

Hamilton County Mental Health and Recovery Services Board



Basic Financial Statements

June 30, 2012



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Hamilton County Mental Health and Recovery Services Board, Hamilton County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2011 through June 30, 2012. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 25, 2013

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Hamilton County Mental Health and Recovery Services Board

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, 2012, which collectively comprise the Board's basic financial statements. 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 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 Hamilton County Mental Health and Recovery Services Board and do not purport to, and do not, present fairly the financial position of the County of Hamilton, Ohio, as of June 30, 2012, 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 Board as of June 30, 2012, and the respective changes in financial position 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 31, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The Hamilton County Mental Health and Recovery Services Board has not presented budgetary comparison information to supplement the basic financial statements as required by the Governmental Accounting Standards Board.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
December 31, 2012

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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 (HCMHR SB) for the year ended June 30, 2012. 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 HCMHR SB's financial statements.

Officers

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Chair

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Vice-Chair

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Secretary

Board Members

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Gary E. Powell

James Slattery, Jr.

Jonathan L. Steinberg, Ph.D.

President | CEO

Patrick Tribbe

Financial Highlights

Major financial highlights for FY 2012 are:

- The Total Net Assets found on the HCMHR SB "Statement of Net Assets" at year-end were \$31.8 million. Of this amount, \$25.6 million is unrestricted and may be used to meet the HCMHR SB's ongoing obligations to consumers and creditors. See chart on page 6 of this Management Discussion & Analysis (MD&A).
- Grants and Contributions Not Restricted to Specific Programs Revenue found on the HCMHR SB's Statement of Activities decreased by \$17.8 million primarily because of the reclassification of ODMH 408 funding, as well as, the elimination of ODMH one-time funding that was received in FY 2011. Effective July 1, 2011, the financial responsibility of Medicaid was elevated to the State-level and as a result, the ODMH no longer allocates 408 funding to the HCMHR SB to use at its discretion. Instead, the funds were paid to the HCMHR SB for the sole purpose of paying for Medicaid services and thus, are shown on the HCMHR SB financial statements as "Operating grants and contributions restricted to specific programs".
- The HCMHR SB's "Statement of Activities" also shows that 94.8% of expenditures were related to payments to providers. Please see the chart on page 8 of this MD&A.
- The Mental Health and Recovery Services Fund balance was \$18.9 million including \$4.3 million of unassigned funds at the end of FY 2012. This fund balance equals approximately 1.9 months of Total Governmental Fund Expenditures.
- The Net Change in Fund Balance at year-end was an increase of \$2.6 million primarily because of the reduction of Agency provider contracts payments partially offset by the elimination of one-time funding revenues.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

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

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

The Statement of Activities – This presents information showing how the HCMHRSB's net assets changed during the most recent period. All changes in net assets are reported as soon as 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 – The HCMHRSB'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, HCMHRSB Salaries, Benefits, Taxes and Operating Expenses, Depreciation, Auditor and Treasurer Fees and State Direct Payments.

Program Revenues – These revenues include Family Services and Treatment Levy, Health and Hospital Indigent Care Levy, Medicaid, State and Federal Grants, 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.

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

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

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

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

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

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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, 2011 and 2012.

