

**COMPREHENSIVE  
ANNUAL FINANCIAL REPORT  
OF  
MENTAL HEALTH AND  
MENTAL RETARDATION  
AUTHORITY OF HARRIS COUNTY**

**For Fiscal Years Ended August 31, 2009 and 2008**

Steven B. Schnee, Ph.D.  
Executive Director

Harris County, Texas



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AUTHORITY OF HARRIS COUNTY  
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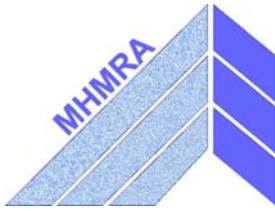
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## **Introductory Section**





**Mental Health and Mental Retardation Authority  
Of Harris County**

January 26, 2010

To the Members of the MHMRA of Harris County Board of Trustees:

We hereby issue the comprehensive annual financial report for MHMRA of Harris County (Agency) for the fiscal year ended August 31, 2009. The report is published to provide the Board, consumers, family members, elected officials, and other interested parties with detailed information concerning our financial condition and activities of the organization.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the management of MHMRA of Harris County. We believe said data are accurate in all material respects; that they present fairly the financial position and results of operations of the Agency as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain an understanding of MHMRA's financial activity have been included.

**Business Profile**

MHMRA of Harris County is a governmental entity providing Mental Health (MH) and Mental Retardation (MR) services for the residents of Harris County. These services are designed for those persons who can be effectively treated in their own community and do not require long-term institutional care. To fulfill this objective, MHMRA of Harris County seeks to provide as full a range of effective services and supports designed to provide care in the least restrictive manner, to the degree resources permit.

MHMRA of Harris County was established by Harris County Commissioners Court in response to the passage of the Texas Mental Health and Mental Retardation Act of 1965. This act provided for the creation of local boards of trustees to develop and implement community-based mental health and mental retardation services. MHMRA of Harris County contracts with the Texas Department of State Health Services (DSHS) and the Texas Department of Aging and Disability Services (DADS) to provide certain mental health and mental retardation services for those residents who meet eligibility criteria. Other services and supports are provided to eligible persons within the criteria established by a variety of Federal, State, and local payors.

The first Board of Trustees for MHMRA of Harris County was established by the Harris County Commissioners Court in 1965. As of August 31, 2009, the end of the fiscal year, the Board was composed of nine citizens who were appointed to serve two-year terms of office by the Commissioners Court. Members of the MHMRA of Harris County's Board of Trustees receive no salary or any other compensation for their work on the Board.

Although containing the name of the County, MHMRA of Harris County is a separate entity under state law, governed by an independent Board of Trustees, appointed by the Harris County Commissioners Court. There is oversight responsibility exercised by Harris County Commissioners Court, but the financial information of Harris County is not within the scope of MHMRA's Financial Statement. For financial reporting purposes, and in conformance with Governmental Accounting Standards Board Statement No.14, the financial reporting entity, MHMRA of Harris County, is included as a component unit under the general purpose financial statements of Harris County because of the County's ability to significantly influence its operations. However, the defined contribution plan which covers all eligible employees of MHMRA of Harris County is only included in MHMRA of Harris County's financial statements.

Under MHMRA of Harris County's budgeting procedures, the Executive Director and Chief Financial Officer prepare a proposed budget for the fiscal year after consultation with division deputies and department heads and according to instructions of DSHS/DADS or those other contract payors. The proposed budget, together with revenue estimates, is submitted to the Board of Trustees of MHMRA for consideration and approval.

Once the Board's approval has been obtained, the budget is then submitted to DSHS/DADS for approval. After reviewing the budget, DSHS and DADS either approve or direct MHMRA of Harris County to make necessary changes and resubmit the budget.

The annual budget process usually begins in May and is submitted to the Board of Trustees for consideration each year in July or August.

During the 78th Legislative Session, House Bill 2292 restructured the Texas Department of Mental Health and Mental Retardation (TDMHMR), along with the other health and human service agencies, and created five new agencies for Texas. All mental health components were moved under the purview of the Department of State Health Services (DSHS). All mental retardation components were moved under the oversight of the Department of Aging and Disability Services (DADS).

For FY 2009, MHMRA of Harris County had a contract with each of these two state agencies, Texas Department of State Health Services (DSHS), a state Agency created pursuant to Texas Health and Safety Code (THSC), Chapter 1001, and the Texas Department of Aging and Disabilities (DADS), a state Agency created pursuant to Texas Human Resource Code (THRC), Chapter 161.

The administrative offices of MHMRA are located at 7011 Southwest Freeway, 12 miles southwest of downtown Houston, Texas. MHMRA has 23 offices located in Houston, including an emergency psychiatric clinic within the old Ben Taub Clinic Facility in the Texas Medical Center.

### **Economic and Political Milieu**

MHMRA of Harris County was designated as the Mental Health Authority and the Mental Retardation Authority for Harris County. It serves an area that is significantly influenced economically by the city of Houston and its immediate environs. This geographic area has a diverse employment base heavily dominated by the petrochemical industry, the largest conglomeration of hospitals, medical schools and research facilities in the country called the Texas Medical Center, and a host of universities and other institutions of learning. Recruitment of skilled individuals for professional and paraprofessional positions in the healthcare field continues to be a challenge as MHMRA is frequently unable to compete with the salaries offered by the medical centers, the universities, as well as the state, county and city governments.

MHMRA receives the majority of its funding through contracts with agencies of the State of Texas, grants, Medicaid, Medicare, and CHIP, in addition to major financial support from the Harris County Commissioners Court. The 80th State Legislative session provided MHMRA with \$13,246,254 to provide additional crisis services for the 2008-09 biennium. However, there was no additional funding for the continuing support of the patients coming out of crisis, such as inpatient services and ongoing outpatient services.

The State and local funding for MHMRA is not tied directly to the economic outlook for the State of Texas or for Harris County. The agency does not receive annual increases from funding sources to fund salary adjustments for staff or other operating expense increases, such as insurance and utilities. As a result, over the past several years, MHMRA of Harris County has continued to develop and refine its strategy and methodology to meet the mental health and mental retardation contract requirements with existing and unchanging funds.

Another issue that is exerting pressure on the finances of MHMRA, as is the case with many businesses, is the spiraling cost of health insurance premiums. As this cost continues to rise, the agency is forced to either use existing dollars to cover it or pass the increase on to employees. This is affecting employee recruitment and retention as more and more individuals are looking at fringe benefits when they are considering going to work for an employer

MHMRA's use of the Patient Assistance Program/ Drug Sample Program continues to be extremely successful and has provided the Agency consumers with "free" medications in the amount of \$11.9 million in FY 2009. The Agency employs a dedicated team of staff who work with the consumers to complete all the paperwork required by the various pharmaceutical companies in order for them to obtain these free drugs. Without these programs, MHMRA will otherwise be forced to purchase these drugs.

### **Financial Report**

The comprehensive annual financial report consists of four sections: introductory, financial, statistical and single audit. Particular attention is called to the section entitled Management Discussion and Analysis. It provides an objective and easily readable analysis of the Agency's financial activities based on currently known facts.

MHMRA is required to undergo a single audit annually in accordance with the provisions of the Single Audit Act of 1984 (as amended) and U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Nonprofit Organization." Information related to this single audit includes the Schedule of Federal and State Awards, Findings and Questioned Costs, and the auditors' reports on the internal control structure and compliance with applicable laws and regulations.

