

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

**June 30, 2009**





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, 2008 through June 30, 2009. 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

February 9, 2010

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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, 2009, 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.

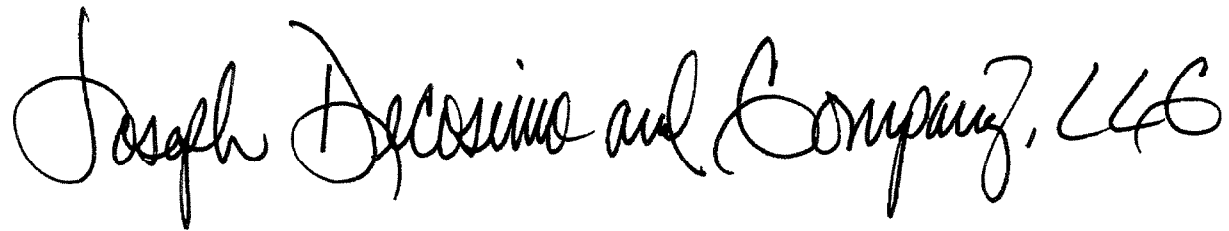
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 activities of 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, 2009, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Hamilton County Mental Health and Recovery Services Board as of June 30, 2009, 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 December 21, 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 DeCossimo and Company, LLC". The signature is written in a cursive, flowing style.

Cincinnati, Ohio  
December 21, 2009



## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

This discussion and analysis provides key information from management highlighting the overall financial performance of the Hamilton County Mental Health and Recovery Services Board (HCMHRSB) for the year ended June 30, 2009. 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 2009 are:

- The Total Net Assets found on the HCMHRSB "Statement of Net Assets" at year-end were \$37.1 million. Of this amount, \$30.5 million is unrestricted and may be used to meet the HCMHRSB's ongoing obligations to consumers and creditors. See chart on page 6 of this Management Discussion & Analysis (MD&A).
- Medicaid Revenue found on the HCMHRSB's "Statement of Activities" increased \$1.8 million or 6.1 % versus FY 2008 primarily because the Federal Stimulus Package increased the Government's Federal Financial Participation share of Medicaid service payments by an average of 8.5% beginning the second quarter of FY 2009.
- The HCMHRSB's "Statement of Activities" also shows that 94.6% of expenditures were related to payments to providers. Please see the chart on page 10 of this MD&A.
- The Mental Health and Recovery Services Fund balance was \$15.4 million including \$8.6 million of unreserved funds at the end of FY 2009. This fund balance equals approximately 1.6 months of Total Governmental Fund Expenditures.
- The Net Change in Fund Balance at year-end was a decrease of \$3.0 million primarily because the increase in Agency provider contract expenditures resulting from a 3% budget increase for Mental Health (MH) providers from FY 2008 to FY 2009 and an increase (\$3.4 million) in the FY 2009 accrual for provider payments versus FY 2008.

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*Vice-Chair*

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Patrick Tribbe



## OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the HCMHR SB's basic financial statements. The HCMHR SB'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 HCMHR SB's finances in a manner similar to a private-sector business.

**The Statement of Net Assets** – This presents information on all of the HCMHR SB'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 HCMHR SB is improving or deteriorating.

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

**Program 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

**HCMHRSB**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2009**  
**Unaudited**

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well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the HCMHRSB'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 HCMHRSB 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.