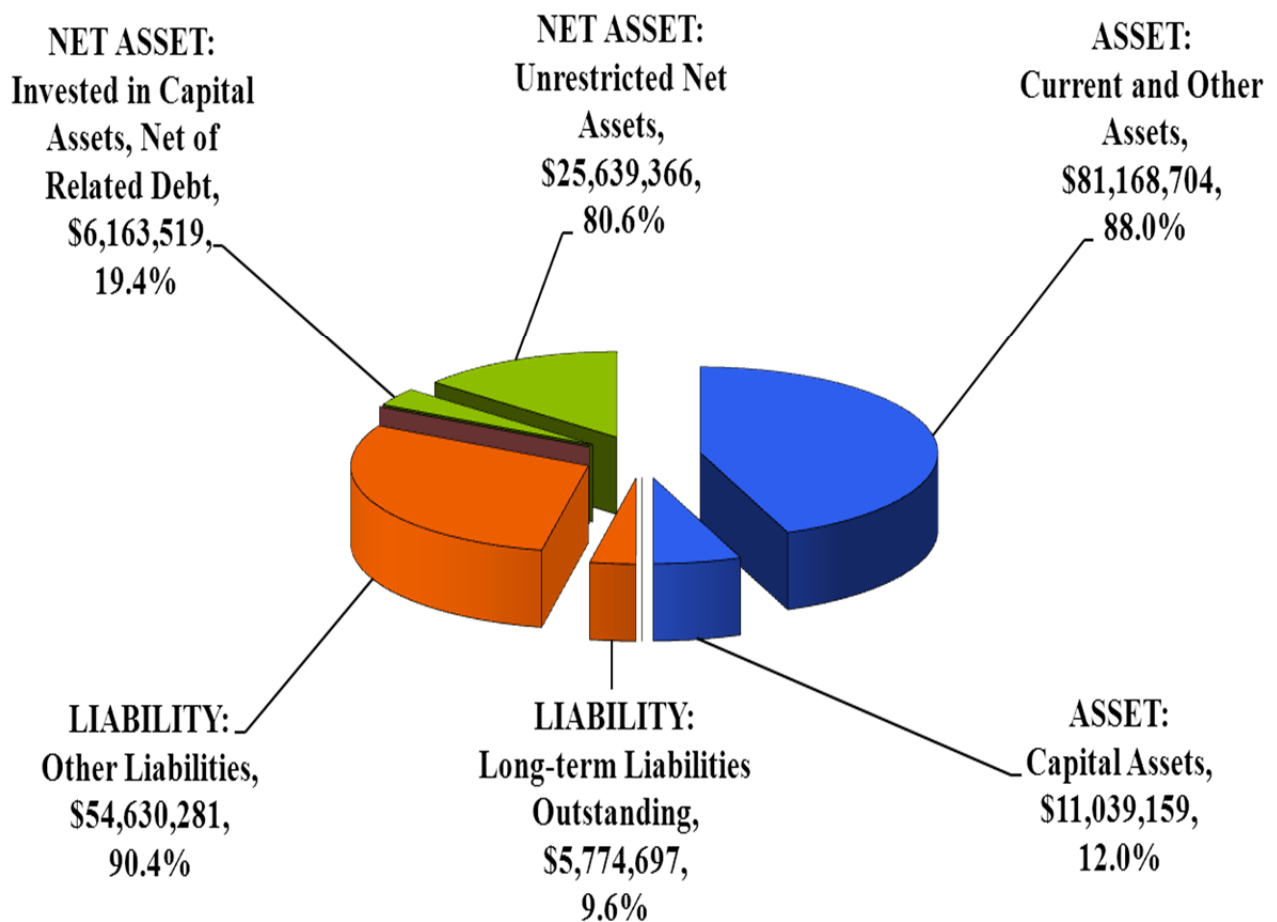
HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD

FY 2012 STATEMENT OF NET ASSETS

TOTAL ASSETS: \$92,207,863

TOTAL LIABILITIES: \$60,404,978

NET ASSETS: \$31,802,885



Assets/ Liabilities/ Net assets	Statement of Net Assets FY 2011	Statement of Net Assets FY 2012	Statement of Net Assets Var. Incr. (Decr.)	State. Of N.A. % of Variance Incr. (Decr.)
Current and other assets	\$ 84,566,254	\$ 81,168,704	\$ (3,397,550)	-4.0%
Capital assets	11,475,059	11,039,159	(435,900)	-3.8%
Total assets	96,041,313	92,207,863	(3,833,450)	-4.0%
Long-term liabilities outstanding	6,015,417	5,774,697	(240,720)	-4.0%
Other liabilities	54,848,765	54,630,281	(218,484)	-0.4%
Total liabilities	60,864,182	60,404,978	(459,204)	-0.8%
Net Assets: Invested in capital assets, net of related debt	6,355,923	6,163,519	(192,404)	-3.0%
Unrestricted	28,821,208	25,639,366	(3,181,842)	-11.0%
Total net assets	\$ 35,177,131	\$ 31,802,885	\$ (3,374,246)	-9.6%

Total Assets – (\$3.8 million) & (4.0%) Decrease:

Primary causes of the decrease in Assets are:

- A decrease in Due from Other Governments (\$1.1 million), Property Tax Receivable (\$1.1 million) and Equity in Pooled Cash (\$1.2 million) primarily caused by the elimination of the ODMH Hospital Refund, a reduction in the amount of MH Levy funds that are expected to be received, and the overall reduction of revenues causing the decrease in Equity in pooled cash.
- A decrease in Capital Assets (\$436 thousand) is due to the recognition of depreciation expense.