### **Fiscal Year**

The Agency's fiscal year starts on September 1 of each year and ends on August 31 of the following year, consistent with the fiscal year observed by the State of Texas government.

### **Accounting Systems and Budgetary Controls**

The management of MHMRA is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Agency are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal, state and local financial assistance, the Agency is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations. This internal control structure is subject to periodic evaluation by management.

In addition, the Agency maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Agency's governing body. Activities of the General Fund are included in the annual appropriated budget. The level of budgetary control or the level at which expenditures cannot legally exceed the appropriated amount is established at the fund level. Budgetary control is maintained by account at the cost center level through monthly budget-to-actual variance reports.

### **General Fund Balance**

The fund balance of the General Fund increased by \$6,778,710 or 19.6%, during fiscal year 2009 from \$35,980,488 before the prior year adjustment of \$(1,644,460). This takes the fund balance as of August 31, 2009 to \$41,302,638.

### **Cash Management**

The available balances in the primary depository accounts are swept each evening and invested in overnight U. S. treasury reserves. As of August 31, 2009 the total of these sweep accounts is \$6,578,412.

Cash temporarily idle during the year was invested in a government-sponsored investment pool. At the end of the fiscal year, the Agency had \$31,759,214 invested in TexPool, a state-sponsored, AAA-rated local government investment pool. The State Comptroller of Public Accounts oversees TexPool. Federated Investors is the full service provider to the pool, managing the assets, providing Participant Services, and arranging for all custody and other functions in support of the pool's operations under a contract with the Comptroller.

State statutes authorize the Agency to invest in obligations of the United States or its agencies, direct obligations of the State of Texas or the United States or its agencies, prime domestic bankers acceptances, commercial paper, SEC-registered no-load money market mutual funds, other obligations which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, and obligations of states, agencies, countries, cities and other political subdivisions having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent, certificates of deposit, and fully collateralized repurchase agreements. The Agency's demand deposits were secured at August 31, 2009 by the Federal Deposit Insurance Corporation.

### **Agency Fund**

As of August 31, 2009, the Fiduciary Fund includes assets totaling \$119,605 held for clients' use from Social Security where MHMRA serves as payee.

### **Long-term Financial Planning**

The fund balance of the General Fund is equivalent to 100 days of expenditure. This is within the targeted standard of most community centers of having a fund balance equivalent to 90 days or more of expenditure.

MHMRA has a number of projected major capital outlay in the foreseeable future. However, each year, after the excess of revenue over expenditures is determined, it adopts a capital plan utilizing part of that excess which aims to refurbish, repair or replace existing vehicles, furniture, equipment and computers, as well as repair and maintain existing structures, buildings and land improvements.

## **Independent Audit**

MHMRA of Harris County's financial statements were audited by Null-Lairson, P.C., a licensed certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of MHMRA of Harris County for the fiscal year ended August 31, 2009 are free of material misstatement. The independent audit involved examining, on test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion that MHMRA of Harris County's financial statements for the fiscal year ended August 31, 2009 are fairly presented in conformity with generally accepted accounting principles (GAAP). The independent auditor's report is presented as the first component of the Financial Section of this report.

The independent audit of the financial statements of MHMRA of Harris County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on those requirements involving the administration of federal awards.

## **Risk Management**

The Agency participates in a comprehensive self-funded insurance pool managed by the Texas Council Risk Management Fund covering workers' compensation, liability coverage, property, and vehicle physical damage with an aggressive loss control program. Coverage includes maximum amounts eligible to be paid by the pool.

## **Economic Factors and Next Year's Budgets and Rates**

At the start of FY 2009, Hurricane Ike made landfall on the Texas coast and proceeded north past Harris County. A number of facilities of MHMRA were damaged by the storm, particularly its main offices at 7011 Southwest Freeway in Houston.

Total damage to property came to nearly \$7 million, most of which were restored to the agency by our insurance carrier, the Texas Council Risk Management Fund, and the Federal Emergency Management Agency (FEMA). As of August 31, 2009, most of the recovery and restoration activities were completed, except for the roof replacement at our Southeast Facility located along Long Drive in Houston.

The basic state appropriations from DSHS and DADS are expected to remain essentially the same as in the previous year. For FY2010, however, additional funding is expected from DSHS for transitional services in the amount of \$2,093,459, and intensive ongoing services for \$2,944,046. These amounts are intended to provide bridge services for those discharged from crisis services until they are seen at the outpatient clinics, as well as expand intensive services such as Service Packages 3 and 4, both aiming at reducing psychiatric crisis outbreaks in the community. In the case of DADS, additional funding is anticipated for the consolidation of service coordination in the amount of \$1,692,939.

Due to the recurring difficulty in recruitment and high turnover rates for some critical positions in the Agency, the Human Resources Department was tasked to undertake a salaries market study. Consequently, salaries and its related benefit cost are expected to increase during the coming fiscal year in an attempt to make MHMRA competitive with other employers in Harris County.

The deepening recession that has engulfed the U.S. economy has made its presence felt in the state of Texas. As the financial market weakened, returns on investments have crawled to marginal levels.

While the cost of fuel has ebbed, the vestiges of its upsurge in mid-2008 still continue to haunt operating costs, particularly utilities, travel, supplies and food expenses. Cost reduction and operating efficiencies, particularly in the use of electronic processes, are therefore being pursued with greater vigor.

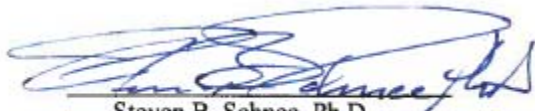
**Acknowledgements**

This report could not have been prepared without the outstanding competence and dedication of MHMRA'S Financial Services Department. We express our appreciation to the staff of said department for their invaluable contribution to this effort.


We also recognize our Division Deputy Directors and their management teams and the Division Medical Directors and their medical staff for their day to day commitment to our consumers. Their dedicated service to the Agency and to our consumers, enable us to meet our mission towards the citizens of Harris County.

We are also deeply grateful to the members of the Agency's Board of Trustees for their devoted interest and steadfast support in maintaining the highest quality and effectiveness of the services and supports provided to and for our consumers and their families, reflecting their deep commitment to this community, especially to those who are mentally and intellectually impaired.

