

**HAMILTON COUNTY COMMUNITY  
MENTAL HEALTH BOARD**

**Basic Financial Statements**

**June 30, 2006**

**With**

**Independent Auditors' Report**





Mary Taylor, CPA  
Auditor of State

Board of Trustees  
Hamilton County Community Mental Health Board  
2350 Auburn Avenue  
Cincinnati, Ohio 45219

We have reviewed the *Independent Auditors' Report* of the Hamilton County Community Mental Health Board, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2005 through June 30, 2006. 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 Community Mental Health Board is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

February 8, 2007

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# HAMILTON COUNTY COMMUNITY MENTAL HEALTH BOARD

## Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 – 2
Management's Discussion and Analysis	3 – 16
Basic Financial Statements:	
<b>Government-wide Financial Statements:</b>	
Statement of Net Assets	17
Statement of Activities	18
<b>Fund Financial Statements:</b>	
Balance Sheet – Governmental Funds	19
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	20 – 21
Notes to Basic Financial Statements	22 – 34
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund and Special Revenue Fund	35 – 36
Additional Information:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	37 – 38

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Clark, Schaefer, Hackett & Co.  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

The Board of Trustees of the  
Hamilton County Community Mental Health Board:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Hamilton County Community Mental Health Board ("HCCMHB"), of the County of Hamilton, Ohio, as of and for the year ended June 30, 2006, which collectively comprise the HCCMHB's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the HCCMHB'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 *Governmental 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 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 HCCMHB and do not purport to, and do not, present fairly the financial position of the County of Hamilton, Ohio, as of June 30, 2006, 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 each major fund of the HCCMHB as of June 30, 2006 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 November 9, 2006 on our consideration of the HCCMHB's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary information on pages 3 through 16 and pages 35 through 36, respectively, are not a required part of the basic financial statements but are 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.

*Clark, Schaefer, Hachett & Co.*

Cincinnati, Ohio  
November 9, 2006

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

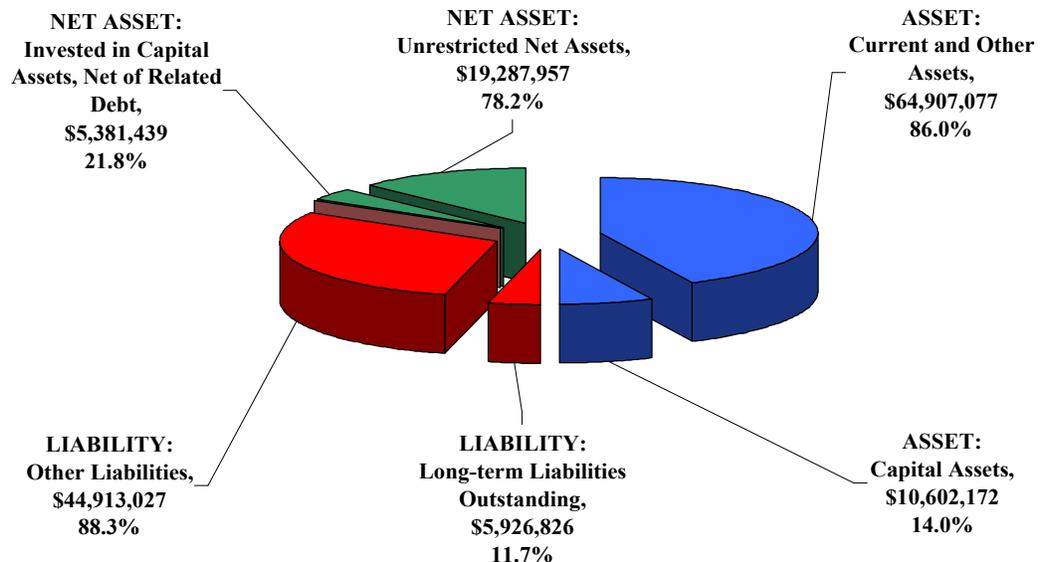
This discussion and analysis provides key information from management highlighting the overall financial performance of the Hamilton County Community Mental Health Board (HCCMHB) for the year ended June 30, 2006. This is meant to be a summary of important financial information regarding the accompanying financial statements. Please read it in conjunction with the HCCMHB's financial statements.

### Financial Highlights

Some of the major financial highlights for fiscal year (FY) 2006 are listed below:

- The total net assets of the HCCMHB at year-end were \$24.7 million. Of this amount, \$19.3 million is unrestricted and may be used to meet the HCCMHB's ongoing obligations to consumers and creditors. See chart below.
- The General Fund balance increased from \$12.6 million at June 30, 2005 to \$14.0 million at June 30, 2006, approximately an 11.2% increase. The General Fund balance at June 30, 2006 equals approximately 2.1 months of Total Government Fund Expenditures. See table on page 10.

**HAMILTON COUNTY COMMUNITY MENTAL HEALTH BOARD  
FY 2006 STATEMENT OF NET ASSETS**  
**TOTAL ASSETS: \$75,509,249**  
**TOTAL LIABILITIES: \$50,839,853**  
**NET ASSETS: \$24,669,369**



## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the HCCMHB's basic financial statements. The HCCMHB's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** The government-wide financial statements are designed to provide readers with a broad overview of the HCCMHB's finances in a manner similar to a private-sector business.

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

**The Statement of Activities** – This presents information showing how the HCCMHB's net assets changed during the most recent FY. 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 future FYs (e.g., uncollected taxes and earned but unused vacation leave).

**Expenses** – As a single purpose government, the HCCMHB's expenses are for the provision of community mental health services. These expenses include Agency Provider Contracts, HCCMHB Salaries, Benefits, Taxes and Operating Expenses, Auditor and Treasurer Fees, Depreciation, and the Ohio Department of Mental Health (ODMH) Direct Payments.

**Program Revenues** – These revenues include Medicaid, State and Federal Grants, Title XX and the ODMH Direct Payments.

**General Revenue** – These revenues include, the Mental Health Levy, State, Other Match, Capital & Rental Income and Miscellaneous.

**Fund Financial Statements** The accounts of the HCCMHB 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 HCCMHB's near-term financing requirements.

**HCCMHB**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2006**  
**Unaudited**

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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 changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The HCCMHB accounts for its activities using two individual funds. Both funds are considered major funds and thus, are reported in separate columns in the governmental fund financial statements. These statements provide detailed information about the individual major funds, unlike the government-wide financial statements, which report on the HCCMHB as a whole. The following are the HCCMHB's major funds:

***General Fund*** - This fund is used to account for all financial resources, except those required to be accounted for in another fund. The general fund balance is available to the HCCMHB for any purpose relating to the operations of the community-wide mental health systems.

***Special Revenue Fund*** - This fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

**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.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information concerning the General Fund and Special Revenue Fund budgets.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

### **A. Net assets at year-end**

The table on the next page presents a condensed summary of the HCCMHB's overall financial position at June 30, 2006. The table is followed by a variance analysis.