Total Liabilities – \$459 thousand & 0.8% Decrease:

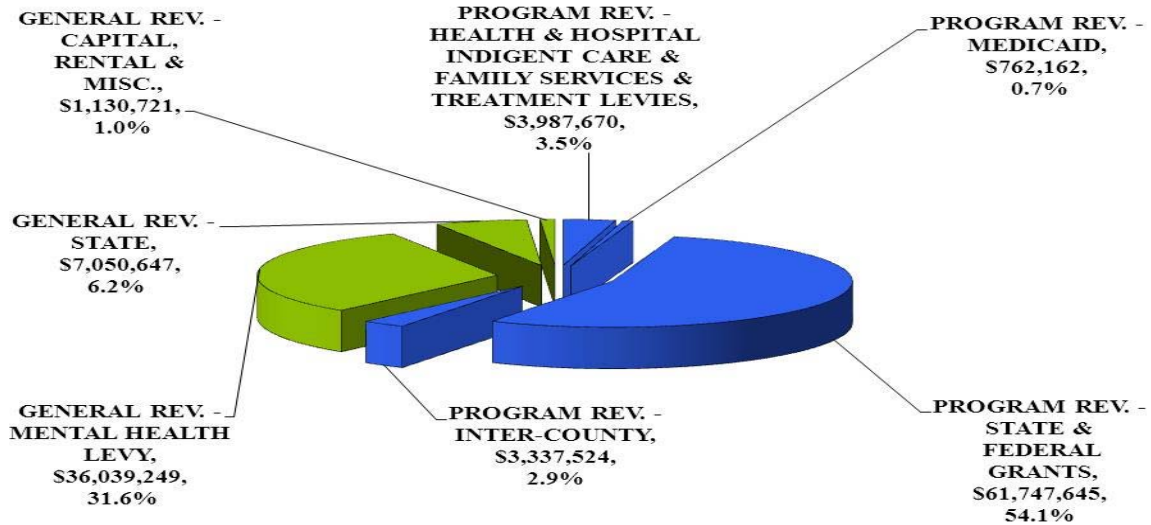
Primary causes of the decrease in Liabilities are:

- The increase in Contracts Payable of \$752 thousand representing amounts due to MH and AOD agencies paid after June 30, 2012 for FY 2012 services.
- The decrease in Accrued Other (\$47 thousand) due to the decrease in Operating expenses (\$54 thousand) balance and the increase in Payroll (\$6 thousand) and SAMAD (\$1 thousand) balances.
- The decrease in Deferred Revenue (\$924 thousand) due to the reduction in projected Mental Health Levy revenue collectible in FY 2013.
- The decrease in Long Term Liabilities (\$241 thousand) due to decrease in Mortgages Payable (\$238 thousand) and Compensated Absences (\$3 thousand).

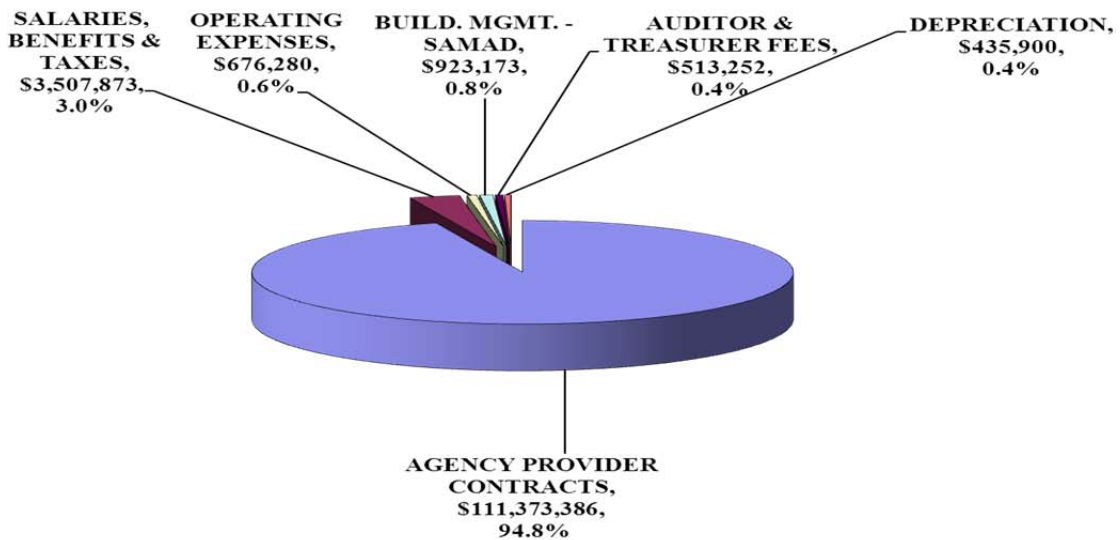
B. Governmental Activities during FY 2012

The charts below and the analysis on the next page present a condensed summary of the HCMHRSB's activities during FY 2012 and the resulting change in net assets.

**HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
FY 2012 STATEMENT OF ACTIVITIES - REVENUE
TOTAL REVENUE \$114,055,618**



**HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
FY 2012 STATEMENT OF ACTIVITIES - EXPENDITURES
TOTAL EXPENDITURES \$117,429,864**



Revenues/ Program Expenses/ Change in Net Assets	Statement of Activities FY 2011	Statement of Activities FY 2012	Statement of Act. Variance Incr. (Decr.)	Statement of Act. % of Var. Incr. (Decr.)
Total Program Revenues	54,561,722	69,835,001	15,273,279	28.0%
Total General Revenues	64,077,691	44,220,617	(19,857,074)	-31.0%
Total Revenues	118,639,413	114,055,618	(4,583,795)	-3.9%
Total Program Expenses	121,595,169	117,429,864	(4,165,305)	-3.4%
Incr. (Decr.) in net assets	(2,955,756)	(3,374,246)	(418,490)	14.2%
Net assets, begin. of year	38,132,887	35,177,131	(2,955,756)	-7.8%
Net assets, end of year	\$ 35,177,131	\$ 31,802,885	\$ (3,374,246)	-9.6%

Total Program Revenues – \$15.3 million & 28.0% Increase:

- The variance is due primarily to the reclassification of a revenue source resulting from the elevation of Medicaid financial responsibility to the State-level. Prior to FY 2012, ODMH allocated 408 funding to the HCMHRSB to use at its discretion. This unrestricted funding was reported on the Statement of Activities as General Revenues. In FY 2012, ODMH changed the title of the funding to 501 and restricted its use for paying Medicaid claims. As a result, the funds are reported on the FY 2012 Statement of Activities as Program Revenues within the restricted state grants account.
- Also due to the elevation, there is a significant shift in the Program Revenue accounts “State and federal grants” and “Medicaid”. Funding that was historically received from ODMH and classified as “Medicaid” is now considered restricted “State and federal grants”. This is true for all revenue related to services dated after June 30, 2011. The \$762 thousand of revenue that is reflected in the Medicaid account represents revenue received for services dated prior to July 1, 2011.

Total General Revenues – (\$19.9 million) & (31.0%) Decrease:

- The variance is due primarily to the reclassification of ODMH 408 funding discussed in the previous section, and the elimination of ODMH one-time funding that was received in FY 2011.

Total Program Expenses – (\$4.2 million) & (3.4%) Decrease:

- The primary cause of the variance is the decrease in both Medicaid and Non-Medicaid services (\$3.6 million) paid through the Agency Provider Contracts line item.

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 unassigned fund balance may serve as a useful measure of the HCMHRSB's net resources available for spending as of June 30, 2012. 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 2012 was \$18.9 million including \$4.3 million of unassigned fund balance. The Mental Health and Recovery Services fund balance equals approximately 1.9 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 2012. 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 2012 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.

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CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of FY 2012, the HCMHR SB had \$11.5 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)

Capital Assets At Year-End Net of Depreciation	Capital Asset Activities FY 2011	Capital Asset Activities FY 2012	Capital Asset Act. Variance Incr. (Decr.)	Capital Asset Act. % of Var. Incr. (Decr.)
Land	\$ 1,771,972	\$ 1,771,972	\$ -	0.0%
Construction in progress	-	-	-	0.0%
Buildings	9,697,325	9,261,425	(435,900)	-4.5%
Furniture and equipment	5,762	5,762	-	0.0%
Total Capital Assets	\$ 11,475,059	\$ 11,039,159	\$ (435,900)	-3.8%

The net decrease is caused by the required recognition of the FY 2012 depreciation expense.

Long-Term Liabilities

A summary of long-term liabilities 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 (\$3.8 million) and the ODADAS (\$1.1 million). 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 \$899 thousand of the HCMHR SB's long-term obligations.

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ECONOMIC FACTORS

FY 2013 will see some new and continued challenges for the HCMHRSB.

The Mental Health Levy (MHL) went before the voters as a renewal with no increase in taxes in November, 2012 and passed by a 68% - 32% margin. Even though the good news is the MHL passed, there will be a decrease in collections of \$17 million over the CY 2013 – CY 2017 levy period because of the elimination of the Personal Property and Public Utilities Taxes and the reduction of real estate values in the County causing a reduction of the Real Estate Tax. Knowing that passing the MHL at the renewal level would lead to a decrease in collections during the levy period, the HCMHRSB made \$4.0 million reduction in mental health service expenditures and \$421 thousand in administrative expenditures in FY 2013 and looks to make additional reductions in FY 2014.