Respectfully submitted,



Steven B. Schnee, Ph.D.  
Executive Director



Alex V. Lim, CPA, MBA  
Chief Financial Officer

**Mental Health and Mental Retardation Authority of  
Harris County, Texas**

**Listing of Officials**

**August 31, 2009**

***Board of Trustees***

Lynne A. Cleveland	Board Chairperson
Mae McMillan, MD	Vice Chair, Program Committee Chairperson
Paige Cokinos	Board Secretary, Resource Committee Chairperson
Victor Alvarez	Member
Bob Borochoff	Public Education Committee Chairperson
Jane Cherry	Member
Alfred Forsten	Member
Tom Hamilton, Ph.D.	Audit Committee Chairperson
Gerald Womack	Member

***Executive Staff***

Steven B. Schnee, Ph.D.	Executive Director
Rose Childs, M.S.W., C.S.W.M	Deputy Director, Mental Health Services
Kenneth Collins, L.M.S.W.	Deputy Director, Mental Retardation Services
Barbara Dawson, MSE	Deputy Director, Psychiatric Emergency and Hospital Services
Alex V. Lim, CPA, MBA	Chief Financial Officer
Jeanne Mayo, M.S., J.D.	General Counsel
Sarah Flick, MD	Medical Director, Mental Retardation Services
Daryl Knox, MD	Medical Director, Psychiatric Emergency Services
Sylvia Muzquiz, MD	Medical Director, Mental Health Services



**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY  
OF HARRIS COUNTY, TEXAS**

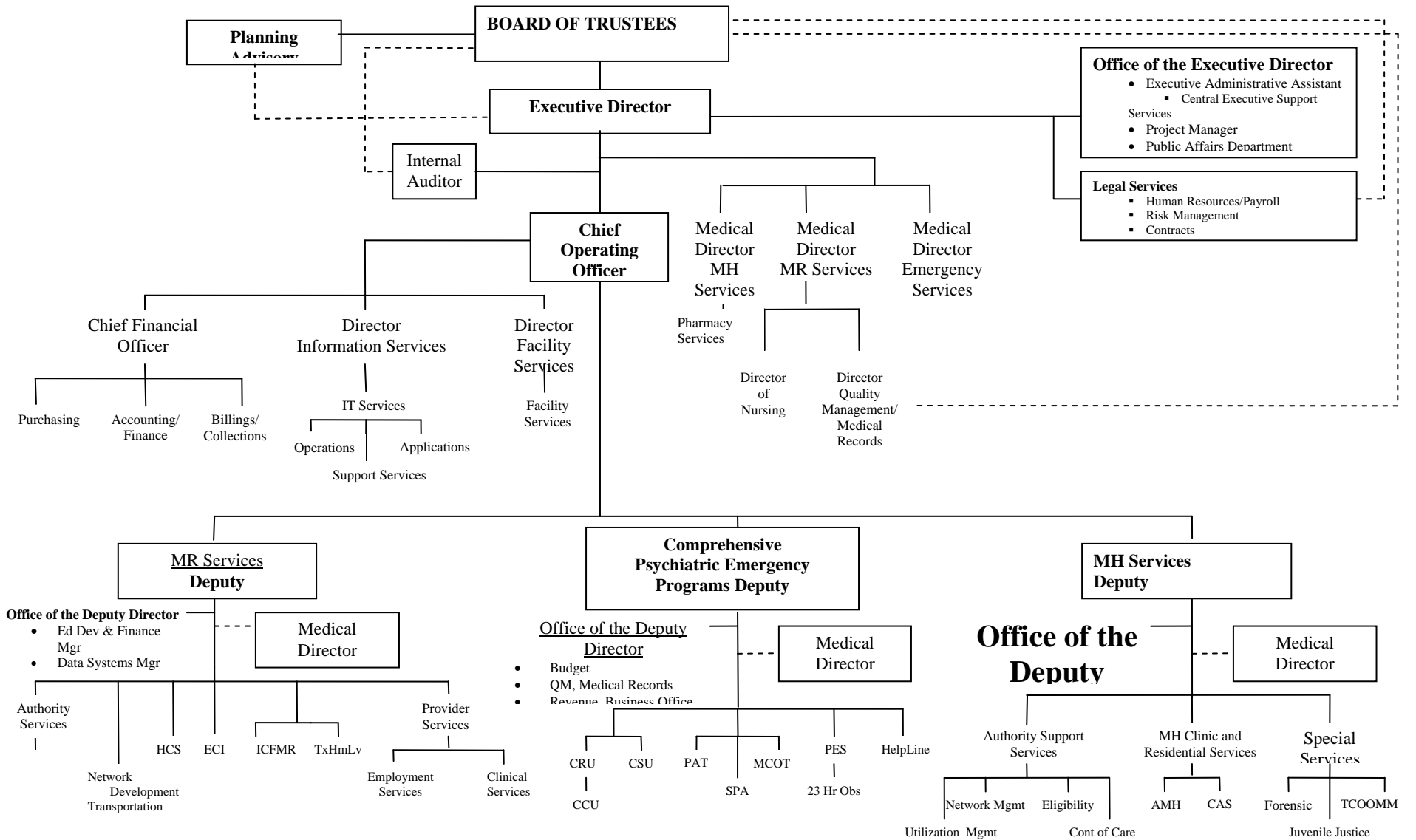
**CERTIFICATE OF BOARD APPROVAL**

I, Lynne A. Cleveland, Chairperson of the Board of Trustees of the Mental Health and Mental Retardation Authority of Harris County, do hereby certify that this accompanying audit report for Fiscal Year 2009 from Null-Lairson, PC, was reviewed and approved at a meeting of the Board of Trustees held on the 26<sup>th</sup> day of January, 2010.

  
\_\_\_\_\_  
Chairperson, MHMRA Board of Trustees

  
\_\_\_\_\_  
Date

# MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY OF HARRIS COUNTY ORGANIZATION CHART





## **Financial Section**





## Independent Auditors' Report

The Board of Trustees  
Mental Health and Mental Retardation  
Authority of Harris County

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and aggregate remaining fund information of the Mental Health and Mental Retardation Authority of Harris County, (the "Agency"), a component unit of Harris County, Texas, as of and for the year ended August 31, 2009, (May 31, 2009 as to Pasadena Cottages, Inc.) which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of any governmental discretely presented component unit. Those financial statements were audited by other auditors, whose reports have been furnished to us, and our opinion on the basic financial statements insofar as it related to the amounts included for such governmental discretely presented component unit is based on the reports of other auditors.

We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the aggregate discretely presented component units, each major fund and aggregate remaining fund information of the Agency as of August 31, 2009, and the respective changes in financial position and where applicable, cash flows and the respective budgetary schedule for the general fund 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 issued our report dated January 20, 2010 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 through 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The introductory section, other supplementary information, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplementary information is the responsibility of the Agency's management. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Texas Health and Human Services Commission's *Guidelines for Annual Financial and Compliance Audits of Community Mental Health and Mental Retardation Centers (21<sup>st</sup> Revision)*, and the *State of Texas Single Audit Circular* and is not a required part of the basic financial statements of the Agency. The other supplementary information and the schedule of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Null Lairson, PC  
Texas City, Texas  
January 20, 2010

**Management's Discussion and Analysis**  
*(Required Supplementary Information)*

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**MENTAL HEALTH AND MENTAL RETARDATION**  
**AUTHORITY OF HARRIS COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

We present the readers the financial statements of MHMRA of Harris County (Agency) along with this narrative overview and analysis of the financial activities for the fiscal year ended August 31, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

**Financial Highlights**

- The assets of MHMRA exceeded its liabilities at the close of FY 2009 by \$52,836,370 (net assets). Of this amount, \$40,729,973 (unrestricted net assets) may be used to meet the Agency's ongoing obligations.
- MHMRA's total net assets (government-wide) increased by \$5,829,963 during the fiscal year before a prior year adjustment of \$(1,644,460).
- Direct expenses for General Administration (government-wide; primary government) increased from 7.5% of total in FY 2008 to 11% in FY 2009 due to the recovery and restoration activities undertake in the aftermath of Hurricane Ike.
- In addition, the Agency's governmental funds increased by \$6,778,710 resulting in an ending fund balance of \$41,302,638.
- At the end of the fiscal year, unreserved and undesignated fund balance for the General Fund was \$24,370,717 or 21.5% of total General Fund expenditures.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to MHMRA's basic financial statements. The Agency's financial statements are composed 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 MHMRA's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Agency'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 Agency is improving or deteriorating.