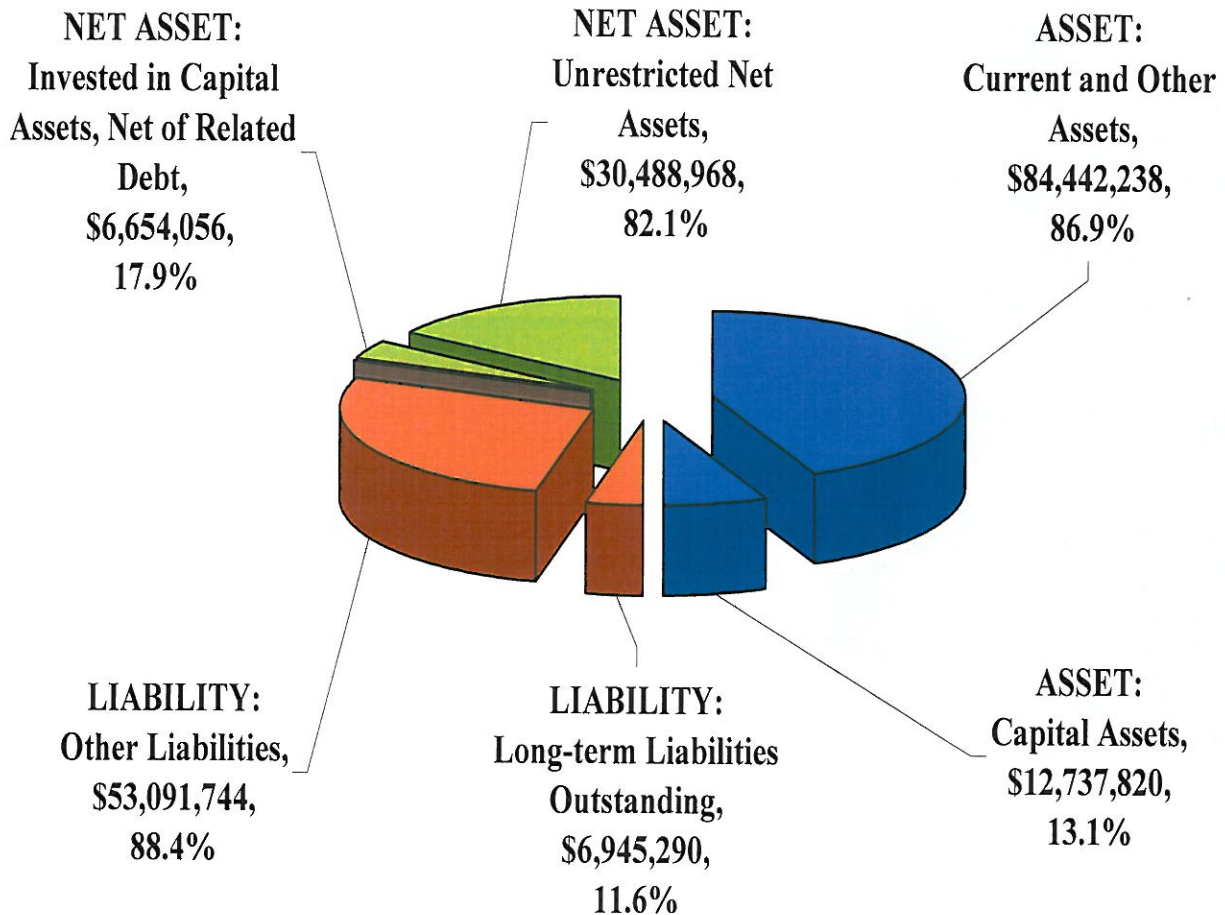
**Notes to the Basic Financial Statements** – The notes provide additional information that is essential to understanding the data provided in the government-wide and fund financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**A. Governmental Net Assets at Year-End**

The chart below, and the table and subsequent analysis on the next page present a condensed summary of the HCMHRSB's overall financial position as of June 30, 2008 and 2009.

**HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD**  
**FY 2009 STATEMENT OF NET ASSETS**  
**TOTAL ASSETS: \$97,180,058**  
**TOTAL LIABILITIES: \$60,037,034**  
**NET ASSETS: \$37,143,024**



**HCMHR SB**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2009**  
**Unaudited**

Assets/ Liabilities/ Net assets	Statement of Net Assets FY 2008	Statement of Net Assets FY 2009	Statement of Net Assets Var. Incr. (Decr.)	State. Of N.A. % of Variance Incr. (Decr.)
Current and other assets	79,894,448	84,442,238	4,547,790	5.7%
Capital assets	12,884,754	12,737,820	(146,934)	-1.1%
<b>Total assets</b>	<b>92,779,202</b>	<b>97,180,058</b>	<b>4,400,856</b>	<b>4.7%</b>
Long-term liabilities outstanding	7,086,617	6,945,290	(141,327)	-2.0%
Other liabilities	51,008,796	53,091,744	2,082,948	4.1%
<b>Total liabilities</b>	<b>58,095,413</b>	<b>60,037,034</b>	<b>1,941,621</b>	<b>3.3%</b>
Net Assets: Invested in capital assets, net of related debt	6,563,173	6,654,056	90,883	1.4%
Unrestricted	28,120,616	30,488,968	2,368,352	8.4%
<b>Total net assets</b>	<b>\$ 34,683,789</b>	<b>\$ 37,143,024</b>	<b>\$ 2,459,235</b>	<b>7.1%</b>

**Total Assets - \$4.4 million & 4.7% Increase:**

Primary causes of the increase in Assets are:

- Due from other governments' net increase of \$5.2 million primarily related to the increase in the Medicaid (\$2.4 million), Block Grant (\$1.9 million) and State Grant (\$1.5 million) accruals partially off set by a reduction of the Family Access Partnership (\$250 thousand) and IMPACT (\$390 thousand) accruals.
- Prepaid contract services net decrease of \$787 thousand primarily representing the AOD agencies paying off their FY 2008 Pre-Payments with the submission of claims.