**HCCMHB**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2006**  
**Unaudited**

<b>Assets/ Liabilities/ Net assets</b>	<b>Statement of Net Assets FY 2005</b>	<b>Statement of Net Assets FY 2006</b>	<b>Statement of Net Assets Var. Incr. (Decr.)</b>	<b>State. Of N.A. % of Variance Incr. (Decr.)</b>
Current and other assets	\$ 65,031,217	\$ 64,907,077	\$ (124,140)	-0.2%
Capital assets	11,070,561	10,602,172	(468,389)	-4.2%
<b>Total assets</b>	<b>76,101,778</b>	<b>75,509,249</b>	<b>(592,529)</b>	<b>-0.8%</b>
Long-term liabilities outstanding	6,042,105	5,926,826	(115,279)	-1.9%
Other liabilities	47,516,182	44,913,027	(2,603,155)	-5.5%
<b>Total liabilities</b>	<b>53,558,287</b>	<b>50,839,853</b>	<b>(2,718,434)</b>	<b>-5.1%</b>

Net Assets:

Invested in capital assets, net of related debt	5,718,155	5,381,439	(336,716)	-5.9%
Unrestricted	16,825,336	19,287,957	2,462,621	14.6%
<b>Total net assets</b>	<b>\$ 22,543,491</b>	<b>\$ 24,669,396</b>	<b>\$ 2,125,905</b>	<b>9.4%</b>

**Total Assets – (\$593 thousand) & (0.8%) Decrease:**

1. Current and Other Assets decreased by \$124 thousand:
  - A increase in Due from Other Governments of \$400 thousand, primarily Medicaid receivables,
  - A decrease in Long Term Receivables from Agencies of \$34 thousand reflecting the reduction of MACSIS Medicaid and Non-Medicaid claim reversal receivables of \$153 thousand, the decrease of \$26 thousand in the Capital Loan balance according to the loan forgiveness schedule, partially offset by the increase of agency operating pre-payment receivables of \$145 thousand.
  - A decrease in Pre-paid contract services of \$60 thousand reflecting the payment received from an agency for an outstanding Pre-Payment,
  - An increase in Levy Receivables of \$1.0 million primarily related to the increase in the allowance for delinquent taxes of \$789 thousand, with the balance of the favorable variance related to increased collections.
  - A decrease in Equity in pooled cash of \$1.5 million primarily due to the overall pay down of receivables.

**HCCMHB**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2006**  
**Unaudited**

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2. Capital Assets decreased by \$468 thousand primarily because of:
  - A decrease of \$219 thousand in Land and Building assets caused by the sale of properties.
  - An increase of \$292 thousand in building and building improvements accumulated depreciation.
  - An increase of \$20 thousand in furniture and fixtures accumulated depreciation.
  - Partially offset by an increase of \$63 thousand in building improvements, furniture and fixtures.
3. A portion (14.0%) of Total Assets reflects HCCMHB's investment in capital assets of \$10.6 million. The majority of these capital assets are four-unit apartment buildings used to provide housing for the Severely Mentally Disabled Adult population.

**Total Liabilities – (\$2.7 million) & (5.1%) Decrease:**

1. The majority of the \$2.6 million decrease in Other Liabilities is the result of the change in the accrual of the following FY 2006 liabilities incurred prior to, but paid or not received until after June 30, 2006:
  - \$2.8 million decrease in agency contract service payable expenses,
  - \$34 thousand decrease in operating and payroll expenses, and
  - \$240 thousand increase in Levy deferred revenue.
2. The total decrease of \$115 thousand in Long-Term Liabilities is the result of:
  - A net decrease of \$62 thousand in mortgage liabilities due to the sale of properties.
  - A decrease of \$47 thousand for the compensated absences accrual.
  - A decrease of \$6 thousand for the amortized and forgiven portion of each property mortgage held by ODMH.

**Total Net Assets – \$2.1 million & 9.4% Increase:**

1. The total increase of \$2.5 million in Unrestricted Net Assets is primarily the result of the decrease in agency Contracts Payable by \$2.8 million.
2. The majority of the total decrease of \$337 thousand reflected in Invested in Capital Assets, Net of Related Debt is caused by the sale of properties.

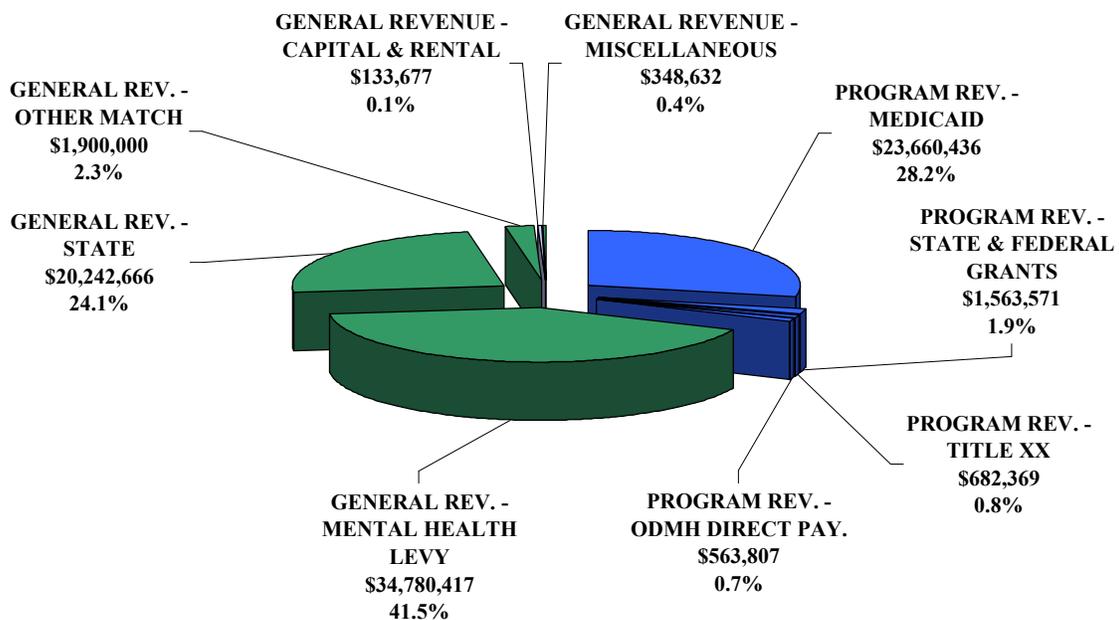
**B. Governmental Activities during FY 2006**

The table on the following page presents a condensed summary of the HCCMHB's activities during FY 2006 and the resulting change in net assets. A Revenue chart and variance analysis and an Expenditure chart and variance analysis follow the table.

HCCMHB  
 Management's Discussion and Analysis  
 Year Ended June 30, 2006  
 Unaudited

Revenues/ Program Expenses/ Change in Net Assets	Statement of Activities FY 2005	Statement of Activities FY 2006	Statement of Act. Variance Incr. (Decr.)	Statement of Act. % of Var. Incr. (Decr.)
Total Program Revenue	\$ 26,542,833	\$ 26,470,183	\$ (72,650)	-0.3%
Total General Revenue	56,349,979	57,405,392	1,055,413	1.9%
Total Revenues	82,892,812	83,875,575	982,763	1.2%
Total Program Expense	81,921,841	81,749,670	(172,171)	-0.2%
Incr. (Decr.) in net assets	970,971	2,125,905	1,154,934	118.9%
Net assets, begin. of year	21,572,520	22,543,491	970,971	4.5%
Net assets, end of year	\$ 22,543,491	\$ 24,669,396	\$ 2,125,905	9.4%