The *statement of activities* presents information showing how the Agency's net assets changed during the fiscal year. This statement includes all of the revenue and expenses generated by the Agency's operations. The accrual basis of accounting is used, which is similar to the method used by most private-sector companies. 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.

The Statement of Net Assets and the Statement of Activities include both the Agency's basic services including programs for Mental Retardation, Adult Mental Health, Child and Adolescents Mental Health, Crisis Center, Community Hospital and General Administration. MHMRA does not have any business-type activities.

**MENTAL HEALTH AND MENTAL RETARDATION**  
**AUTHORITY OF HARRIS COUNTY**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)*

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources which have been segregated for specific activities or objectives. MHMRA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Agency can be divided into three categories: governmental funds, internal service funds and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using a method called *modified accrual accounting*, which measures cash and all other financial assets that can realistically be converted to cash.

The governmental fund statements provide a detailed short-term view of the Agency's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Agency's programs. 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*.

MHMRA maintains one separate governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund.

MHMRA adopts an annual budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget.

The governmental fund financial statements are found on pages 18 through 21.

**Internal Service Fund.** MHMRA maintains an Internal Service Fund (Proprietary Fund) to account for certain MHMRA professional liability self-insurance activities.

The internal service fund financial statements are found on pages 25 through 27.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of consumers. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Agency's programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 28 through 29 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35 through 49 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information that is required by the Texas Health and Human Services Commission, OMB Circular A-133 and the State of Texas Single Audit Circular. Required supplementary information can be found on pages 53 through 55 of this report.

**MENTAL HEALTH AND MENTAL RETARDATION  
 AUTHORITY OF HARRIS COUNTY  
 MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. MHMRA's assets exceeded its liabilities by \$52,836,370 at the close of the fiscal year.

The largest portion of MHMRA's net assets (77.1 percent) represents the unrestricted financial resources available for future operations. This compares to last fiscal year's unrestricted financial resources at 72.9 percent.

The remaining balance of the Agency's net assets, 22.9 percent, reflects its investment in capital assets such as land, buildings, vehicles and electronic equipments, less any related debt that are still outstanding. The Center uses these assets to provide services to the consumers that we serve. Consequently, these assets are not available for future spending. Although the Center's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The following chart reflects a summary of Net Assets as of August 31, 2009, with comparative figures for FY 2008:

**MHMRA of Harris County's Net Assets**

	<b>Governmental Activities</b>	
	<b>2009</b>	<b>2008</b>
Current and other assets	\$ 55,461,509	\$ 47,230,438
Capital assets	17,376,318	18,780,038
<b>Total assets</b>	<b>\$ 72,837,827</b>	<b>\$ 66,010,476</b>
Current liabilities	\$ 12,970,626	\$ 11,119,081
Long-term liabilities outstanding	7,030,831	7,453,589
<b>Total liabilities</b>	<b>\$ 20,001,457</b>	<b>\$ 18,572,670</b>
<b>Net assets</b>		
Invested in capital assets, net or related debt	\$ 12,106,396	\$ 12,839,801
Unrestricted	40,729,973	34,598,005
<b>Total net assets</b>	<b>\$ 52,836,369</b>	<b>\$ 47,437,806</b>

**Governmental Activities**

Revenues for the Agency's governmental activities were \$156,885,341 while total expenses were \$151,055,469. The change in net assets of governmental activities was \$5,829,963, before a \$(1,644,460) prior year adjustment and after a \$73,818 net gain on disposal of assets. The following table reflects a comparison of the governmental activities between FY 2008 and FY 2009:

**MENTAL HEALTH AND MENTAL RETARDATION  
AUTHORITY OF HARRIS COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

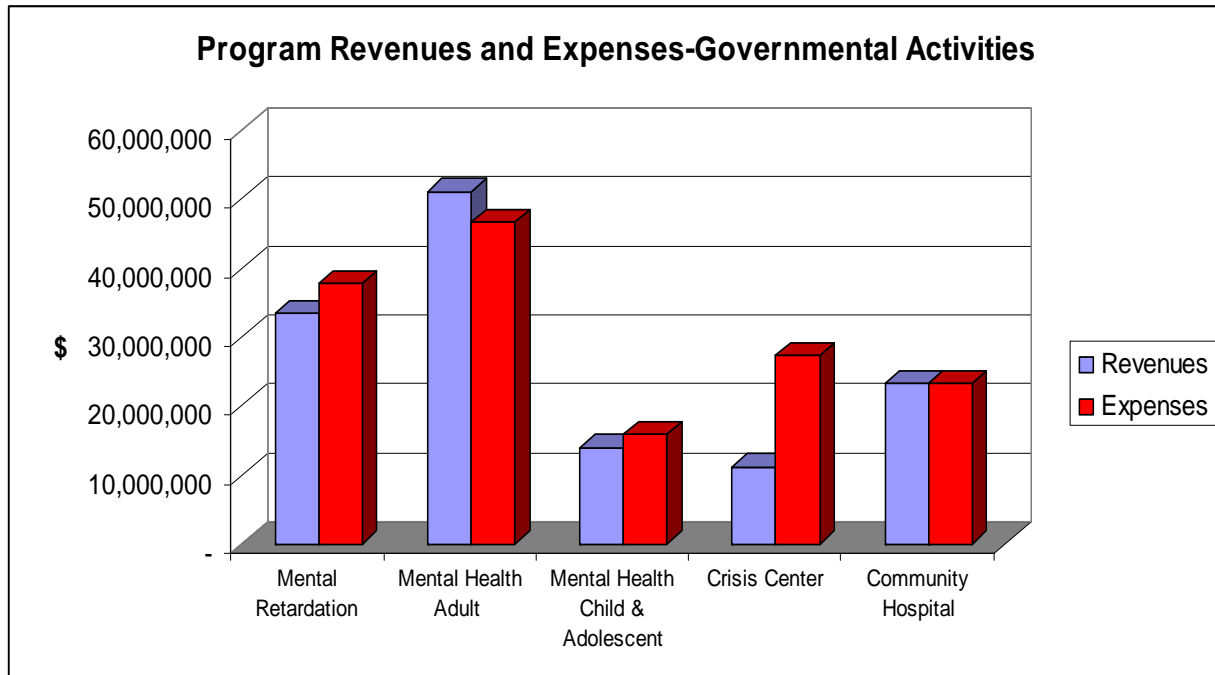
**MHMRA of Harris County's Changes in Net Assets**