**Total Liabilities - \$1.9 million & 3.3% Increase:**

Primary cause of the increase in Liabilities is the Contracts payable increase of \$2.1 million representing amounts due to MH and AOD agencies paid after June 30, 2009 for FY 2009 services.

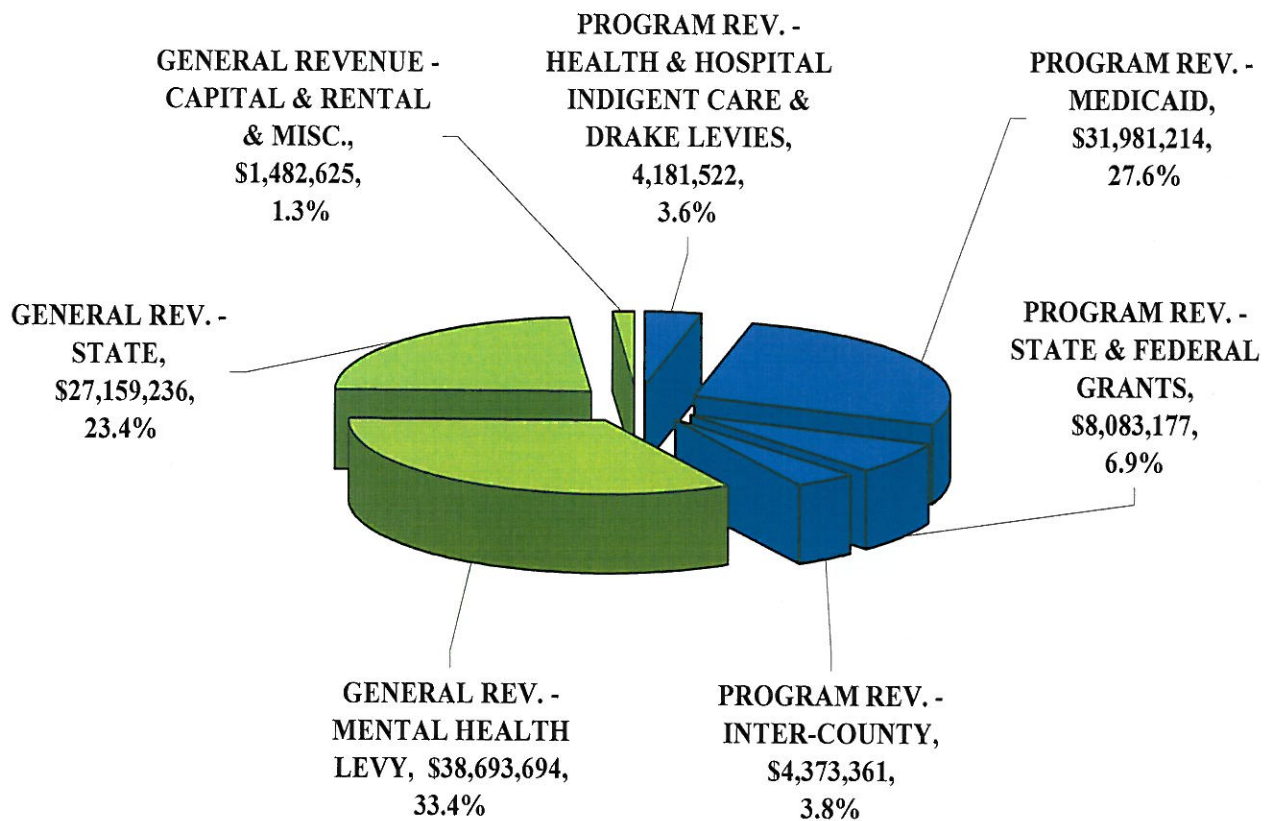
**Total Net Assets – \$2.5 million & 7.1% Increase:**

The total increase of \$2.5 million in Unrestricted Net Assets is primarily the result of the overall increase in Total Assets (\$4.4 million) partially offset by an increase in Total Liabilities (\$1.9 million) as detailed above.

**B. Governmental Activities during FY 2009**

The chart below and the table and subsequent analysis on the next page present a condensed summary of the HCMHRSB's activities during FY 2009 and the resulting change in net assets.

**HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD**  
**FY 2009 STATEMENT OF ACTIVITIES - REVENUE**  
**TOTAL REVENUE \$115,954,829**



HCMHR SB  
Management's Discussion and Analysis  
Year Ended June 30, 2009  
Unaudited

Revenues/ Program Expenses/ Change in Net Assets	Statement of Activities FY 2008	Statement of Activities FY 2009	Statement of Act. Variance Incr. (Decr.)	Statement of Act. % of Var. Incr. (Decr.)
Total Program Revenue	\$ 45,584,249	\$ 48,619,274	\$ 3,035,025	6.7%
Total General Revenue	67,403,177	67,335,555	(67,622)	-0.1%
Total Revenues	112,987,426	115,954,829	2,967,403	2.6%
Total Program Expense	107,536,873	113,495,594	5,958,721	5.5%
Incr. (Decr.) in net assets	5,450,553	2,459,235	(2,991,318)	-54.9%
Net assets, begin. of year	29,233,236	34,683,789	5,450,553	18.6%
Net assets, end of year	\$ 34,683,789	\$ 37,143,024	\$ 2,459,235	7.1%

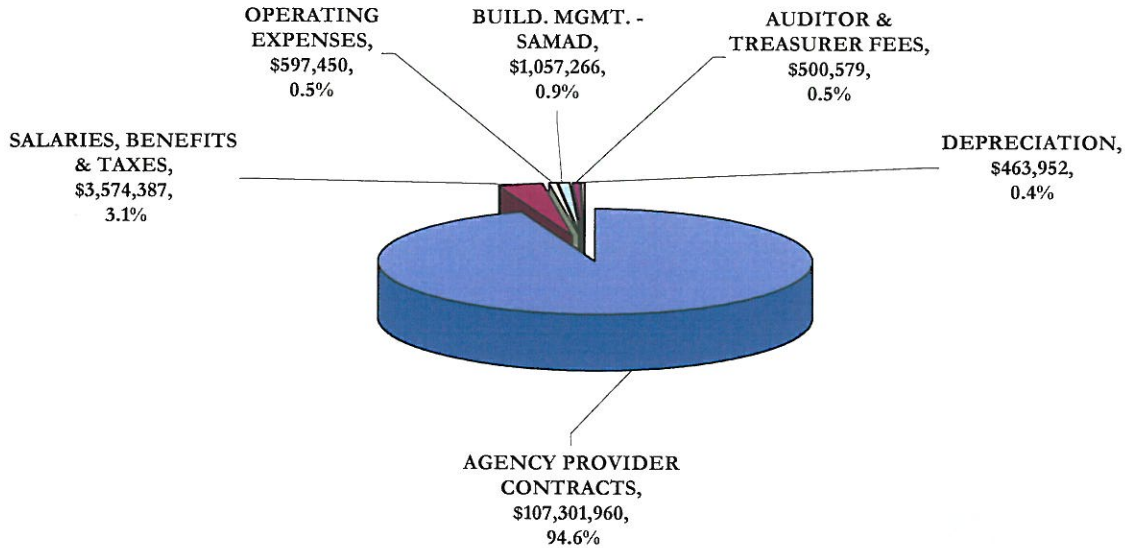
**Total Program Revenues – \$3.0 million & 6.7% Increase:**

- The increase in Medicaid (\$1.8 million) and Inter-County (\$1.2 million) revenues are the primary causes of the variance.

**Total General Revenues – (\$68 thousand) & (0.1%) Decrease:**

- The variance is not material.

HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD  
 FY 2009 STATEMENT OF ACTIVITIES - EXPENDITURES  
 TOTAL EXPENDITURES \$113,495,594



**Total Program Expenses – \$6.0 million & 5.5% Increase:**

- The primary cause of the variance is the increase in Agency provider contracts resulting from a 3% budget increase for MH providers from FY 2008 to FY 2009 and an increase (\$3.5 million) in the FY 2009 accrual for provider payments versus FY 2008.

**FINANCIAL ANALYSIS OF THE MAJOR FUND**

**Governmental Funds**

The focus of the HCMHRSB's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the HCMHRSB's financing requirements. In particular, the unreserved fund balance may serve as a useful measure of the HCMHRSB's net resources available for spending as of June 30, 2009. The HCMHRSB has one governmental fund and that is the Mental Health and Recovery Services Fund. All activity of the HCMHRSB is reported in this fund.

- **Mental Health and Recovery Services Fund** – The fund balance for FY 2009 was \$15.4 million including \$8.6 million of unreserved fund balance. The Mental Health and Recovery Services fund balance equals approximately 1.6 months of total governmental fund expenditures.

**MAJOR FUND BUDGETARY HIGHLIGHTS**

The HCMHRSB is required by State law to adopt a budget based on a calendar year, and it has done so by submitting an original and, because changes have occurred in its revenues and expenditures, an amended budget to the Hamilton County Commissioners for CY 2009. Additionally, the HCMHRSB's financial statements are based on, and prepared for, a July 1 - June 30 fiscal year, and the HCMHRSB has submitted, and had approved, both an original and, because changes had occurred in its revenues and expenditures, an amended FY 2009 budget to its Board of Trustees.