The State of Ohio has developed a new Medicaid claims processing system called the Medicaid Information Technology System (MITS). Beginning July 1, 2012, all MH and AOD agencies began submitting claims directly to MITS and by-passing the local Boards. All statewide Medicaid claims processing is now done within the Office of Medicaid on MITS. This has caused a \$52.0 million decrease in Revenues and Expenditures in FY 2013 for the HCMHRSB.

Many Boards are concerned that once MITS is fully operational, MACSIS would be abandoned by the ODMH and the ODADAS and the Boards would not have a claims system to process Non-Medicaid client services. The HCMHRSB, the Franklin ADAMH Board and the Cuyahoga ADAMHS Board have created a Council of Governments (COG) to pursue a Request for Proposal for a claims system to meet our collective needs in the event MACSIS is ever shut down by ODMH and ODADAS.

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, 2012

ASSETS:

Equity in pooled cash and investments with County Treasurer	\$ 28,358,841
Property taxes receivable	38,593,437
Due from other governments, net	13,753,222
Prepaid contract services	188,113
Long-term receivable from contract agencies	275,091
Nondepreciable capital assets	1,771,972
Depreciable capital assets, net	<u>9,267,187</u>
Total assets	<u>92,207,863</u>

LIABILITIES:

Contracts payable	19,619,006
Accrued other	201,215
Deferred revenue	34,810,060
Long-term liabilities:	
Due within one year	542,702
Due in more than one year	<u>5,231,995</u>
Total liabilities	<u>60,404,978</u>

NET ASSETS:

Invested in capital assets, net of related debt	6,163,519
Unrestricted	<u>25,639,366</u>
Total net assets	<u>\$ 31,802,885</u>

HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

Program expenses:

Mental Health and Recovery Services:

Salaries, benefits and taxes	\$ 3,507,873
Operating expenses	676,280
Building management - SAMAD	923,173
County auditor and treasurer fees	513,252
ODMH direct payments	542,660
Agency provider contracts	110,830,726
Depreciation	435,900
Total program expenses	117,429,864

Program revenues:

Operating grants and contributions restricted to specific programs:

Health and hospital indigent care	2,380,997
Family services and treatment	1,606,673
Medicaid	762,162
State and federal grants	61,204,985
Inter-County	3,337,524
ODMH direct payments	542,660
Total program revenues	69,835,001

Program expenses in excess of revenues	47,594,863
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General revenues:

Property taxes levied for mental health	36,039,249
Grants and contributions not restricted to specific programs	7,050,647
Capital and rental income	1,039,532
Miscellaneous	91,189
Total general revenues	44,220,617

Increase in net assets	(3,374,246)
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Net assets, beginning of year	35,177,131
Net assets, end of year	\$ 31,802,885

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

June 30, 2012

ASSETS:

Equity in pooled cash and investments with County Treasurer	\$ 28,358,841
Property taxes receivable	38,593,437
Due from other governments, net	13,753,222
Prepaid contract services	188,113
Long-term receivable from contract agencies	275,091
Total assets	81,168,704

LIABILITIES AND FUND BALANCES:

Liabilities:

Contracts payable	19,619,006
Accrued other	201,215
Deferred revenue	42,463,457
Total liabilities	62,283,678

Fund balances:

Non-spendable	463,204
Committed	4,459,547
Assigned	9,696,408
Unassigned	4,265,867
Total fund balances	18,885,026

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.	7,653,397
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	11,039,159
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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	(4,875,640)
Compensated absences	(899,057)
Net assets of governmental activities	\$ 31,802,885

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, 2012

Revenues:		
Taxes		\$ 36,653,596
Intergovernmental:		
State general revenue funds - ODMH		50,157,038
State general revenue funds - ODADAS		7,129,866
State block grant funds - ODMH		1,664,703
State block grant funds - ODADAS		6,046,576
Medicaid - ODMH & ODADAS		6,427,224
Federal grants		2,947,992
Inter-county revenues - mental health		916,816
Inter-county revenues - alcohol and drug addiction		1,993,301
Family services and treatment		1,606,673
Health and hospital indigent care		2,380,997
Other revenues:		
Capital and rental income		1,039,532
Miscellaneous		91,189
ODMH direct payments		542,660
Total revenues		<u>119,598,163</u>
Expenditures:		
Agency provider contracts		110,830,726
Building management - SAMAD		923,173
ODMH direct payments		542,660
Salaries, benefits and taxes		3,505,097
Operating expenses		676,280
County auditor and treasurer fees		513,252
Debt service:		
Principal retirement		243,496
Forgiveness by ODMH & ODADAS		(243,496)
Total expenditures		<u>116,991,188</u>
Net change in fund balance		2,606,975
Fund balance, beginning of year		<u>16,278,051</u>
Fund balance, end of year		<u>\$ 18,885,026</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, 2012**