HAMILTON COUNTY COMMUNITY MENTAL HEALTH BOARD  
 FY 2006 STATEMENT OF ACTIVITIES - REVENUE  
 TOTAL REVENUE \$83,875,575



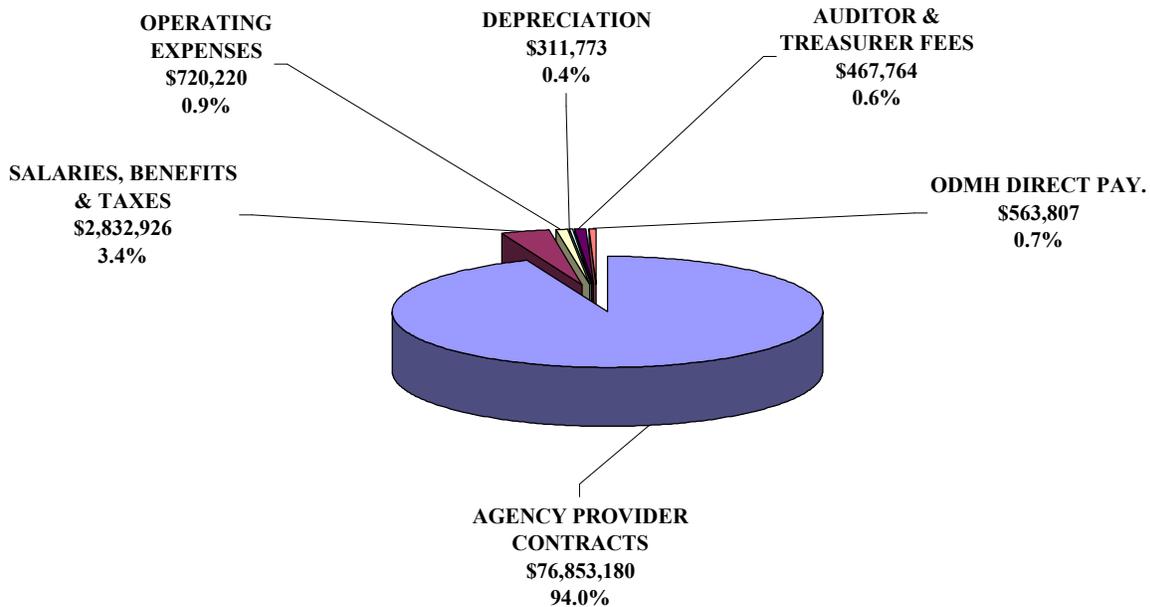
**Total Program Revenues – (\$73 thousand) & (0.3%) Decrease:**

- The variance is not material.

**Total General Revenues – \$1.1 million & 1.9% Increase:**

- The increase is the result of the \$1.0 million increase in Levy revenue primarily from the increase in Real Estate tax collections.

**HAMILTON COUNTY COMMUNITY MENTAL HEALTH BOARD  
 FY 2006 STATEMENT OF ACTIVITIES - EXPENDITURES  
 TOTAL EXPENDITURES \$81,749,670**



**Total Program Expenses – (\$172 thousand) & (0.2%) Decrease:**

- The variance is not material.

**FINANCIAL ANALYSIS OF THE MAJOR FUNDS**

**Governmental Funds**

The focus of the HCCMHB's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the HCCMHB's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the HCCMHB's net resources available for spending at the end of FY 2006.

**HCCMHB**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2006**  
**Unaudited**

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The HCCMHB has two governmental funds, both of which are major funds: General Fund and Special Revenue Fund. All assets of the HCCMHB are included in these two funds.

**General Fund** – The fund balance at June 30, 2006 was \$14.0 million including \$12.8 million of unreserved fund balance.

The table below details the activities of the General Fund. A variance analysis follows the table.

<b>General Fund Revenues/ Program Expenses/ Change in Fund Balance</b>	<b>General Fund FY 2005</b>	<b>General Fund FY 2006</b>	<b>Variance Incr. (Decr.)</b>	<b>% of Variance Incr. (Decr.)</b>
<b>Total General Fund Revenues</b>	\$ 35,510,587	\$ 36,312,416	\$ 801,829	2.3%
<b>Total General Fund Program Expenses:</b>	33,326,424	35,320,245	1,993,821	6.0%
<b>Excess of revenues over (under) expenditures</b>	2,184,163	992,171	(1,191,992)	-54.6%
<b>Total other financing sources</b>	-	408,662	408,662	100.0%
<b>Fund balance at beginning of year</b>	10,370,794	12,554,957	2,184,163	21.1%
<b>Fund balance at end of year</b>	\$ 12,554,957	\$ 13,955,790	\$ 1,400,833	11.2%

**Total General Fund Revenues – \$801 thousand & 2.3% Increase:**

The majority of the increase is the result of:

- The increase of \$475 thousand in the Real Estate portion of the Levy funds collected.
- The increase in Miscellaneous income of \$238 thousand represents the full year funding of two Health Foundation of Greater Cincinnati grants (\$154 thousand), and Community Evaluations reimbursement (\$38 thousand) the repayment of an operating advance by an agency prior to closing (\$46 thousand).
- The increase of \$75 thousand in Other Match reflecting the additional collaboration and shared funding with the HC Department of Job and Family Services related to the Family Access Partnership program.
- A replacement reserve refund from a sold property caused the balance of the increase.

**Total General Fund Program Expenses – \$2.0 million & 6.0% Increase:**

The increase is primarily caused by:

- The shifting of expenses from Agency provider contracts (\$1.7 million) in the Special Revenue Fund to the General Revenue Fund.

**HCCMHB**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2006**  
**Unaudited**

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- The increase of Salaries, benefits and taxes (\$127 thousand) for increases in staff salaries and related costs associated with benefits and taxes, Operating expenses (\$65 thousand) for increased building operating costs, Capital outlay (\$17 thousand).
- The increase in Auditor and Treasurer Fees (\$51 thousand) related to the increase of the Real Estate portion of the Levy funds collected.

**Other Financing Sources - \$409 thousand & 100% Increase:**

- The increase reflects ODMH's delayed contribution for the purchase of three properties (\$277 thousand) prior to FY 2006 and the sale of five other properties (\$132 thousand).

**Fund Balance at the End of the Year – \$1.4 million & 11.2% Increase:**

- The actual \$1.4 million increase in the fund balance was primarily caused by the agencies not providing the originally projected level of services.

**Special Revenue Fund** - This fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Revenues from the Special Revenue Fund are used before General Fund resources for qualifying expenditures. Thus, since qualifying Special Revenue Fund Expenditures equal Special Revenue Fund revenues, the Special Revenue Fund has no fund balance. The only asset in the Special Revenue Fund is the \$7.3 million in Due from other governments. The majority of these receivables are for Medicaid Federal Financial Participation (FFP) payments made by the HCCMHB for agency Medicaid claims and billed to the Ohio Department of Job and Family Services (ODJFS) for reimbursement. At fiscal year-end, the ODJFS had not reimbursed the HCCMHB for these claims. This is a \$400 thousand increase in Due from other governments versus FY 2005.

The table below details the activities of the Special Revenue Fund. A variance analysis follows the table on the next page.