As a result, since the State law requires a budget based on a calendar year and the HCMHRSB's financial statements and this audit are based on a July 1 – June 30 fiscal year, it is not practicable to present budgetary comparison information to financial statement users that is both meaningful and easy to understand. Accordingly, the HCMHRSB has decided not to present the budgetary comparison information that accounting principles generally accepted in the United States of America require to supplement, although not to be part of, the basic financial statements.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of FY 2009, the HCMHRSB had \$12.7 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)**

<b>Capital Assets At Year-End Net of Depreciation</b>	<b>Capital Asset Activities FY 2008</b>	<b>Capital Asset Activities FY 2009</b>	<b>Capital Asset Act. Variance Incr. (Decr.)</b>	<b>Capital Asset Act. % of Var. Incr. (Decr.)</b>
Land	\$ 1,719,837	\$ 1,794,223	\$ 74,386	4.3%
Construction in progress	7,891	-	(7,891)	-100.0%
Buildings	11,137,415	10,930,625	(206,790)	-1.9%
Furniture and equipment	19,611	12,972	(6,639)	-33.9%
<b>Total Capital Assets</b>	<b>\$ 12,884,754</b>	<b>\$ 12,737,820</b>	<b>\$ (146,934)</b>	<b>-1.1%</b>

The net decrease in Capital Assets is related to the addition of two properties (6225 Lisbon Street and 2844 Queen City Avenue) offset by the recording of FY 2009 depreciation expenses associated with buildings, furniture and fixtures.



## **Long-Term Obligations**

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

The primary long-term debt of the HCMHR SB is related to its mortgage payable obligations. The mortgages payable of the HCMHR SB consist of loan contracts made with the ODMH (\$4.7 million), the ODADAS (\$1.3 million) and the Ohio Department of Administrative Services (ODAS) (\$122 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, constitute \$862 thousand of the HCMHR SB's long-term obligations.

## **ECONOMIC FACTORS**

The Governor and the General Assembly, in an eleventh hour collaboration, agreed on how to balance Ohio's FY 2010 budget. The \$851 million shortfall slated to come out of Education funding was resolved primarily by delaying a 4.2% decrease to the Ohio income tax rates. There is some good news for behavioral health advocates in that no additional cuts were included in the proposal and \$14.7 million was restored to the mental health 408 line item that funds the state hospitals and community services.

The HCMHR SB received a \$5.9 million reduction in its FY 2010 Allocation from the Ohio Department of Mental Health (ODMH) primarily in the 505 line item (\$3.8 million) and the 408 line item (\$2.1 million). ODMH has eliminated statewide 505 funding over the last two years costing the HCMHR SB \$6.1 million. These reductions were off-set by under utilization of FY 2009 state hospital bed days netting the HCMHR SB a refund of \$2.7 million in FY 2010 and the increase (\$4.8 million) in the Federal Financial Participation (FFP) share of Medicaid services. The Federal Stimulus package increased the FFP portion of the Medicaid payment for services by an average of 8.5%. This will reduce the amount of Mental Health Levy funds used to make the required match payments for Medicaid services.

The HCMHR SB received a \$1.2 million reduction in its FY 2010 Allocation from the Ohio Department of Alcohol and Drug Addiction Services (ODADAS) primarily to the State Per Capita (\$516 thousand) and State Pass Through Grants (\$691 thousand) line items. This reduction was partially off-set by the increase (\$359 thousand) in the FFP share of Medicaid services. The Federal Stimulus package increased the FFP portion of the Medicaid payment for services by an average of 8.5%. This will reduce the amount of State Per Capita funds used to make the required match payments for Medicaid services.

The Federal Stimulus Package has been a significant safety net for the state-wide behavioral health system in minimizing the impact of the ODMH and ODADAS budget reductions. The

**HCMHRSB**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2009**  
**Unaudited**

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problem facing both the behavioral health system and the HCMHRSB is that this FFP increase is scheduled to end on December 31, 2010, and tax revenue collections by the State of Ohio have remained stagnant, at best, so the chance of receiving an increase in ODMH and ODADAS funding in FY 2011 to backfill the loss of the Federal Stimulus FFP funds is remote. The HCMHRSB may be able to weather the storm in FY 2011, but will have to consider service reductions in FY 2012 to close the gap between service revenues and service expenditures.