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

Net change in fund balance	\$ 2,606,975
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(5,786,041)
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. This is the amount of the difference between capital asset additions and depreciation in the current period.	
Depreciation expense	(435,900)
Retirement of mortgage principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	243,496
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>(2,776)</u>
Change in net assets of governmental activities	<u><u>\$ (3,374,246)</u></u>

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The HCMHRSB operates as an administrative arm of the County of Hamilton, Ohio (the "County") government, but has its own policy making Board of Trustees. The HCMHRSB 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 HCMHRSB 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

These financial statements present only the activities of the HCMHRSB and do not present the financial position of the County.

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

Fund Financial Statements - Fund financial statements report detailed information about the HCMHRSB. 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 HCMHRSB 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 HCMHRSB 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 HCMHRSB'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 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 available period. The available period for the HCMHRSB 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, in which the HCMHRSB 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 HCMHRSB must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the HCMHRSB on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
Notes to the Basic Financial Statements
Year Ended June 30, 2012

Deferred Revenue - Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes measurable as of June 30, 2012, which are intended to finance fiscal year 2013 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 HCMHR SB. Cash of the HCMHR SB 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.

F. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. The HCMHR SB 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 HCMHR SB 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 HCMHR SB 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. The liability includes the employees who are currently eligible to receive termination benefits and those that the HCMHR SB 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 HCMHR SB's policy. The HCMHR SB records a liability for all accumulated unused vacation time when earned for all employees. The HCMHR SB records a liability for accumulated unused sick leave for all employees after ten years of accumulated service.

For governmental funds, the current portion of unpaid compensated absences is the amount normally due for payment during the 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, 2012

H. Contracts Payable

Contracts payable consists of amounts owed to:

- Contract agencies and service providers for services rendered prior to June 30, 2012.
- Contract agencies based on the criteria of the Outcomes Performance Incentive Plan (OPIP) as outlined by contract.

I. Fund Balance Reserves

In accordance with Governmental Accounting Standards Board Statement No. 54 *Fund Balance Reporting*, the HCMHR SB classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories were used:

Non-spendable – resources that are not in the spendable form or have legal or contractual requirements (prepaid contracts and long-term receivables) to maintain the balance intact.

Committed – resources that are constrained for specific purposes (capital) that are internally imposed by the government at its highest level of decision making authority, the Board of Trustees.

Assigned – resources that are intended to be used for specific purposes as approved through the HCMHR SB’s formal purchasing procedure (encumbrances).

Unassigned – residual fund balance that is not restricted, committed, or assigned.

The HCMHR SB considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the fund balance classifications could be used.

J. Net Assets

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

The HCMHR SB has evaluated subsequent events for potential recognition and disclosure through December 31, 2012, the date the financial statements were available to be issued.

NOTE 2 - POOLING OF CASH AND INVESTMENTS

Statutes require the classification of monies held by the County into two categories:

- 1.) Active monies are those monies which are required to be kept in a "cash or near cash" status for immediate use by the County. Such monies must be maintained either as cash in the County treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts or in money market deposit accounts.
- 2.) Monies held by the County that are not considered active are classified as inactive.

The County's Statement of Investment Policy, approved by the County's Investment Advisory Committee, authorizes investments permitted under Ohio law, which states that inactive moneys are to be deposited or invested in the following:

- 1.) U.S. Treasury notes, bills, bonds or other obligations or securities issued by the U. S. Treasury or any other obligation guaranteed as to principal and interest by the United States;
- 2.) Bonds, notes, debentures or any other obligations or securities issued directly by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Corporation, Government National Mortgage Association and Student Loan Marketing Association;
- 3.) Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
- 4.) Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
- 5.) Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
- 6.) No-load money market mutual funds consisting exclusively of obligations described in item 1 or 2 above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- 7.) The State Treasurer's investment pool (STAR Ohio);
- 8.) Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in item 1 or 2 above or cash or both securities and cash, equal value for equal value;
- 9.) High-grade commercial paper for a period not to exceed 270 days in an amount not to exceed (a) 10% of the aggregate value of the issuing corporation's outstanding commercial paper or (b) 25% of the County's total average portfolio; or
- 10.) Bankers' acceptances for a period not to exceed 180 days and in an amount not to exceed 25% of the County's total average portfolio.

