES

Property taxes include amounts levied against real, public utility and tangible property. The assessed value upon which the 2008 tax collection was based is as follows:

Real Property:

Residential/Agricultural	\$14,079,031,660
Commercial/Industrial/Other	4,958,488,250
Public utilities	604,815,840

Tangible Personal Property:

General	<u>1,002,702,620</u>
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Total valuation	<u>\$20,645,038,370</u>
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HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
Notes to the Basic Financial Statements
Year Ended June 30, 2008

Real Property taxes are levied each October on the assessed values of the preceding January 1st, the lien date. Assessed values are established the preceding year by the County Auditor at 35% of appraised market value. A revaluation of real property is required to be completed no less than every six years, with a statistical update every third year. The most recent revaluation was a full physical revaluation in 2005 for taxes collected in 2006. Public Utility property taxes are assessed on tangible personal property, as well as land improvements at true value, which is, in general, net book value. Tangible personal property is assessed at 25% of true value except for inventories, which are assessed at 25% of average value. In 2008, each business was eligible to receive a ten thousand dollar exemption in assessed value, which was reimbursed by the state.

The County Auditor periodically remits to the taxing districts their portions of the taxes collected. The final settlements of real and public utility property taxes are made in April and September and tangible taxes in July and November for the first and second halves of the year, respectively. Collections of the taxes and remittance of them to the taxing districts are accounted for in agency funds of the County. The County Treasurer collects property tax on behalf of all taxing districts within the County, including the Board. The County Auditor periodically remits to the Board its portion of the taxes collected. Property taxes receivable at June 30, 2008 were \$42,662,307.

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the FY ended June 30, 2008 was as follows:

	Beginning Balance	Transfers	Additions	Disposals	Ending Balance
<u>Governmental Activities</u>					
Capital assets not being depreciated:					
Land	\$ 1,719,837	\$ -	\$ -	\$ -	\$ 1,719,837
Construction in progress	<u>1,105,426</u>	<u>(1,097,535)</u>	<u>-</u>	<u>-</u>	<u>7,891</u>
Capital assets not being depreciated, net	<u>2,825,263</u>	<u>(1,097,535)</u>	<u>-</u>	<u>-</u>	<u>1,727,728</u>
Capital assets being depreciated:					
Building and building improvements	12,794,773	1,097,535	603,294	-	14,495,602
Furniture and fixtures	<u>190,739</u>	<u>-</u>	<u>11,287</u>	<u>-</u>	<u>202,026</u>
	<u>12,985,512</u>	<u>1,097,535</u>	<u>614,581</u>	<u>-</u>	<u>14,697,628</u>
Less accumulated depreciation:					
Building and building improvements	2,946,896	-	411,291	-	3,358,187
Furniture and fixtures	<u>173,452</u>	<u>-</u>	<u>8,963</u>	<u>-</u>	<u>182,415</u>
	<u>3,120,348</u>	<u>-</u>	<u>420,254</u>	<u>-</u>	<u>3,540,602</u>
Capital assets being depreciated, net	<u>9,865,164</u>	<u>1,097,535</u>	<u>194,327</u>	<u>-</u>	<u>11,157,026</u>
CAPITAL ASSETS, net	<u>\$ 12,690,427</u>	<u>\$ -</u>	<u>\$ 194,327</u>	<u>\$ -</u>	<u>\$12,884,754</u>

HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
Notes to the Basic Financial Statements
Year Ended June 30, 2008

NOTE 5 - DEFINED BENEFIT PENSION PLAN

All employees of the Board participate in the Ohio Public Employees Retirement System of Ohio (OPERS) which administers three separate pension plans as described below:

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

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.

The Combined Plan - a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by the OPERS to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Plan and Combined Plan. Members of the Member-Directed Plan do not qualify for ancillary benefits. The authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

The Ohio Revised Code provides statutory authority for member and employer contributions. Member and employer contribution rates were consistent across all three plans. The employee contribution rate at June 30, 2008 was 10%. The Board was required to contribute 14% of covered payroll for employees in 2008. The Board's required contributions to OPERS from for the periods July 1, 2007 through June 30, 2008 and October 19, 2006 to June 30, 2007 were approximately \$342,600 and \$252,000, respectively. All of the required contributions were paid within the appropriate fiscal year.

NOTE 6 - POST EMPLOYMENT BENEFITS

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to qualifying members of both the Traditional and Combined Plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-retirement health care coverage, age and service retirees must have ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2007 employer contribution rate was 13.85% of covered payroll for employees. The portion of employer contribution allocated to health care was 5% from January 1 through June 30, 2007 and 6% from July 1 through December 31, 2007.