**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, 2009**

**ASSETS:**

Equity in pooled cash and investments with County Treasurer	\$ 23,980,013
Property taxes receivable	42,621,752
Due from other governments, net	17,572,563
Prepaid contract services	40,000
Long-term receivable from contract agencies	227,910
Nondepreciable capital assets	1,794,223
Depreciable capital assets, net	10,943,597
Total assets	<u>97,180,058</u>

**LIABILITIES:**

Contracts payable	15,031,237
Accrued other	336,563
Deferred revenue	37,723,944
Long-term liabilities:	
Due within one year	588,734
Due in more than one year	6,356,556
Total liabilities	<u>60,037,034</u>

**NET ASSETS:**

Invested in capital assets, net of related debt	6,654,056
Unrestricted	30,488,968
Total net assets	<u>\$ 37,143,024</u>

**HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2009**

Program expenses:

Community Mental Health and Recovery Services:

Salaries, benefits and taxes	\$ 3,574,387
Operating expenses	597,450
Building management - SAMAD	1,057,266
County auditor and treasurer fees	500,579
ODMH direct payments	530,481
Agency provider contracts	106,771,479
Depreciation	463,952
Total program expenses	113,495,594

Program revenues:

Operating grants and contributions restricted to specific programs:

Health and hospital indigent care	2,844,043
Drake Levy	1,337,479
Medicaid	31,981,214
State and federal grants	6,903,233
Title XX	649,463
Inter-County	4,373,361
ODMH direct payments	530,481
Total program revenues	48,619,274

Program expenses in excess of revenues	64,876,320
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General revenues:

Property taxes levied for mental health	38,693,694
Grants and contributions not restricted to specific programs	27,159,236
Capital and rental income	1,373,947
Miscellaneous	108,678
Total general revenues	67,335,555

Increase in net assets	2,459,235
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Net assets, beginning of year	34,683,789
Net assets, end of year	\$ 37,143,024

**HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD  
BALANCE SHEET - MENTAL HEALTH AND RECOVERY SERVICES FUND**

**June 30, 2009**

**ASSETS:**

Equity in pooled cash and investments with County Treasurer	\$ 23,980,013
Property taxes receivable	42,621,752
Due from other governments, net	17,572,563
Prepaid contract services	40,000
Long-term receivable from contract agencies	227,910
Total assets	84,442,238

**LIABILITIES AND FUND BALANCES:**

Liabilities:

Contracts payable	15,031,237
Accrued other	336,563
Deferred revenue	53,631,374
Total liabilities	68,999,174

Fund balances:

Unreserved	8,632,452
Reserved for encumbrances	6,542,702
Reserved for prepaid contract services	40,000
Reserved for long-term receivables	227,910
Total fund balances	15,443,064

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.	15,907,430
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	12,737,820
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Mortgages payable	(6,083,764)
Compensated absences	(861,526)
Net assets of governmental activities	\$ 37,143,024

**HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND**  
**BALANCE - MENTAL HEALTH AND RECOVERY SERVICES FUND**  
**Year Ended June 30, 2009**

Revenues:	
Taxes	\$ 38,904,280
Intergovernmental:	
State general revenue funds - ODMH	20,196,389
State general revenue funds - ODADAS	3,861,232
State block grant funds - ODMH	1,441,636
State block grant funds - ODADAS	4,135,567
Medicaid - ODMH	25,997,888
Medicaid - ODADAS	3,063,448
Title XX	649,463
Federal grants	726,852
Inter-county revenues-mental health	2,406,545
Inter-county revenues-alcohol and drug addiction	2,601,602
Drake	1,337,479
Health and hospital indigent care	2,844,043
Other revenues:	
Capital and rental income	1,373,947
Miscellaneous	111,178
ODMH direct payments	530,481
Total revenues	<u>110,182,030</u>
Expenditures:	
Agency provider contracts	106,771,479
Building management - SAMAD	1,057,266
ODMH direct payments	530,481
Salaries, benefits and taxes	3,477,918
Operating expenses	614,468
Capital outlay	300,000
County auditor and treasurer fees	500,579
Debt service:	
Principal retirement	299,861
Forgiveness by ODMH & ODADAS	(259,361)
Total expenditures	<u>113,292,691</u>
Other financing sources:	
Proceeds from issuance of debt	62,065
Net change in fund balance	(3,048,596)
Fund balance, beginning year	<u>18,491,660</u>
Fund balance, end of year	<u>\$ 15,443,064</u>

**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, 2009**

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

Net change in fund balance	\$ (3,048,596)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	5,513,438
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 and reported as depreciation expense.	
Capital asset additions	324,909
Depreciation expense	(463,952)
Governmental funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	(7,891)
Retirement of mortgage principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	299,861
Issuance of mortgage principal is an other financing source in the governmental funds, but the issuance increases long-term liabilities in the statement of net assets.	(62,065)
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>(96,469)</u>
Change in net assets of governmental activities	<u><u>\$ 2,459,235</u></u>

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

**A. Reporting Entity**

The 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. Each major fund is presented in a separate 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. 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.