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
<b>Revenues</b>		
<b>Program revenues:</b>		
<b>Charges for services:</b>		
Mental Retardation	\$ 12,471,378	\$ 10,747,611
Mental Health Adult	13,375,924	15,085,219
Mental Health Child and Adolescents	3,855,105	3,484,944
Crisis Center	1,994,046	758,175
<b>Total charges for services</b>	<u>31,696,453</u>	<u>30,075,949</u>
<b>Operating grants and contributions:</b>		
Mental Retardation	20,885,397	19,256,928
Mental Health Adult	37,747,513	36,092,329
Mental Health Child and Adolescents	10,128,283	10,017,094
Crisis Center	9,209,791	5,326,518
Community Hospital	23,274,922	23,306,273
<b>Total operating grants and contributions</b>	<u>101,245,906</u>	<u>93,999,142</u>
<b>Capital grants and contributions:</b>		
Mental Health Adult		193,950
<b>Total capital grants and contributions</b>		<u>193,950</u>
<b>General revenues:</b>		
Payment from Harris County	20,402,681	17,736,332
Grants not restricted to specific programs	686,713	
Investment Earnings	320,117	1,228,325
Other income	2,459,743	362,001
<b>Total general revenues</b>	<u>23,869,254</u>	<u>19,326,658</u>
<b>Total Revenues</b>	<u>156,811,613</u>	<u>143,595,699</u>
<b>Expenses</b>		
Mental Retardation	37,666,929	33,169,433
Mental Health Adult	46,597,293	48,746,402
Mental Health Child and Adolescents	15,939,526	16,342,724
Crisis Center	27,250,245	20,060,634
Community Hospital	23,274,922	23,306,273
Interest on long-term debt	326,553	380,687
<b>Total Expenses</b>	<u>151,055,468</u>	<u>142,006,153</u>
<b>Excess Before Special Items</b>		
<b>Special Items:</b>		
Net gain on disposal of assets	73,818	26,370
Capital assets written off		(20,022)
<b>Total Special Items</b>	<u>73,818</u>	<u>6,348</u>
<b>Change in Net Assets</b>	<u>\$ 5,829,963</u>	<u>\$ 1,595,894</u>

**MENTAL HEALTH AND MENTAL RETARDATION  
 AUTHORITY OF HARRIS COUNTY  
 MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

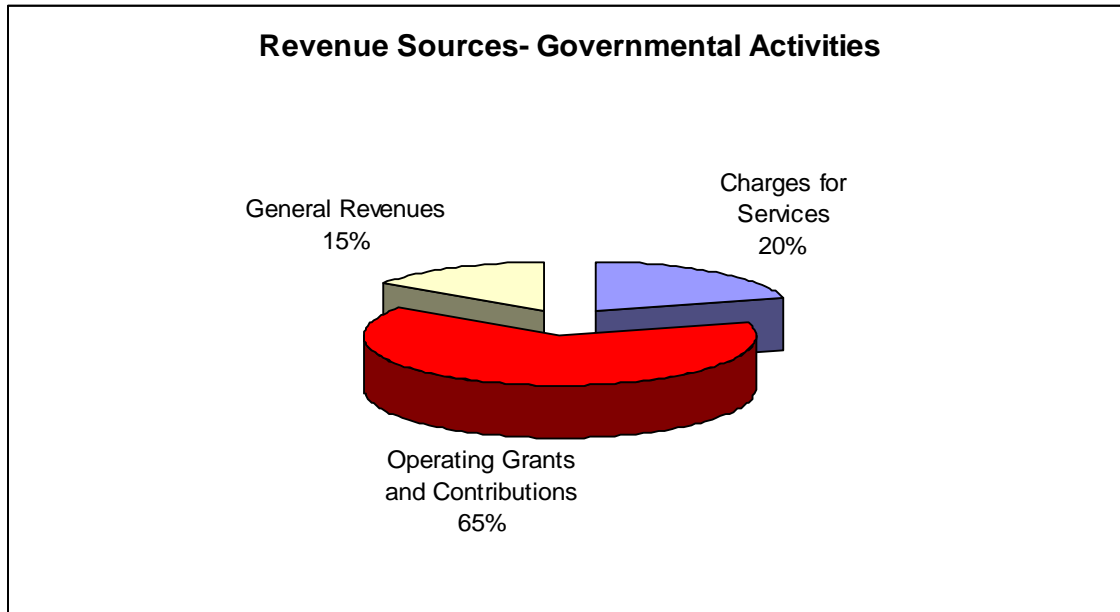
The table and chart below presents the net cost of each of the Agency's programs, Mental Retardation, Adult Mental Health, Child and Adolescents Mental Health, Crisis Center and interest on long-term debt. The net cost does not reflect the revenue generated through local funding and investments.

	<u>Net Cost of Services</u>
Mental Retardation	\$ (4,310,154)
Mental Health Adult	4,526,144
Mental Health Child and Adolescents	(1,956,138)
Crisis Center	(16,046,408)
Interest on long-term debt	(326,553)
<b>Total</b>	<u><u>\$ (18,113,109)</u></u>



**MENTAL HEALTH AND MENTAL RETARDATION  
AUTHORITY OF HARRIS COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

The following chart depicts the major sources of revenues:



**Financial Analysis of the Center's Funds**

As noted earlier, MHMRA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of MHMRA's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the agency's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Center's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of MHMRA. As the Agency completed the year, its General Fund (as presented in the balance sheet on page 18) reported a fund balance of \$41,302,638. A large portion of this, or 60%, is labeled as unreserved and undesignated fund balance. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance totals \$40,903,795 and represents 27% of total General Fund expenditures.

An analysis of significant balances follows:

- Compared to the previous year, State grants and programs for FY 2009 increased by 8% with the allocation of an additional \$4,887,234 in Crisis Redesign funds from DSHS. On the other hand, General Revenue for MR was reduced by \$94,441 to account for the refinancing of 23 clients from GR Residential Services to the HCS waiver program but was also increased by \$326,236 for one-time funds for respite.
- In FY 2009, investment earnings dropped by \$873,807 or 75% compared to FY 2008 with a recession stifling the economy.

**MENTAL HEALTH AND MENTAL RETARDATION  
 AUTHORITY OF HARRIS COUNTY  
 MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

- Personnel and related benefit costs increased by \$9,010,667 or 10% due to salary adjustments adopted during the year for certain critical positions, as well as the recruitment of additional staff for the additionally funded Crisis Redesign Program.

**Internal Service Fund.**

In FY 2009, the total assets of the Internal Service (Proprietary) Fund representing a self insurance reserve fund increased from \$2,126,345 in FY 2008 to \$2,147,461.

**General Fund Budgetary Highlights**

A number of amendments were made to the original budget during the year. The major ones include the allocation of \$3,692,971 for the Hurricane Ike Disaster ISP, the discontinuance of the Shelter Plus Care Program which reduced the budget by \$950,000, and the reduction of the Katrina/Rita Counseling Program by \$579,877, all of which were reflected under Federal Program Revenues. The budget was also amended with the increase in Mental Health General Revenue by \$201,805 consisting of adjustments due to the Children's Waiting List and competency restoration allocation, and another increase of \$50,208 in Mental Retardation General Revenue for 82 individual slots for respite services, for a total of \$252,013.

On expenditures, repair and maintenance far exceeded the budget as the physical infrastructure of the Agency was repaired, refurbished, upgraded or renovated after the devastation wrought by Hurricane Ike. Drug cost also overshot projections by \$202,000 due to the escalation of prices during the fiscal year.

Salaries and fringe benefits were less than the budget as a number of budgeted but unfilled positions existed in a number of programs. Also performing below budget were contracts, travel, rental assistance, and other expenses.

**Capital Asset and Debt Administration**

**Capital Assets.** MHMRA's investment in capital assets as of August 2009, amounts to \$17,376,318 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment and vehicles.