<b>Special Fund Revenues/ Program Expenses/ Change in Fund Balance</b>	<b>Special Fund FY 2005</b>	<b>Special Fund FY 2006</b>	<b>Variance Incr. (Decr.)</b>	<b>% of Variance Incr. (Decr.)</b>
<b>Special Fund Revenues:</b>				
Intergovernmental:	\$ 47,637,456	\$ 45,621,747	\$ (2,015,709)	-4.2%
Other revenues:	609,970	563,807	(46,163)	-7.6%
<b>Total Special Fund Revenues</b>	<b>48,247,426</b>	<b>46,185,554</b>	<b>(2,061,872)</b>	<b>-4.3%</b>
<b>Total Special Fund Expenses</b>	<b>48,247,426</b>	<b>46,185,554</b>	<b>(2,061,872)</b>	<b>-4.3%</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.0%</b>

**Total Special Fund Revenues – (\$2.1 million) & (4.3%) Decrease:**

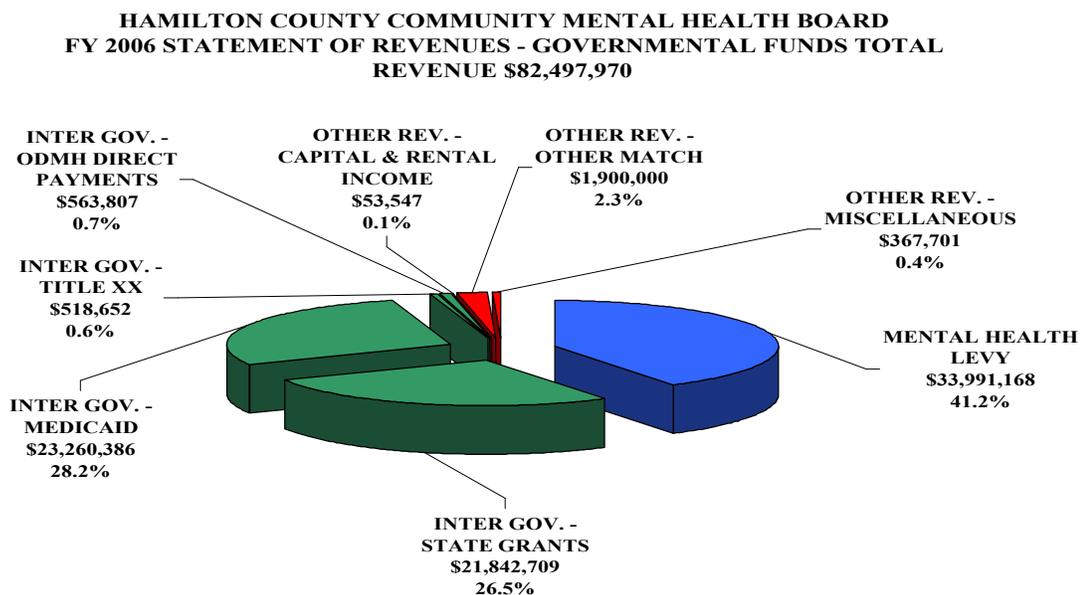
1. The \$2.0 million decrease in Intergovernmental Revenue is primarily caused by the receipt of FY 2006 ODMH payments after the available period of August 31, 2006. Those payments relate to the following sources:
  - A decrease in Medicaid revenue of \$2.3 million.
  - A decrease in Title XX revenue of \$173 thousand.
  - Partially offset by an increase of \$448 thousand in State Grants.
2. The \$46 thousand decrease in Other Revenue is the result of a decrease in ODMH Direct Payments related to the Central Pharmacy program.

**Total Special Fund Program Expenses – (\$2.1 million) & (4.3%) Decrease:**

- The decrease is primarily caused by the shifting of expenses from Agency provider contracts in the Special Revenue Fund to the General Revenue Fund.

**GENERAL AND SPECIAL REVENUE FUND BUDGETARY HIGHLIGHTS**

The schedule comparing the HCCMHB's original and final budgets and actual results is part of the required supplementary information in the audit report. During FY 2006, the HCCMHB amended its General and Special Revenue Fund budget with Hamilton County and the Board of Trustees as changes occurred in the HCCMHB's revenues and expenditures. The General and Special Revenue Fund Final Budget versus Actual Revenues & Expenditures charts and analysis are as follows:



**REVENUES:**

**Tax Levy – \$800 thousand & 2.4% Over Budget:**

- The variance is the result of the increase in collections primarily related to Real Estate taxes (\$679 thousand) and the refund of the HCCMHB's share of unspent Hamilton County Auditor Real Estate Assessment budget (\$121 thousand).

**State Grants – \$601 thousand & 2.8% Over Budget:**

- The variance is the result of one time initiatives funded by ODMH in FY 2006.

**Medicaid – (\$1.9 million) & (7.7%) Under Budget:**

- \$1.8 million of the variance is the result of receiving FY 2006 Medicaid payments after the available period of August 31, 2006.

**Title XX – (\$170 thousand) & (24.7%) Under Budget:**

- The variance is the result of receiving a FY 2006 Title XX payment from ODMH after the available period of August 31, 2006.

**Federal Grant –\$0 & 0.0% Variance:**

- There is no variance to discuss.

**ODMH Direct Payments – \$0 & 0.0% Variance:**

- There is no variance to discuss.

**Capital & Rental – \$20 thousand & 58.0% Over Budget:**

- The primary cause of the variance is the recovery of a replacement reserve fund from a property that was sold.

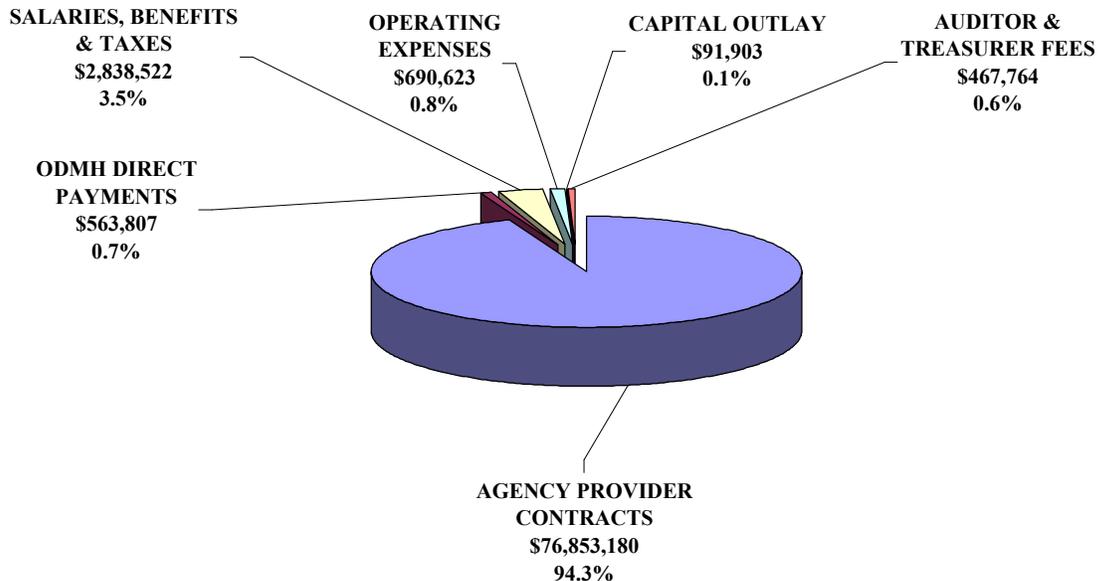
**Other Match – \$0 & 0.0% Variance:**

- There is no variance to discuss.

**Miscellaneous – \$54 thousand & 17.3% Over Budget:**

- The majority of the variance is caused by a new Health Foundation Grant (\$31 thousand) and higher Community Evaluations reimbursements (\$19 thousand).

**HAMILTON COUNTY COMMUNITY MENTAL HEALTH BOARD  
 FY 2006 STATEMENT OF EXPENDITURES - GOVERNMENT FUNDS TOTAL  
 EXPENDITURES \$81,505,799**



**EXPENDITURES:**

**Agency & Provider – (\$4.0 million) & (4.9%) Under Budget:**

- The variance is caused by the agencies not spending at the level they originally projected for Non-Medicaid services (\$3.9 million) compounded by the \$100 thousand decrease in client Medicaid services delivered.