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.

HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
Notes to the Basic Financial Statements
Year Ended June 30, 2012

NOTE 3 - PROPERTY TAXES

Property taxes include amounts levied against real and public utility property. The assessed value upon which the 2012 tax collection was based as follows:

Real Property:

Residential/Agricultural	\$ 12,749,396,950
Commercial/Industrial/Other	4,776,011,210
Public Utilities	<u>723,511,130</u>
Total Valuation	<u>\$ 18,248,919,290</u>

Real Property taxes are levied each December 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 effective for the tax year 2011, for taxes collected in 2012. The most recent statistical update was performed effective for the tax year 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. The tangible personal property tax was eliminated in 2011 and thus, any payments received by the HCMHRSB from the County Auditor for tangible person property tax are from the collection of delinquent taxes.

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 HCMHRSB. The County Auditor periodically remits to the HCMHRSB its portion of the taxes collected.

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2012, is as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
<u>Governmental Activities</u>				
Capital assets not being depreciated:				
Land	\$ <u>1,771,972</u>	\$ -	\$ -	\$ <u>1,771,972</u>
Capital assets being depreciated:				
Building and building improvements	\$ 13,765,664	-	-	\$ 13,765,664
Furniture and fixtures	<u>202,026</u>	-	-	<u>202,026</u>
	<u>13,967,690</u>	-	-	<u>13,967,690</u>
Less accumulated depreciation:				
Building and building improvements	4,068,339	435,900	-	4,504,239
Furniture and fixtures	<u>196,264</u>	-	-	<u>196,264</u>
	<u>4,264,603</u>	<u>435,900</u>	-	<u>4,700,503</u>
Capital assets being depreciated, net	<u>9,703,087</u>	<u>(435,900)</u>	-	<u>9,267,187</u>
Capital assets, net	<u>\$11,475,059</u>	<u>\$(435,900)</u>	<u>\$ -</u>	<u>\$11,039,159</u>

NOTE 5 - DEFINED BENEFIT PENSION PLAN

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

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

The Member-Directed Plan - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.

The Combined Plan - a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by the OPERS to provide a formula retirement benefit similar in nature to the Traditional Pension 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 Pension Plan and Combined Plans. 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 visiting <https://www.opers.org/investments/cafr.shtml>, writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. Member and employer contribution rates were consistent across all three plans. The employee contribution rate at June 30, 2012 was 10%. The HCMHR SB was required to contribute 14% of covered payroll for employees in 2012. The HCMHR SB's required contributions to OPERS for fiscal years 2012, 2011, and 2010 were approximately \$371,200, \$378,400, and \$414,200, respectively. All of the required contributions were paid within the fiscal year.

NOTE 6 - POST EMPLOYMENT BENEFITS

OPERS has provided the following information pertaining to other postemployment benefits for health care costs in order to assist the HCMHR SB in complying with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension Benefits*.

A. Plan Description

OPERS administers three separate pension 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 health care 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, 2012

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 2011, 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. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2011. 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. HCMHR SB Contributions

The HCMHR SB's actual contributions that were used to fund post-employment benefits were approximately \$106,050, 126,921, and \$162,366, for fiscal years 2012, 2011, and 2010, 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 January 1st of each year from 2006 to 2008. These rate increases 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, 2012

NOTE 7 - LONG-TERM LIABILITIES

Changes in the HCMHRSB's long-term liabilities as of June 30, 2012, are as follows:

	<u>Principal Outstanding</u>	<u>Additions</u>	<u>Disposals</u>	<u>Principal Outstanding</u>	<u>Amounts Due in One Year</u>
<u>Governmental Activities</u>					
Mortgage payable-ODMH	\$ 3,953,872	\$ -	\$ 175,616	\$ 3,778,256	\$ 175,136
Mortgage payable-ODADAS	1,165,264	-	67,880	1,097,384	67,880
Compensated absences	<u>896,281</u>	<u>301,536</u>	<u>298,760</u>	<u>899,057</u>	<u>299,686</u>
Total long-term liabilities	<u>\$ 6,015,417</u>	<u>\$ 301,536</u>	<u>\$ 542,256</u>	<u>\$ 5,774,697</u>	<u>\$ 542,702</u>

The HCMHRSB 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 HCMHRSB 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 HCMHRSB being obligated to provide mental health services for a period of 40 years from the inception of the contract. Should the HCMHRSB 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 HCMHRSB has a mortgage payable that 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 HCMHRSB 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 HCMHRSB being obligated to provide alcohol and other drug services for a period of 25 years from the inception of the contract. Should the HCMHRSB discontinue alcohol and other drug services at this 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 alcohol and other drug services.