Major changes in capital assets during the fiscal year included the following:

**MHMRA of Harris County's Capital Assets (Net of Depreciation)**

	Fiscal Year 2009	Fiscal Year 2008	Increase (Decrease)
Land	\$ 3,219,943	\$ 3,314,761	\$ (94,818)
Buildings & improvement	13,097,691	14,176,580	(1,078,889)
Furniture & equipment	459,229	622,188	(162,959)
Automobiles	236,548	182,496	(419,044)
Vehicles under Capital Leases	362,907	484,013	(121,106)
<b>Total Capital assets</b>	<b>\$ 17,376,318</b>	<b>\$ 18,780,038</b>	<b>\$ (1,876,816)</b>

**MENTAL HEALTH AND MENTAL RETARDATION  
AUTHORITY OF HARRIS COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

Additional information on the Agency's capital assets can be found in Note 5 on pages 43 - 44 of this report.

**Long-term debt.** At the end of the current fiscal year, the Agency had total outstanding long-term debt of \$7,990,051.

**Requests for Information**

This financial report is designed to provide a general overview of the finances of MHMRA of Harris County and its accountability for the money received. Should you have any question about this report or need additional financial information, please contact the Chief Financial Officer, Mental Health and Mental Retardation Authority of Harris County, Texas, P.O. Box 25381, Houston, Texas 77265-5381.

## **Basic Financial Statements**

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**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY OF HARRIS COUNTY**

**STATEMENTS OF NET ASSETS**

August 31, 2009 and 2008

	<u>2009</u>		<u>2008</u>	
	<b>Primary Government- Governmental Activities</b>	<b>Component Units</b>	<b>Primary Government- Governmental Activities</b>	<b>Component Units</b>
<b>Assets</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 6,914,793	\$ 119,393	\$ 4,684,280	\$ 82,242
Investments	31,759,214		25,501,149	
Accounts receivable, net	16,148,889	9,805	16,512,381	2,268
Inventories	198,810		272,749	
Land held for resale	239,780			
Deposits	100,212		94,167	
Prepaid expenses	99,811	16,516	165,712	9,170
Other assets		20,172		20,131
<b>Total current assets</b>	<u>55,461,509</u>	<u>165,886</u>	<u>47,230,438</u>	<u>113,811</u>
<b>Noncurrent assets:</b>				
Restricted cash and cash equivalents		271,804		256,324
Capital assets, net	17,376,318	4,763,030	18,780,038	4,938,698
<b>Total noncurrent assets</b>	<u>17,376,318</u>	<u>5,034,834</u>	<u>18,780,038</u>	<u>5,195,022</u>
<b>Total assets</b>	<u>\$ 72,837,827</u>	<u>\$ 5,200,720</u>	<u>\$ 66,010,476</u>	<u>\$ 5,308,833</u>
<b>Liabilities</b>				
<b>Current liabilities:</b>				
Accounts payable	\$ 4,285,990	\$ 313,206	\$ 3,783,103	\$ 426,536
Accrued expenses	7,012,450	2,556	5,148,949	2,602
Unearned revenue	712,966		1,216,714	
Current portion of long-term obligations	959,220	58,340	970,315	57,757
<b>Total current liabilities</b>	<u>12,970,626</u>	<u>374,102</u>	<u>11,119,081</u>	<u>486,895</u>
<b>Deposit liabilities:</b>				
Tenant deposits held in trust		11,949		9,469
<b>Noncurrent liabilities:</b>				
Noncurrent portion of long-term obligations	7,030,831	5,021,148	7,453,589	5,027,915
<b>Total liabilities</b>	<u>20,001,457</u>	<u>5,407,199</u>	<u>18,572,670</u>	<u>5,524,279</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	12,106,397	(316,458)	12,839,801	(146,974)
<b>Restricted for:</b>				
Asset replacement		10,174		7,947
Unrestricted net assets	40,729,973	99,805	34,598,005	(76,419)
<b>Total net assets</b>	<u>52,836,370</u>	<u>(206,479)</u>	<u>47,437,806</u>	<u>(215,446)</u>
<b>Total liabilities and net assets</b>	<u>\$ 72,837,827</u>	<u>\$ 5,200,720</u>	<u>\$ 66,010,476</u>	<u>\$ 5,308,833</u>

The accompanying notes are an integral part of this statement.

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY OF HARRIS COUNTY**

**STATEMENT OF ACTIVITIES**

*For the Year Ended August 31, 2009*

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Component Units
<b>Primary government:</b>							
<b>Governmental activities:</b>							
General Administration	\$ 16,601,107	\$ (16,601,107)	\$	\$	\$	\$	\$
Adult Mental Health	40,527,913	6,069,380	13,375,924	37,747,513		4,526,144	
Mental Retardation	32,760,745	4,906,184	12,471,378	20,885,397		(4,310,154)	
Child and Adolescent	13,863,375	2,076,151	3,855,105	10,128,283		(1,956,138)	
Crisis Center	23,700,853	3,549,392	1,994,046	9,209,791		(16,046,408)	
Community Hospital (payment to HCPC)	23,274,922			23,274,922			
Interest on long-term debt	326,553					(326,553)	
<b>Total governmental activities</b>	<b>\$ 151,055,468</b>	<b>\$</b>	<b>\$ 31,696,453</b>	<b>\$ 101,245,906</b>	<b>\$</b>	<b>(18,113,109)</b>	
<b>Component units:</b>							
HUD Programs	\$ 404,799		\$ 300,324	\$	\$ 111,346		6,871
<b>Total component units</b>	<b>\$ 404,799</b>		<b>\$ 300,324</b>	<b>\$</b>	<b>\$ 111,346</b>		<b>6,871</b>
<b>General revenues:</b>							
Payment from Harris County						20,402,681	
Grants and contributions not restricted to specific programs						686,713	
Investment earnings						320,117	968
Other income						2,459,743	343
<i>Special items:</i>							
Net gain on disposal of assets						73,818	
Capital assets written off							
Transfer							
<b>Total general revenues, special items and transfer</b>						<b>23,943,072</b>	<b>1,311</b>
Change in net assets						5,829,963	8,182
<b>Net assets - beginning</b>						47,006,407	(215,446)
Prior period adjustment							785
<b>Net assets - ending</b>						<b>\$ 52,836,370</b>	<b>\$ (206,479)</b>

The accompanying notes are an integral part of this statement.

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY OF HARRIS COUNTY**

**STATEMENT OF ACTIVITIES**

*For the Year Ended August 31, 2008*

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Indirect Expenses Allocation</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Changes in Net Assets</b>	
			<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Total Governmental Activities</b>	<b>Component Units</b>
<b>Primary government:</b>							
<b>Governmental activities:</b>							
General Administration	\$ 10,622,920	\$ (10,622,920)	\$	\$	\$	\$	\$
Adult Mental Health	44,292,371	4,376,543	15,085,219	36,092,329	193,950	2,702,584	
Mental Retardation	30,138,693	2,978,014	10,747,611	19,256,928		(3,112,168)	
Child and Adolescent	14,849,465	1,467,281	3,484,944	10,017,094		(2,814,708)	
Crisis Center	18,227,664	1,801,082	758,175	5,326,518		(13,944,053)	
Community Hospital (payment to HCPC)	23,306,273			23,306,273			
Interest on long-term debt	380,687					(380,687)	
<b>Total governmental activities</b>	<b>\$ 141,818,073</b>	<b>\$</b>	<b>\$ 30,075,949</b>	<b>\$ 93,999,142</b>	<b>\$ 193,950</b>	<b>\$ (17,549,032)</b>	<b>\$</b>
<b>Component units:</b>							
HUD Programs	\$ 370,397		\$ 245,974	\$	\$		\$ (124,423)
<b>Total component units</b>	<b>\$ 370,397</b>		<b>\$ 245,974</b>	<b>\$</b>	<b>\$</b>		<b>\$ (124,423)</b>
<b>General revenues:</b>							
Payment from Harris County						17,736,332	
Grants and contributions not restricted to specific programs							
Investment earnings						1,228,325	1,192
Other income						362,001	844
<i>Special items:</i>							
Net gain on disposal of assets						26,370	
Capital assets written off						(20,022)	
<b>Total general revenues, special items and transfer</b>						<b>19,333,006</b>	<b>2,036</b>
Change in net assets						1,783,974	(122,387)
<b>Net assets - beginning</b>						<b>46,867,073</b>	<b>(93,059)</b>
Prior period adjustment						(1,644,640)	
<b>Net assets - ending</b>						<b>\$ 47,006,407</b>	<b>\$ (215,446)</b>

The accompanying notes are an integral part of this statement.