**ODMH Direct Payments – \$0 & 0.0% Variance:**

- There is no variance to discuss.

**Salaries, Benefits & Taxes – \$6 thousand & 0.2% Over Budget:**

- The variance is not material.

**Operating Expenses – (\$56 thousand) & (7.5%) Under Budget:**

- The variance was caused by conservative spending on Consulting (\$97 thousand) and Temporary Help (\$7 thousand) partially offset by Building Management Fees (\$48 thousand).

**HCCMHB  
Management's Discussion and Analysis  
Year Ended June 30, 2006  
Unaudited**

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**Capital Exp. – (\$37 thousand) & (28.9%) Under Budget:**

- Conservative spending on building related capital expenditures caused the variance.

**Auditor & Treasurer Fees – \$57 thousand & 13.8% Over Budget:**

- The variance is related to the additional fees assessed on the increased Real Estate portion of the Levy funds collected.

**Other Financing Sources - \$409 thousand & 100% Over Budget:**

- The variance reflects ODMH's delayed contribution for the purchase of three properties (\$277 thousand) prior to FY 2006 and the sale of five other properties (\$132 thousand).

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets.** At June 30, 2006, the HCCMHB had \$10.6 million invested in a broad range of capital assets, including land, buildings and equipment. See Note 4 to the financial statements for more detail.

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

<b>Capital Assets At Year-End Net of Depreciation</b>	<b>Capital Asset Activities FY 2005</b>	<b>Capital Asset Activities FY 2006</b>	<b>Capital Asset Act. Variance Incr. (Decr.)</b>	<b>Capital Asset Act. % of Var. Incr. (Decr.)</b>
Land	\$ 1,694,346	\$ 1,572,296	\$ (122,050)	-7.2%
Construction in progress	-	4,662	4,662	100.0%
Buildings	9,352,027	8,994,850	(357,177)	-3.8%
Furniture and equipment	24,188	30,364	6,176	25.5%
<b>Total Capital Assets</b>	<b>\$ 11,070,561</b>	<b>\$ 10,602,172</b>	<b>\$ (468,389)</b>	<b>-4.2%</b>

The sale of properties and the recording of the FY 2006 Depreciation expenses associated with buildings, furniture and fixtures caused the decrease in Capital Assets.

**Debt**

A summary of long-term obligations is located in Note #8.

The primary long term debt of the HCCMHB is the mortgage payable obligation. The mortgage payable of the HCCMHB consists of loan contracts made with the ODMH for the purchase and improvement of various properties in the County for use in providing mental health services.

## **ECONOMIC FACTORS**

The State allocation from the ODMH continues to be a major area of economic concern. The State of Ohio's biennium budget for FY 2006 – 07 included a 3% increase in funds for Mental Health. Instead of allocating the 3% to the Boards across the state for ongoing services, ODMH held back the majority of the increase for State Hospital spending and the "Safety Net" program to assist Boards that are incurring financial hardships related to specific programs.

Other Economic Factors:

- The ODMH raised the State Hospital per-diem from \$470 to \$481 or 2.3% in FY 2007. It will cost \$175,565 in FY 2007 to serve a consumer for one year in a State Hospital. Despite keeping the FY 2007 State Hospital bed days purchased (34,310) the same as FY 2006; the HCCMHB saw the increase in the per diem expense reduce the anticipated 408 increase to only 1.1% or \$140 thousand.
- The abolishment of the HCCMHB and the Hamilton County Alcohol and Drug Addiction Services Board on October 18, 2006 and the subsequent creation of the Hamilton County Mental Health and Recovery Services Board (HCMHRSB) on October 19, 2006 will cause changes in the service delivery and financing of mental health and alcohol and drug addiction services in Hamilton County during FY 2007 and beyond.
- The Mental Health Levy, which is 41.4% of the revenue (\$34.8 million) used for services in Hamilton County, is scheduled to be on the ballot in November 2007. HCMHRSB staff will shortly begin meetings with the Hamilton County Tax Levy Review Committee to discuss the amount of the Levy request that will appear on the ballot in the fall.

## **REQUESTS FOR ADDITIONAL INFORMATION**

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

# HAMILTON COUNTY COMMUNITY MENTAL HEALTH BOARD

## Statement of Net Assets

June 30, 2006

### ASSETS:

Equity in pooled cash and investments with County Treasurer	\$ 20,293,350
Levy receivable	36,373,077
Due from other governments	7,296,346
Prepaid contract services	80,483
Long-term receivables from contract agencies	863,821
Nondepreciable capital assets	1,576,958
Depreciable capital assets, net of accumulated depreciation	<u>9,025,214</u>
Total assets	<u>75,509,249</u>

### LIABILITIES:

Contracts payable	11,180,754
Accrued other	178,966
Deferred revenue	33,553,307
Long-term liabilities:	
Due within one year	437,476
Due in more than one year	<u>5,489,350</u>
Total liabilities	<u>50,839,853</u>

### NET ASSETS:

Invested in capital assets, net of related debt	5,381,439
Unrestricted	<u>19,287,957</u>
Total net assets	\$ <u><u>24,669,396</u></u>

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

# HAMILTON COUNTY COMMUNITY MENTAL HEALTH BOARD

## Statement of Activities

Year Ended June 30, 2006

### Program expenses:

#### Community Mental Health:

Agency provider contracts	\$	76,853,180
Salaries, benefits and taxes		2,832,926
Operating expenses		720,220
Depreciation		311,773
County auditor and treasurer fees		467,764
ODMH direct payments		<u>563,807</u>
Total program expenses		<u>81,749,670</u>

### Program revenues:

#### Operating grants and contributions restricted to specific programs:

Medicaid		23,660,436
State and federal grants		1,563,571
Title XX		682,369
ODMH direct payments		<u>563,807</u>
Total program revenues		<u>26,470,183</u>
Net program expenses		<u>55,279,487</u>

### General revenues:

Mental health levy		34,780,417
Grants and contributions not restricted to specific programs:		
State		20,242,666
Other match		1,900,000
Capital and rental income		133,677
Miscellaneous		<u>348,632</u>
Total general revenues		<u>57,405,392</u>

Increase in net assets		2,125,905
Net assets, beginning of year		<u>22,543,491</u>
Net assets, end of year	\$	<u><u>24,669,396</u></u>

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

**HAMILTON COUNTY COMMUNITY MENTAL HEALTH BOARD**

Balance Sheet - Governmental Funds

June 30, 2006

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Equity in pooled cash and investments with County Treasurer	\$ 20,293,350	-	20,293,350
Levy receivable	36,373,077	-	36,373,077
Due from other governments	-	7,296,346	7,296,346
Prepaid contract services	80,483	-	80,483
Interfund receivable	341,177	-	341,177
Long-term receivables from contract agencies	863,821	-	863,821
Total assets	<u>57,951,908</u>	<u>7,296,346</u>	<u>65,248,254</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Contracts payable	\$ 7,422,085	3,758,669	11,180,754
Accrued other	178,966	-	178,966
Compensated absences payable	21,990	-	21,990
Deferred revenue	36,373,077	3,196,500	39,569,577
Interfund payable	-	341,177	341,177
Total liabilities	<u>43,996,118</u>	<u>7,296,346</u>	<u>51,292,464</u>
Fund balances:			
Unreserved, reported in:			
General fund	12,772,328	-	12,772,328
Reserved for encumbrances	239,158	-	239,158
Reserved for prepaid contract services	80,483	-	80,483
Reserved for long-term receivables	863,821	-	863,821
Total fund balances	<u>13,955,790</u>	<u>-</u>	<u>13,955,790</u>
Total liabilities and fund balances	\$ <u>57,951,908</u>	<u>7,296,346</u>	