No interest is charged on these obligations.

Annual commitments under these mortgage payables, assuming no forgiveness by either ODMH or ODADAS, as of June 30, 2012 are as follows:

Year Ending June 30	ODMH Principal	ODADAS Principal	Total
2013	175,136	67,880	243,016
2014	175,136	67,880	243,016
2015	175,136	67,880	243,016
2016	175,616	67,880	243,496
2017 – 2021	875,680	339,400	1,215,080
2022 – 2026	875,680	339,400	1,215,080
2027 – 2031	835,029	147,064	982,093
2032 – 2036	393,748	-	393,748
2037 – 2041	69,896	-	69,896
2042 – 2045	<u>27,199</u>	<u>-</u>	<u>27,199</u>
Total	<u>\$ 3,778,256</u>	<u>\$ 1,097,384</u>	<u>\$ 4,875,640</u>

HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
Notes to the Basic Financial Statements
Year Ended June 30, 2012

NOTE 8 – FUND BALANCES

Fund balance is classified as nonspendable, committed, assigned and/or unassigned based primarily on the extent to which the HCMHR SB is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on governmental fund balance are presented below.

Fund Balance	Mental Health and Recovery Services Fund
Nonspendable on:	
Prepaid contract services	\$ 188,113
Long-term receivables	<u>275,091</u>
Total nonspendable	463,204
Committed to capital	4,459,547
Assigned to encumbrances	9,696,408
Unassigned	<u>4,265,867</u>
Total Fund Balance	<u>\$18,885,026</u>

NOTE 9 - RISK MANAGEMENT

The HCMHR SB 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 HCMHR SB'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 HCMHR SB, 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.

On January 1, 2010, the County, including the HCMHR SB, adopted a self-insurance policy for medical benefits, which includes vision, but not dental insurance. The County accounts for and finances its risk of loss through an internal service fund. All departments of the County, including the HCMHR SB, participate in the program and make payments to the internal service fund based on estimates of the amounts needed to pay prior and current year claims and to establish a long-term liability for future claims.

Any self-insurance liability recorded related to the HCMHR SB is based on requirements of GASB Statements No. 10 and 30. These statements require a liability for claims to be reported if information prior to issuance of the financial statements indicates that is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The actuarially determined liability includes allocated expenses and a provision for incurred but not reported claims. The accrued liability for self-insurance medical claims at June 30, 2012 was \$0.

HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD
Notes to the Basic Financial Statements
Year Ended June 30, 2012

Changes in the balances of claims and liabilities for the year ended June 30, 2011 and 2012 are as follows:

Self-insurance medical	2011	2012
Claims Liability, Beginning of Year	\$ -	\$ -
Incurred Claims and Changes in Estimates	293,558	270,381
Payments Made to County Internal Service Fund	<u>(293,558)</u>	<u>(270,381)</u>
Claims Liability, End of Year	<u>\$ -</u>	<u>\$ -</u>

NOTE 10 - LEASES WITH CONTRACTUAL AGENCIES

As of June 30, 2012, the HCMHR SB 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 HCMHR SB. Annual collections are at the rate of \$1 per year, per unit. The cost of these leased housing facilities at June 30, 2012 is approximately \$6,132,000, and accumulated depreciation on these assets is approximately \$2,130,300.

NOTE 11 - CONTINGENCIES

Grants - The HCMHR SB 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 HCMHR SB believes these disallowances, if any, will be immaterial.

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

NOTE 12 - STATE DIRECT PAYMENTS

During the year ended June 30, 2012, the Ohio Department of Mental Health made direct payments to providers totaling \$542,660 for contracts entered into by the HCMHR SB. These payments have been recorded as revenue with a corresponding contract expense.

**Hamilton County Mental Health
and Recovery Services Board**



Yellow Book Report

June 30, 2012

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

Board of Trustees
Hamilton County Mental Health and Recovery Services Board

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, 2012, which collectively comprise the Board's basic financial statements and have issued our report thereon dated December 31, 2012 wherein we noted that the Board's basic 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. Additionally our report noted that the Hamilton County Mental Health and Recovery Services Board did not present budgetary comparison information to supplement the basic financial statements as required by the Governmental Accounting Standards Board. 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

Management of the Board is responsible for establishing and maintaining effective 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 opinions 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 *deficiency* in internal control 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 Auditor of State and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
December 31, 2012



Dave Yost • Auditor of State

HAMILTON COUNTY MENTAL HEALTH AND RECOVERY SERVICES BOARD

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 4, 2013**