**MENTAL HEALTH AND MENTAL RETARDATION  
 AUTHORITY OF HARRIS COUNTY  
 BALANCE SHEETS  
 GOVERNMENTAL FUND  
 August 31, 2009 and 2008**

	<u>General Fund</u>	
	<u>2009</u>	<u>2008</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 6,914,793	\$ 4,684,280
Investments	29,611,753	23,135,024
Accounts receivable (net of allowance for uncollectible)	935,609	863,765
Receivables from other governments	14,750,450	15,379,808
Other receivables	462,830	268,808
Inventories	198,810	272,749
Land held for resale	239,780	239,780
Deposits	100,212	94,167
Prepaid expenses	99,811	165,712
<b>Total assets</b>	<u>\$ 53,314,048</u>	<u>\$ 45,104,093</u>
 <b>Liabilities and Fund Balances</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 4,285,994	\$ 3,783,103
Accrued expenses	7,012,450	5,148,949
Unearned revenue	712,966	1,216,714
<b>Total liabilities</b>	<u>12,011,410</u>	<u>10,148,766</u>
 <b>Fund balances:</b>		
<b>Reserved for:</b>		
Inventories	198,810	272,749
Prepaid	200,023	259,879
<b>Unreserved:</b>		
Designated funds:		
Infrastructure development	5,800,000	4,724,172
Self insurance	2,000,000	2,000,000
Debt repayment	5,269,922	
Compensated absences	2,720,129	
Others	743,037	1,599,190
General fund-undesignated	24,370,717	26,099,337
<b>Total fund balances</b>	<u>41,302,638</u>	<u>34,955,327</u>
<b>Total liabilities and fund balances</b>	<u>\$ 53,314,048</u>	<u>\$ 45,104,093</u>

The accompanying notes are an integral part of this statement.

**MENTAL HEALTH AND MENTAL RETARDATION  
 AUTHORITY OF HARRIS COUNTY  
 RECONCILIATION OF THE FUND BALANCES OF GOVERNMENTAL FUND  
 TO THE STATEMENTS OF NET ASSETS - GOVERNMENTAL FUND  
 For the Years Ended August 31, 2009 and 2008**

	<b>2009</b>	<b>2008</b>
<b>Total Fund Balance</b>	\$ 41,302,638	\$ 34,955,327
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
Internal service fund is used by management to charge the costs of certain self insurance activities to general fund.		
Interfund transfers are reported with governmental activities.	2,147,465	2,126,345
Capital assets used in governmental activities are not financial resources and therefore not reported in the fund.	17,376,318	18,780,038
Long-term liabilities, current and long-term, are not due and payable with current financial resources and therefore, are not reported in the fund.	(7,990,051)	(8,423,904)
<b>Net assets of governmental activities</b>	<b>\$ 52,836,370</b>	<b>\$ 47,437,806</b>

The accompanying notes are an integral part of this statement.

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY OF HARRIS COUNT**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUND**  
*For the Years Ended August 31, 2009 and 2008*

	<u>General Fund</u>	
	<u>2009</u>	<u>2008</u>
<b>Revenues</b>		
State grants & programs	\$ 83,161,961	\$ 76,936,456
Federal grants	15,740,531	13,270,045
Harris County allocation	30,366,731	26,851,273
Local billings	23,455,184	22,468,520
Investment earnings	299,002	1,172,809
Miscellaneous	3,767,085	2,841,081
<b>Total revenues</b>	<u>156,790,494</u>	<u>143,540,184</u>
<b>Expenditures</b>		
<b>Current:</b>		
Adult mental health	40,074,665	43,799,196
Mental retardation	32,486,993	29,847,368
Child and adolescent	13,750,489	14,723,466
Crisis center	23,659,248	18,198,321
Community hospital (payment to HCPC)	23,274,922	23,306,273
General administration	16,108,640	10,842,600
<b>Debt service:</b>		
Principal	670,315	1,020,471
Interest and other charges	326,553	380,687
<b>Total expenditures</b>	<u>150,351,825</u>	<u>142,118,382</u>
Excess of revenues over expenditures	6,438,669	1,421,802
<b>Other Financing Sources</b>		
Capital leases		167,227
Proceeds from sale of assets	340,041	26,370
<b>Total other financing sources</b>	<u>340,041</u>	<u>193,597</u>
Net change in fund balance	6,778,710	1,615,399
<b>Fund balances - beginning</b>	34,523,928	34,553,169
Prior period adjustment		<u>(1,644,640)</u>
<b>Fund balances - ending</b>	<u>\$ 41,302,638</u>	<u>\$ 34,523,928</u>

The accompanying notes are an integral part of this statement.

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY OF HARRIS COUNTY**  
**RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENTS OF ACTIVITIES**  
*For the Years Ended August 31, 2009 and 2008*

	<u>2009</u>	<u>2008</u>
Net change in fund balance - total governmental fund	\$ 6,778,710	\$ 1,615,399
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(1,128,732)	(1,032,082)
In the statement of activities, only the gain on sale of the property is reported, whereas in the governmental fund, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the property sold.	(266,223)	
In the statement of activities, net book value of equipment and vehicles written off is recorded as expenses, whereas this is not reported in the governmental fund. Thus, the change in net assets differs from the change in fund balance by the net book value of the equipment and vehicles written off.	(8,765)	(20,022)
Income generated from internal service fund are reported in governmental activities.	21,120	555,516
Capital leases are other financing source in the governmental fund, but increases long-term liabilities in the statement of net assets.		(167,227)
Repayment of bonds, notes payable and capital leases is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net assets.	670,315	1,020,471
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental fund.	<u>(236,462)</u>	<u>(188,081)</u>
Change in net assets of governmental activities	<u>\$ 5,829,963</u>	<u>\$ 1,783,974</u>

The accompanying notes are an integral part of this statement.