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.	6,016,270
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	10,602,172
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Mortgage payable	\$ 5,220,733
Compensated absences	<u>684,103</u>
Total	<u>(5,904,836)</u>
Net Assets of Governmental Activities	\$ <u>24,669,396</u>

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

## HAMILTON COUNTY COMMUNITY MENTAL HEALTH BOARD

### Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2006

	<b>General</b>	<b>Special Revenue</b>	<b>Total Governmental Funds</b>
Revenues:			
Mental health levy	\$ 33,991,168	-	33,991,168
Intergovernmental:			
State grants	-	21,842,709	21,842,709
Medicaid	-	23,260,386	23,260,386
Title XX	-	518,652	518,652
Other revenues:			
Capital and rental income	53,547	-	53,547
Other match	1,900,000	-	1,900,000
Miscellaneous	367,701	-	367,701
ODMH direct payments	-	563,807	563,807
Total revenues	36,312,416	46,185,554	82,497,970
Expenditures:			
Agency provider contracts	31,231,433	45,621,747	76,853,180
ODMH direct payments	-	563,807	563,807
Salaries, benefits and taxes	2,838,522	-	2,838,522
Operating expenses	690,623	-	690,623
Capital outlay	91,903	-	91,903
County auditor and treasurer fees	467,764	-	467,764
Debt service:			
Principal retirement	408,347	-	408,347
Forgiveness by ODMH	(408,347)	-	(408,347)
Total expenditures	35,320,245	46,185,554	81,505,799
Excess of revenues over expenditures	992,171	-	992,171
Other financing sources:			
Proceeds from long-term obligations	276,674	-	276,674
Proceeds from sale of capital assets	131,988	-	131,988
Total other financing sources	408,662	-	408,662
Change in fund balance	1,400,833	-	1,400,833
Fund balance, beginning of year	12,554,957	-	12,554,957
Fund balance, end of year	\$ 13,955,790	-	13,955,790

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

**HAMILTON COUNTY COMMUNITY MENTAL HEALTH BOARD**

Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended June 30, 2006

**Net Change in Fund Balances - Total Governmental Funds** \$ 1,400,833

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 1,056,094

Governmental funds report capital outlays as expenditures. However, in the statement  
activities, the cost of those assets is allocated over their estimated useful lives  
depreciation expense.

Capital outlay 62,306  
Depreciation expense (311,773)

Retirement of mortgage principal is an expenditure in the governmental funds,  
but the repayment reduces long-term liabilities in the statement of net assets. 408,347

The issuance of long-term debt provides current financial resources to governmental  
funds but has no effect on net assets. (276,674)

In the statement of activities, only the gain on the sale of capital assets is reported.  
However, in the governmental funds, the proceeds from the sale increase  
financial resources. (218,922)

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. 5,694

Change in Net Assets of Governmental Activities \$ 2,125,905

**HAMILTON COUNTY COMMUNITY MENTAL HEALTH BOARD**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2006**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Hamilton County Community Mental Health Board (the “HCCMHB”) operates as an administrative arm of the County of Hamilton, Ohio (the “County”) government, but has its own policy making Board of Trustees. The HCCMHB acts as an umbrella agency that has responsibility for a community-wide mental health system that is accessible to those in need of or desiring mental health services and who do not have the financial means to purchase this care from the private health care market. The HCCMHB 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.

**B. Basis of Presentation**

*Government-wide Financial Statements* – The statement of net assets and the statement of activities display information about the HCCMHB as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the HCCMHB that are governmental and those that are considered business-type activities. The HCCMHB 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 HCCMHB’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 HCCMHB, 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 HCCMHB.

# HAMILTON COUNTY COMMUNITY MENTAL HEALTH BOARD

## Notes to the Basic Financial Statements

Year Ended June 30, 2006

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***Fund Financial Statements*** – Fund financial statements report detailed information about the HCCMHB. 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 HCCMHB uses funds 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 funds of the HCCMHB are governmental funds.

***Governmental funds*** focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the HCCMHB's major governmental funds:

***General Fund*** - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the HCCMHB for any purpose relating to the operations of the community-wide mental health systems.

***Special Revenue Fund*** – Used to account for the proceeds of specified revenue sources that are legally restricted to expenditures for specified purposes.

### 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 recorded 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 HCCMHB is sixty days after fiscal year end.

# HAMILTON COUNTY COMMUNITY MENTAL HEALTH BOARD

## Notes to the Basic Financial Statements

Year Ended June 30, 2006

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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 HCCMHB 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 HCCMHB must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the HCCMHB on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

***Deferred Revenue*** - Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes measurable as of June 30, 2006 which are intended to finance fiscal year 2007 operations and delinquent property taxes whose availability is indeterminable, 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. Budgetary Basis of Accounting**

The HCCMHB prepares an annual budget for internal use for all governmental types covering the period July 1 through June 30. This budget is prepared on a modified accrual basis of accounting in conjunction with the HCCMHB's internal financial statements.

# HAMILTON COUNTY COMMUNITY MENTAL HEALTH BOARD

## Notes to the Basic Financial Statements

Year Ended June 30, 2006

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The HCCMHB is also required by Ohio law to adopt an annual calendar year budget under the direction of the County Administrator. This budgetary process begins six months prior to the calendar year for which the budget is to be adopted with the HCCMHB certifying the proposed tax budget to the County Auditor by July 20. By April 1, the County Commissioners must adopt an annual appropriation resolution. Modifications were made to the original budget during the year. These changes were approved by the Board of County Commissioners throughout the year as allowed by state statute. The budgeted figures included in the financial statements reflect the adjusted totals.

The encumbrance budgetary system of accounting is required by Ohio law. Encumbrances outstanding at year-end are reported as reservations of fund balances for subsequent year expenditures. Unencumbered and unexpended appropriations lapse at year-end.

### **F. Cash and Cash Equivalents**

The Hamilton County Treasurer acts as custodian of funds for the HCCMHB. Cash of the HCCMHB is shown on the balance sheet 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 deposits and repurchase agreements.

### **G. Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. The HCCMHB 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 HCCMHB 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

# HAMILTON COUNTY COMMUNITY MENTAL HEALTH BOARD

## Notes to the Basic Financial Statements

Year Ended June 30, 2006

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### H. Compensated Absences

The HCCMHB maintains a liability for unpaid vacation, sick and compensatory time relating to the payment of the obligation when earned by the employee. The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, a liability is recorded only for the portion of unpaid compensated absences that has matured, for example, as a result of employee resignations and retirements.

### I. Interfund Transactions

On the fund financial statements, the General Fund has a receivable of \$341,177 that consists of amounts due to the Special Revenue Fund. During the course of normal operations, the HCCMHB will, as necessary, transfer cash between funds to meet current obligations. These amounts are eliminated in the governmental activities column of the statement of net assets.

### J. Fund Balance Reserves

The HCCMHB 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 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.

### K. 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 HCCMHB or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The HCCMHB applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

### L. 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.

# HAMILTON COUNTY COMMUNITY MENTAL HEALTH BOARD

## Notes to the Basic Financial Statements

Year Ended June 30, 2006

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### 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 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 not 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 2006, 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.