Actuarial Review - The assumptions and calculations below were based on the System's Actuarial Review performed as of December 31, 2006 (latest information available).

HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
Notes to the Basic Financial Statements
Year Ended June 30, 2008

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

Assets Valuation Method - All investments are reported at fair value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

Investment Return - The investment assumption rate for 2006 was 6.5%.

Active Employee Total Payroll - An annual increase of 4.00% compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%.

Health Care - Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 0.50% to 5% for the next 8 years. In subsequent years, (9 and beyond), health care costs were assumed to increase at 4% (the projected wage inflation rate).

The OPEB's are advance-funded on an actuarially determined basis. The OPEB's are advance-funded on an actuarially determined basis. At December 31, 2007, the number of active contributing participants in the traditional and combined plans totaled 362,130. The portion of the Board's contributions that were used to fund postemployment benefits for the periods July 1, 2007 to June 30, 2008 and October 19, 2006 to June 30, 2007 were approximately \$148,000 and \$83,000, respectively.

At December 31, 2006 (latest information available), the actuarial value of the Retirement System's net assets available for OPEB was \$12.0 billion. The retirement system's actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, totaled \$30.7 billion and \$18.7 billion, respectively.

NOTE 7 - LONG-TERM OBLIGATIONS

The changes in the Board's long-term obligations for the year ended June 30, 2008 were as follows:

	<u>Principal</u> <u>Outstanding</u>	<u>Additions</u>	<u>Disposals</u>	<u>Principal</u> <u>Outstanding</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
<u>Governmental Activities</u>					
Mortgage payable-ODMH	\$ 5,028,200	-	\$ 237,544	\$ 4,790,656	\$ 191,095
Mortgage payable-ODADAS	1,436,784	-	67,880	1,368,904	67,880
Mortgage payable-DAS	202,500	-	40,500	162,000	40,500
Compensated absences	<u>708,273</u>	<u>\$ 292,875</u>	<u>236,091</u>	<u>765,057</u>	<u>254,999</u>
Total long-term obligations	<u>\$ 7,375,757</u>	<u>\$ 292,875</u>	<u>\$ 582,015</u>	<u>\$ 7,086,617</u>	<u>\$ 554,474</u>

The Board has a mortgage payable that consists of loan contracts made with the Ohio Department of Mental Health (ODMH), for the purchase of and improvement to various properties in the County for use in providing mental health services. The loan contracts between the Board and ODMH provide that the property must be used to provide mental health services for a specified period of time. The terms of the contract are essentially equivalent to a mortgage on the property, with the Board being obligated to provide mental health services for a period of 40 years from the inception of the contract. Should the Board discontinue mental health services at

HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
Notes to the Basic Financial Statements
Year Ended June 30, 2008

a particular facility, the balance of the contract would become due immediately. The balance due is reduced on a month-by-month basis over the term of the contract as a forgiveness of debt, as long as the facility is used for mental health services.

The Board has two mortgage payables on their alcohol and other drug facility. One of the mortgage payables consists of a loan contract made with the State of Ohio Department of Administrative Services (DAS) for the purchase of the facility. The balance due is being paid on an annual basis over a period of 10 years.

The other mortgage payable consists of a loan contract made with the Ohio Department of Alcohol and Drug Addiction Services (ODADAS), for the improvements to a facility. The loan contract between the Board and ODADAS provides that the property must be used to provide alcohol and other drug services for a specified period of time. The terms of the contract are essentially equivalent to a mortgage on the property, with the Board being obligated to provide alcohol and other drug services for a period of 25 years from the inception of the contract. Should the Board discontinue alcohol and other drug services at this particular facility, the balance of the contract would become due immediately. The balance due is reduced on a month-by-month basis over the term of the contract as a forgiveness of debt, as long as the facility is used for alcohol and other drug services.