**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.

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

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

The measurement focus of governmental fund accounting is on the 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 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.

*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 are when the Board receives value without directly giving value in return, and 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 the 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, 2009**

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*Deferred Revenue* - Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes measurable as of June 30, 2009, which are intended to finance fiscal year 2010 operations, have been recorded 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 is classified as equity in pooled investments with the 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 deposit 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 accounts for 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. Benefits are accrued for 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 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 succeeding 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, 2009**

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**H. Contracts Payable**

Contracts payable consist of amounts owed to:

- Contract agencies and service providers for services rendered to June 30, 2009.
- 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, is less than the amount collected from HCDJFS, the Board is required to refund HCDJFS so that the Board and HCDJFS are equal contributors. Contracts payable included \$428,420 of these refund obligations at June 30, 2009, with an equal amount offsetting Inter-County Revenue.

**I. Fund Balance Reserves**

The Board reserves 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 of fund equity that is available for appropriation in future periods. Fund equity 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, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**L. Subsequent Events**

For the year ended June 30, 2009, the Board has evaluated subsequent events for potential recognition and disclosure through December 21, 2009, the date of financial statement issuance.

**HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2009**

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**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 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 period of designation. Inactive monies may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation.

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 designation. 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.

The County monitors its compliance with the provisions of these statutes pertaining to the types of investments held and institutions in which deposits are 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 2009 tax collection was based is as follows:

Real property:

Residential/agricultural	\$ 14,266,180,080
Commercial/industrial/other	5,298,449,900
Public utilities	608,626,220

Tangible personal property:

General	519,652,240
Total valuation	<u>\$ 20,692,908,440</u>

**HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2009**

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. The most recent statistical update was performed in 2008 for taxes collected in 2009. 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.

The final settlements of real and public utility property taxes are made in April and August and tangible taxes in August and October 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.

**NOTE 4 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2009, was as follows:

	<b>Beginning Balance</b>	<b>Transfers</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
<b><u>Governmental Activities</u></b>					
Capital assets not being depreciated:					
Land	\$ 1,719,837	\$ -	\$ 74,386	\$ -	\$ 1,794,223
Construction in progress	7,891	(7,891)	-	-	-
	<u>1,727,728</u>	<u>(7,891)</u>	<u>74,386</u>	<u>-</u>	<u>1,794,223</u>
Capital assets being depreciated:					
Building and building improvements	14,495,602	-	250,523	-	14,746,125
Furniture and fixtures	202,026	7,891	-	(7,891)	202,026
	<u>14,697,628</u>	<u>7,891</u>	<u>250,523</u>	<u>(7,891)</u>	<u>14,948,151</u>
Less accumulated depreciation:					
Building and building improvements	3,358,187	-	457,313	-	3,815,500
Furniture and fixtures	182,415	-	6,639	-	189,054
	<u>3,540,602</u>	<u>-</u>	<u>463,952</u>	<u>-</u>	<u>4,004,554</u>
Capital assets being depreciated, net	<u>11,157,026</u>	<u>7,891</u>	<u>(213,429)</u>	<u>(7,891)</u>	<u>10,943,597</u>
Capital assets, net	<u>\$ 12,884,754</u>	<u>\$ -</u>	<u>\$ (139,043)</u>	<u>\$ (7,891)</u>	<u>\$ 12,737,820</u>

**NOTE 5 - BENEFIT PLANS**

All employees of the Board participate in the Ohio Public Employees Retirement System of Ohio (OPERS), which administers three separate benefit 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 or by calling (614) 222-6701 or (800)-222-7377.

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, 2009, was 10%. The Board was required to contribute 14% of covered payroll for employees in 2009. The Board's required contributions to OPERS for 2009, 2008 and the period October 19, 2006 through June 30, 2007, were approximately \$384,900, \$342,600, and \$252,000, respectively. All required contributions to the plan have been made.

**NOTE 6 - POST EMPLOYMENT BENEFITS**

The Ohio Public Employees Retirement System has provided the following information pertaining to other postemployment benefits for health care costs in order to assist the Board in complying with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension Benefits*.

A. Plan Description

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

OPERS maintains a cost-sharing 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 health care coverage.

**HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2009**

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In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other 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.

**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 2008, state and local employers contributed at a rate of 14% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2008, the employer contribution allocated to the health care plan was 7% of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

**C. Board Contributions**

The Board's actual contributions that were used to fund post employment benefits were approximately \$192,450, \$148,000 and \$83,000 for fiscal years 2009, 2008 and the period October 19, 2006 through June 30, 2007, respectively.