# HAMILTON COUNTY COMMUNITY MENTAL HEALTH BOARD

## Notes to the Basic Financial Statements

Year Ended June 30, 2006

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### 3. PROPERTY TAXES

Property taxes include amounts levied against real, public utility and tangible property. The assessed value upon which the 2006 tax collection was based as follows:

Real Property:	
Residential/Agricultural	\$ 13,916,655,610
Commercial/Industrial/Public Utilities	4,923,968,730
Public Utilities	750,971,200
Tangible Personal Property:	
General	<u>1,759,828,110</u>
Total Valuation	\$ <u>21,351,423,650</u>

Real Property taxes are levied each October on the assessed values of the preceding January 1<sup>st</sup>, 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 2006, 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 HCCMHB. The County Auditor periodically remits to the HCCMHB its portion of the taxes collected.

**HAMILTON COUNTY COMMUNITY MENTAL HEALTH BOARD**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2006**

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**4. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2006 was as follows:

	Balance <u>7/1/05</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>6/30/06</u>
<b><u>Governmental Activities</u></b>				
Capital assets not being depreciated:				
Land	\$ 1,694,346	-	122,050	1,572,296
Construction in progress	<u>-</u>	<u>4,662</u>	<u>-</u>	<u>4,662</u>
Total not being depreciated	<u>1,694,346</u>	<u>4,662</u>	<u>122,050</u>	<u>1,576,958</u>
Capital assets being depreciated:				
Building and building Improvements	11,609,187	31,696	129,342	11,511,541
Furniture and fixtures	<u>164,791</u>	<u>25,948</u>	<u>-</u>	<u>190,739</u>
Total being depreciated	<u>11,773,978</u>	<u>57,644</u>	<u>129,342</u>	<u>11,702,280</u>
Less accumulated depreciation:				
Building and building Improvements	2,257,160	292,001	32,470	2,516,691
Furniture and fixtures	<u>140,603</u>	<u>19,772</u>	<u>-</u>	<u>160,375</u>
Total accumulated depreciation	<u>2,397,763</u>	<u>311,773</u>	<u>32,470</u>	<u>2,677,066</u>
Capital assets, net	\$ <u>11,070,561</u>	<u>(249,467)</u>	<u>218,922</u>	<u>10,602,172</u>

**5. DEFINED BENEFIT PENSION PLAN**

All employees of the HCCMHB 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 thereon.
- The Combined Plan – a cost sharing multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by the retirement sytem 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.

# HAMILTON COUNTY COMMUNITY MENTAL HEALTH BOARD

## Notes to the Basic Financial Statements

Year Ended June 30, 2006

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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 employee and employer contributions. Member and employer contribution rates were consistent across all three plans. The employee contribution rates were 9%. The HCCMHB was required to contribute 13.70% of covered payroll for employees in 2006. The HCCMHB's required contributions to PERS for the years ending June 30, 2006, 2005, 2004 were approximately \$301,000, \$286,000, and \$281,000. All of the required contributions were paid within the respective fiscal years.

### 6. POSTEMPLOYMENT BENEFITS

The Ohio Public Employees Retirement System (OPERS) provides postretirement 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 Postemployment 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 2006 employer contribution rate was 13.55% of covered payroll for employees of which 4.0% was the portion that was used to fund health care.

**Actuarial Review.** The assumptions and calculations below were based on the System's Actuarial Review performed as of December 31, 2004 (latest information available).

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

**Assets Valuation Method.** All investments are carried 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.

# HAMILTON COUNTY COMMUNITY MENTAL HEALTH BOARD

## Notes to the Basic Financial Statements

Year Ended June 30, 2006

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**Investment Return.** The investment assumption rate for 2004 was 8.00%.

**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 1% to 6% 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. At December 31, 2005, the number of active contributing participants in the Traditional and Combined Plans totaled 355,287. The portion of the HCCMHB's contributions that were used to fund postemployment benefits was approximately \$88,000. At December 31, 2004 (latest information available), the actuarial value of the Retirement System's net assets available for OPEB was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.5 billion and \$18.7 billion, respectively.

## 7. OTHER EMPLOYEE BENEFITS

Employees earn vacation at differing rates based upon length of service. An employee may accumulate no more vacation leave than the amount earned in one and a half years of service, at the applicable rate. Upon separation from the HCCMHB, an employee (or estate) is paid for his or her accumulated unused vacation leave balance. Sick time not taken by a HCCMHB Employee may be accumulated until retirement. Upon retirement from the HCCMHB an eligible employee may receive one half of sick leave accrued while employed at the HCCMHB up to a maximum of 675 hours. Monetary compensation is at employee's hourly rate of compensation at the time of retirement or separation.

As of June 30, 2006, the HCCMHB's liability for compensated absences was \$706,093.

**HAMILTON COUNTY COMMUNITY MENTAL HEALTH BOARD**

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2006**

**8. LONG-TERM OBLIGATIONS**

The changes in the HCCMHB's long-term obligations during fiscal year 2006 were as follows:

		Principal Outstanding <u>7/1/05</u>	<u>Additions</u>	<u>Disposals</u>	Principal Outstanding <u>6/30/06</u>	Amounts Due in <u>One Year</u>
<b><u>Governmental Activities</u></b>						
Mortgage payable	\$	5,352,406	276,674	408,347	5,220,733	192,533
Compensated absences		<u>689,699</u>	<u>174,390</u>	<u>157,996</u>	<u>706,093</u>	<u>244,943</u>
Total long-term obligations	\$	<u>6,042,105</u>	<u>451,064</u>	<u>566,343</u>	<u>5,926,826</u>	<u>437,476</u>

The mortgage payable of the HCCMHB consist 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 HCCMHB 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 HCCMHB being obligated to provide mental health services for a period of 40 years from the inception of the contract. Should the HCCMHB discontinue mental health services at 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. No interest is charged on these obligations. Annual commitments under the mortgage payable, assuming no forgiveness by ODMH, as of June 30, 2006, are as follows:

Year Ended <u>June 30</u>	<u>Principal</u>
2007	\$ 192,533
2008	192,533
2009	192,533
2010	192,533
2011	192,533
2012 – 2016	962,665
2017 – 2021	962,665
2022 – 2026	962,665
2027 – 2031	886,428
2032 – 2036	346,871
2037 – 2041	78,318
2042 – 2046	<u>58,456</u>
Total	\$ <u>5,220,733</u>

Compensated absences will be paid from the General Fund.

# HAMILTON COUNTY COMMUNITY MENTAL HEALTH BOARD

## Notes to the Basic Financial Statements

Year Ended June 30, 2006

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### 9. RISK MANAGEMENT

The HCCMHB is covered by the County for various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health claims; unemployment compensation claims; and environmental damage. The County purchases commercial insurance to cover losses due to theft of, damage to or destruction of assets and purchases general liability insurance for specific operations and professional liability insurance for certain operations. All other risks of loss are self-insured by the County. There has been no reduction in insurance coverage from the prior year. Insurance settlements for claims resulting from the risks covered by commercial insurance have not exceeded the insurance coverage in any of the past three years. The County is self-insured for court judgments resulting from tort and general liability claims of County officials and employees.

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 HCCMHB, 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.

### 10. LEASES WITH CONTRACTUAL AGENCIES

As of June 30, 2006, the HCCMHB 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 HCCMHB. Annual lease payments to the HCCMHB are at the rate of \$1 per year, per unit. The cost of these leased housing facilities at June 30, 2006 is approximately \$6,000,000 and accumulated depreciation on these assets is approximately \$1,400,000.