There is no interest charged on these obligations. Annual commitments under these mortgage payables, assuming no forgiveness by either ODMH or ODADAS, as of June 30, 2008, are as follows:

Year Ended June 30	ODMH Principal	ODADAS Principal	DAS Principal	Total
2009	191,095	67,880	40,500	299,475
2010	191,095	67,880	40,500	299,475
2011	191,095	67,880	40,500	299,475
2012	191,095	67,880	40,500	299,475
2013 - 2017	955,477	339,398	-	1,294,875
2018 - 2022	955,477	339,398	-	1,294,875
2023 - 2027	955,477	339,398	-	1,294,875
2028 - 2032	815,313	79,190	-	894,503
2033 - 2037	265,319	-	-	265,319
2038 - 2042	64,957	-	-	64,957
2043 - 2046	14,256	-	-	14,256
Total	\$ 4,790,656	\$ 1,368,904	\$ 162,000	\$ 6,321,560

NOTE 8 - RISK MANAGEMENT

The Board carries commercial insurance policies for various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; umbrella coverage; employee dishonesty; injuries to employees; employee health claims; and environmental damage. There has been no reduction in insurance coverage from the prior year nor have there been any insurance settlements for claims resulting from the risks covered by the Board's commercial insurance policies since the inception of the Board on October 19, 2006.

The County accounts for and finances its risk of loss due to workers' compensation claims through an internal service fund entitled "Workers' Compensation Reserve". The County reimburses the Bureau of Ohio Workers' Compensation for injured workers' claims. All departments of the County, including the Board, participate in the program and make payments to the internal service fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a long-term liability for future claims.

HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
Notes to the Basic Financial Statements
Year Ended June 30, 2008

NOTE 9 - LEASES WITH CONTRACTUAL AGENCIES

As of June 30, 2008, the Board leases 56 scattered-site housing facilities to Excel Development Company, a non-profit organization responsible for renting the units to the mentally disabled of the County. These leases contain terms of 20 years contingent upon Excel fulfilling the agreed upon programmatic and reporting responsibilities as required by the Board. Annual lease payments to the Board are at the rate of \$1 per year, per unit. The cost of these leased housing facilities at June 30, 2008 is approximately \$5,830,000 and accumulated depreciation on these assets is approximately \$1,643,000.

NOTE 10 - CONTINGENCIES

Grants - The Board has received federal and state grants for specific purposes that are subject to review and audit by the respective grantor agencies. These audits could result in a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the Board believes these disallowances, if any, will be immaterial.

As part of the financial reporting entity of the County of Hamilton, Ohio, the Board is included in the financial statements of the County. The annual audit of the County is performed in accordance with Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Since the Board is included in the scope of the County audit, the Board has elected to not have its separate audit performed in accordance with the audit requirement noted above.

Litigation - The Board is party to legal proceedings and is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition of the Board.

NOTE 11 - RELATED PARTIES

The County provides various administrative functions for the Board such as payroll, research and budgeting. Included as operating expenses in the Statement of Revenues, Expenditures and Change in Fund Balance is approximately \$105,000 for fees paid for these services.

NOTE 12 - STATE DIRECT PAYMENTS

During the year ended June 30, 2008, the Ohio Department of Mental Health made direct payments to providers totaling \$703,170 for contracts entered into by the Board. These payments have been recorded as revenue with a corresponding contract expense.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
Hamilton County Mental Health and Recovery Services Board
Cincinnati, Ohio

We have audited the financial statements of the governmental activities and the major fund of the Hamilton County Mental Health and Recovery Services Board (the Board) as of and for the year ended June 30, 2008, which collectively comprise the Board's basic financial statements and have issued our report thereon dated February 2, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the Boards's internal control.

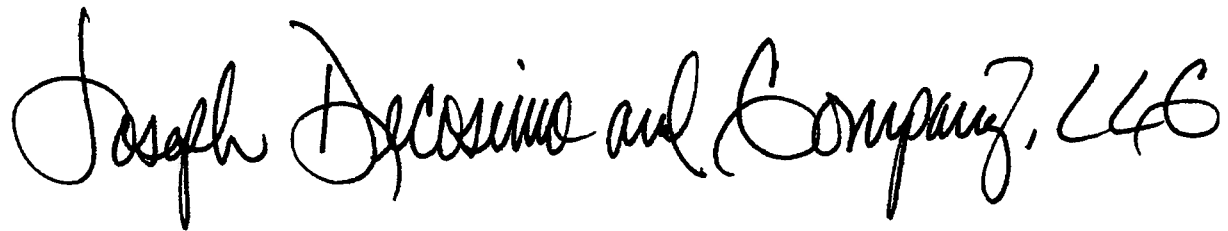
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

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

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

A handwritten signature in black ink that reads "Joseph Accorino and Company, LLC". The signature is written in a cursive, flowing style.

Cincinnati, Ohio
February 2, 2009



Mary Taylor, CPA
Auditor of State

HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 16, 2009**