**D. OPERS Retirement Board Implements its Health Care Preservation Plan**

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

**HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2009**

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**NOTE 7 - LONG-TERM OBLIGATIONS**

Changes in the Board's long-term obligations for the year ended June 30, 2009, were as follows:

	<b>Principal Outstanding</b>	<b>Additions</b>	<b>Disposals</b>	<b>Principal Outstanding</b>	<b>Amounts Due in One Year</b>
<b><u>Governmental Activities</u></b>					
Mortgage payable-ODMH	\$ 4,790,656	\$ 62,065	\$ 191,481	\$ 4,661,240	\$ 193,179
Mortgage payable-ODADAS	1,368,904	-	67,880	1,301,024	67,880
Mortgage payable-DAS	162,000	-	40,500	121,500	40,500
Compensated absences	765,057	351,468	254,999	861,526	287,175
Total long-term obligations	<u>\$ 7,086,617</u>	<u>\$ 413,533</u>	<u>\$ 554,860</u>	<u>\$ 6,945,290</u>	<u>\$ 588,734</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 a particular facility, the balance of the contract would immediately become due. 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 its 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.

No interest is charged on these obligations.



**HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2009**

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Annual commitments under these mortgage payables, assuming no forgiveness by either ODMH or ODADAS, as of June 30, 2009, are as follows:

<b>Year Ending June 30</b>	<b>ODMH Principal</b>	<b>ODADAS Principal</b>	<b>DAS Principal</b>	<b>Total</b>
2010	\$ 193,179	\$ 67,880	\$ 40,500	\$ 301,559
2011	193,179	67,880	40,500	301,559
2012	193,179	67,880	40,500	301,559
2013	193,179	67,880	-	261,059
2014	193,179	67,880	-	261,059
2015 - 2019	965,895	339,398	-	1,305,293
2020 - 2024	965,895	339,398	-	1,305,293
2025 - 2029	960,427	282,828	-	1,243,255
2030 - 2034	620,661	-	-	620,661
2035 - 2039	127,861	-	-	127,861
2040 - 2044	51,987	-	-	51,987
2045 - 2049	2,619	-	-	2,619
<b>Total</b>	<b>\$ 4,661,240</b>	<b>\$ 1,301,024</b>	<b>\$ 121,500</b>	<b>\$ 6,083,764</b>

**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.

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.

**NOTE 9 - LEASES WITH CONTRACTUAL AGENCIES**

As of June 30, 2009, the Board leases 58 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 collections are at the rate of \$1 per year, per unit. The cost of these leased housing facilities at June 30, 2009, is approximately \$6,132,000 and accumulated depreciation on these assets is approximately \$1,760,000.

**HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2009**

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**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 from 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*. Thus, since the Board is included in the scope of the County audit, the Board has elected not to 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 - STATE DIRECT PAYMENTS**

During the year ended June 30, 2009, the Ohio Department of Mental Health made direct payments to providers totaling \$530,481 for contracts entered into by the Board. These payments have been recorded as revenue with a corresponding contract expense.

**REPORT OF INDEPENDENT ACCOUNTANTS 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, 2009, which collectively comprise the Board's basic financial statements and have issued our report thereon dated December 21, 2009, wherein we noted that the financial statements present only the financial position of the Board and do not purport to, and do not, present fairly the financial position of the County of Hamilton, Ohio, and that the 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. 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 Board'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 Board's financial statements that is more than inconsequential will not be prevented or detected by the Board's internal control.

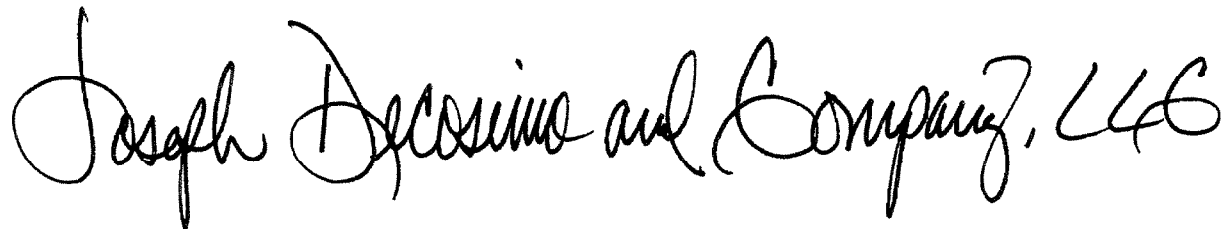
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Board's internal control.

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 Decosimo and Company, LLC". The signature is written in a cursive, flowing style.

Cincinnati, Ohio  
December 21, 2009



**Mary Taylor, CPA**  
Auditor of State

**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  
FEBRUARY 23, 2010**