In addition, the HCCMHB owns two housing facilities that are leased to various community social service agencies under operating leases. The agencies are required, by the lease agreement, to provide mental health services to County residents; if such services cease, the lease agreement is terminated. Minimum rentals receivable under existing leases as of June 30, 2006, were as follows:

<u>Year Ended June 30</u>	<u>Operating Leases</u>
2007	\$ 34,865
2008	34,865
2009	34,865
2010	34,865
2011	<u>34,865</u>
Total	\$ <u>174,325</u>

# HAMILTON COUNTY COMMUNITY MENTAL HEALTH BOARD

## Notes to the Basic Financial Statements

Year Ended June 30, 2006

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### 11. CONTINGENCIES

#### Grants

The HCCMHB 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 HCCMHB believes these disallowances, if any, will be immaterial.

As part of the financial reporting entity of the County of Hamilton, Ohio, the HCCMHB 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 HCCMHB is included in the scope of the County audit, the HCCMHB has elected to not have its separate audit performed in accordance with the audit requirement noted above.

#### Litigation

The HCCMHB 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 HCCMHB.

### 12. RELATED PARTIES

The County provides various administrative functions for the HCCMHB such as payroll, research and budgeting. Included in the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types as operating expense for 2006, is approximately \$78,300 of fees paid for these services.

### 13. STATE DIRECT PAYMENTS

During the year ended June 30, 2006, the Ohio Department of Mental Health made direct payments to providers totaling \$563,807 for contracts entered into by the HCCMHB. These payments have been recorded as intergovernmental revenue with a corresponding contract expense.

### 14. SUBSEQUENT EVENT

On September 13, 2006, the Hamilton County Board of County Commissioners voted to dissolve, as permitted by Ohio Revised Code Section 340.021, both the Hamilton County Alcohol and Drug Addition Services Board and the HCCMHB, and simultaneously establish the Hamilton County Mental Health and Recovery Services Board, effective as of October 19, 2006.

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**HAMILTON COUNTY COMMUNITY MENTAL HEALTH BOARD**

**Required Supplementary Information**

Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual - General Fund and Special Revenue Fund

Year Ended June 30, 2006

	<b>General Fund</b>			Variance From Final Budget
	Original Budget	Final Budget	Actual	
Revenues:				
Mental health levy	\$ 33,313,456	33,190,847	33,991,168	800,321
Intergovernmental:				
State grants	-	-	-	-
Medicaid	-	-	-	-
Title XX	-	-	-	-
Federal grants	-	-	-	-
ODMH direct payments	-	-	-	-
Other revenues:				
Capital and rental income	33,882	33,882	53,547	19,665
Other match	1,900,000	1,900,000	1,900,000	-
Miscellaneous	<u>322,622</u>	<u>313,431</u>	<u>367,701</u>	<u>54,270</u>
Total revenues	<u>35,569,960</u>	<u>35,438,160</u>	<u>36,312,416</u>	<u>874,256</u>
Expenditures:				
Agency provider contracts	33,331,073	33,729,232	31,231,433	2,497,799
ODMH direct payments	-	-	-	-
Salaries, benefits and taxes	2,832,571	2,832,571	2,838,522	(5,951)
Operating expenses	746,672	746,672	690,623	56,049
Capital outlay	129,215	129,215	91,903	37,312
County auditor and treasurer fees	414,407	410,903	467,764	(56,861)
Debt service:				
Principal retirement	-	-	408,347	(408,347)
Forgiveness by ODMH	<u>-</u>	<u>-</u>	<u>(408,347)</u>	<u>408,347</u>
Total expenditures	<u>37,453,938</u>	<u>37,848,593</u>	<u>35,320,245</u>	<u>2,528,348</u>
Excess of revenues over (under) expenditures	(1,883,978)	(2,410,433)	992,171	3,402,604
Other financing sources:				
Proceeds from long-term obligations	-	-	276,674	276,674
Proceeds from sale of capital assets	<u>-</u>	<u>-</u>	<u>131,988</u>	<u>131,988</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>408,662</u>	<u>408,662</u>
Net change in fund balance	(1,883,978)	(2,410,433)	1,400,833	3,811,266
Fund balance at beginning of year	<u>12,554,957</u>	<u>12,554,957</u>	<u>12,554,957</u>	
Fund balance at end of year	\$ <u>10,670,979</u>	<u>10,144,524</u>	<u>13,955,790</u>	

<b>Special Revenue Fund</b>				<b>Totals (Memorandum Only)</b>			
<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget</u>
-	-	-	-	33,313,456	33,190,847	33,991,168	800,321
21,764,789	21,241,656	21,842,709	601,053	21,764,789	21,241,656	21,842,709	601,053
25,340,258	25,193,307	23,260,386	(1,932,921)	25,340,258	25,193,307	23,260,386	(1,932,921)
692,295	688,908	518,652	(170,256)	692,295	688,908	518,652	(170,256)
-	-	-	-	-	-	-	-
609,970	563,807	563,807	-	609,970	563,807	563,807	-
-	-	-	-	33,882	33,882	53,547	19,665
-	-	-	-	1,900,000	1,900,000	1,900,000	-
-	-	-	-	322,622	313,431	367,701	54,270
<u>48,407,312</u>	<u>47,687,678</u>	<u>46,185,554</u>	<u>(1,502,124)</u>	<u>83,977,272</u>	<u>83,125,838</u>	<u>82,497,970</u>	<u>(627,868)</u>
47,797,342	47,123,871	45,621,747	1,502,124	81,128,415	80,853,103	76,853,180	3,999,923
609,970	563,807	563,807	-	609,970	563,807	563,807	-
-	-	-	-	2,832,571	2,832,571	2,838,522	(5,951)
-	-	-	-	746,672	746,672	690,623	56,049
-	-	-	-	129,215	129,215	91,903	37,312
-	-	-	-	414,407	410,903	467,764	(56,861)
-	-	-	-	-	-	408,347	(408,347)
-	-	-	-	-	-	(408,347)	408,347
<u>48,407,312</u>	<u>47,687,678</u>	<u>46,185,554</u>	<u>1,502,124</u>	<u>85,861,250</u>	<u>85,536,271</u>	<u>81,505,799</u>	<u>4,030,472</u>
-	-	-	-	(1,883,978)	(2,410,433)	992,171	3,402,604
-	-	-	-	-	-	276,674	276,674
-	-	-	-	-	-	131,988	131,988
-	-	-	-	-	-	408,662	408,662
-	-	-	-	(1,883,978)	(2,410,433)	1,400,833	3,811,266
-	-	-	-	<u>12,554,957</u>	<u>12,554,957</u>	<u>12,554,957</u>	
-	-	-	-	<u>10,670,979</u>	<u>10,144,524</u>	<u>13,955,790</u>	



**Clark, Schaefer, Hackett & Co.**  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

**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 of the  
Hamilton County Community Mental Health Board:

We have audited the financial statements of the governmental activities and each major fund of Hamilton County Community Mental Health Board (“HCCMHB”) as of and for the year ended June 30, 2006, which collectively comprise HCCMHB's basic financial statements and have issued our report thereon dated November 9, 2006. 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 HCCMHB’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance and Other Matters

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

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

*Clark, Schaefer, Hachett & Co.*

Cincinnati, Ohio  
November 9, 2006





**Mary Taylor, CPA**  
Auditor of State

**HAMILTON COUNTY COMMUNITY MENTAL HEALTH 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 22, 2007**