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY OF HARRIS COUNTY**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
*For the Year Ended August 31, 2009*

	<u>Budget</u>		<b>Actual (Budgetary basis)</b>	<b>Variance Positive/ (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>State Program Revenues</b>				
General revenue	\$ 76,059,249	\$ 76,311,262	\$ 75,724,908	\$ (586,354)
Early Childhood Intervention	2,647,816	2,666,492	2,375,698	(290,794)
Services to Children with Autism	1,150,000	1,150,000	1,029,323	
Texas Council on Offenders with Mental Impairments	3,554,762	3,554,762	3,598,828	44,066
Texas Department of Criminal Justice- Parole and Substance Abuse	446,000	446,000	433,204	(12,796)
<b>Total state program revenues</b>	<u>83,857,827</u>	<u>84,128,516</u>	<u>83,161,961</u>	<u>(845,878)</u>
<b>Federal Program Revenues</b>				
Mental Health Block Grant	3,081,806	3,081,806	3,081,806	
Social Services Block Grant (Title XX)	269,679	269,679	269,679	
MH Block Homeless PATH Grant	795,770	795,770	795,770	
Early Childhood Intervention	6,482,584	6,528,308	6,359,357	(168,951)
Hurricane Ike Disaster Relief			686,713	686,713
Mental Health/Disaster Services-Immediate Service Program		3,692,971	1,827,089	(1,865,882)
Youth Mental Health Outcomes			7,537	7,537
Transitional Housing Program-Safe Havens	482,242	332,242	343,210	10,968
Shelter Plus Care	1,418,297	468,297	223,873	(244,424)
Project H.E.L.P.	524,520	524,520	687,697	163,177
Katrina/Rita Counseling and Case Management	1,869,374	1,289,497	1,457,800	168,303
<b>Total federal program revenues</b>	<u>14,924,272</u>	<u>16,983,090</u>	<u>15,740,531</u>	<u>(1,242,559)</u>
<b>Local Revenues</b>				
County funds	29,158,213	28,963,211	30,366,731	1,403,520
<b>Local billings</b>				
Patient fees and private insurance	414,176	414,176	792,460	378,284
Medicare	667,200	667,200	579,651	(87,549)
Medicaid	10,401,996	9,827,999	11,924,135	2,096,136
ICF/MR, HCS and THL waiver	6,564,779	6,564,779	6,673,667	108,888
Administrative claiming	3,046,473	3,046,473	3,485,272	438,799
<b>Total local billings</b>	<u>21,094,624</u>	<u>20,520,627</u>	<u>23,455,185</u>	<u>2,934,558</u>
Investment earnings	1,477,858	1,477,858	299,002	(1,178,856)
Miscellaneous	2,236,782	2,236,782	3,767,084	1,530,302
<b>Total Local Revenues</b>	<u>53,967,477</u>	<u>53,198,478</u>	<u>57,888,002</u>	<u>4,689,524</u>
<b>Total Revenues before Patient Assistance Program</b>	<u>152,749,576</u>	<u>154,310,084</u>	<u>156,790,494</u>	<u>2,601,087</u>
Patient Assistance Program	8,435,754	8,735,754	11,862,338	3,126,584
<b>Total Revenues</b>	<u>\$ 161,185,330</u>	<u>\$ 163,045,838</u>	<u>\$ 168,652,832</u>	<u>\$ 5,727,671</u>

The accompanying notes are an integral part of this statement.

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY OF HARRIS COUNTY**

**BUDGETARY COMPARISON SCHEDULE (Continued)**

**GENERAL FUND**

*For the Year Ended August 31, 2009*

	<u>Budget</u>		<u>Actual (Budgetary basis)</u>	<u>Variance Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current:</b>				
Personnel costs	\$ 95,457,998	\$ 98,350,187	95,764,333	\$ 2,585,854
Contracts with service agencies and professional fees	32,049,856	32,221,467	31,636,639	584,828
Drug cost and other supplies	9,168,721	8,155,289	5,230,707	2,924,582
Rental	880,814	953,415	1,028,759	(75,344)
Repairs and maintenance	3,274,146	3,286,306	6,706,240	(3,419,934)
Travel	2,042,609	2,868,922	2,493,567	375,355
Bad debt expense	294,978	294,978	299,966	(4,988)
Security services	987,500	987,500	917,734	69,766
Rental assistance	1,200,000	400,000	242,760	157,240
Client service costs	1,341,427	1,341,427	1,297,897	43,530
Utilities	1,849,899	1,849,899	1,838,369	11,530
Other expenses	2,617,015	1,771,980	1,668,626	103,354
<b>Debt service:</b>				
Principal	829,561	829,561	670,315	159,246
Interest and other charges	343,393	343,393	326,553	16,840
<b>Capital outlay</b>	411,659	655,760	229,360	426,400
<b>Total expenditures before Patient Assistance Program</b>	152,749,576	154,310,084	150,351,825	3,958,259
<b>Expenditures Patient Assistance Program</b>	8,435,754	8,735,754	11,862,338	(3,126,584)
Total expenditures	161,185,330	163,045,838	162,214,163	831,675
Excess of revenues over expenditures			6,438,669	6,438,669
<b>Other Financing Sources</b>				
Capital leases				
Proceeds from sale of assets			340,041	340,041
			340,041	340,041
Excess of revenues and other financing sources over expenditures			6,778,710	6,778,710
<b>Fund balance, September 1, 2008</b>	10,519,292	20,999,492	34,523,928	13,524,436
<b>Fund balance, August 31, 2009</b>	<u>\$ 10,519,292</u>	<u>\$ 20,999,492</u>	<u>\$ 41,302,638</u>	<u>\$ 20,303,146</u>

The accompanying notes are an integral part of this statement.

**MENTAL HEALTH AND MENTAL RETARDATION  
AUTHORITY OF HARRIS COUNTY**  
*BUDGETARY COMPARISON SCHEDULE (Continued)*  
**BUDGET-TO-GAAP RECONCILIATION - GENERAL FUND**  
*For The Year Ended August 31, 2009*

*Sources / Inflows of Resources*

**Total revenue as per Budgetary Comparison Schedule** \$ 168,652,832

Differences - budget to GAAP:

Value of drugs received by patients from Patient Assistance Program (PAP) are budgetary resources, but are not reported as revenues under GAAP. (11,862,338)

**Total revenue as per Statement of Revenues, Expenditures and Changes  
in Fund Balances - Governmental Funds** \$ 156,790,494

*Uses / Outflows of Resources*

**Total expenditures as per Budgetary Comparison Schedule** \$ 150,351,825

**Differences - budget-to-GAAP:**

Value of drugs provided under Patient Assistance Program (PAP) are outflows of budgetary resources, but are not recorded as expenditure under GAAP. (11,862,338)

**Total expenditures as per Statement of Revenues, Expenditures and Changes  
in Fund Balances - Governmental Funds** \$ 138,489,487

The accompanying notes are an integral part of this statement.

**MENTAL HEALTH AND MENTAL RETARDATION  
AUTHORITY OF HARRIS COUNTY**

**STATEMENTS OF NET ASSETS**

**PROPRIETARY FUND**

*August 31, 2009 and 2008*

	<b>Governmental Activities - Internal Service Fund</b>	
	<b>Self- Insurance Reserve Fund (SIRF)</b>	
	<b>2009</b>	<b>2008</b>
<b>Assets</b>		
Current Asset:		
Investments	\$ 2,147,465	\$ 2,126,345
<b>Total assets</b>	<u>2,147,465</u>	<u>2,126,345</u>
<b>Net Assets</b>		
Designated for catastrophic losses	<u>\$ 2,147,465</u>	<u>\$ 2,126,345</u>

The accompanying notes are an integral part of this statement.

**MENTAL HEALTH AND MENTAL RETARDATION**  
**AUTHORITY OF HARRIS COUNTY**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND**  
*For the Years Ended August 31, 2009 and 2008*

	<b>Governmental Activities - Internal Service Fund</b>	
	<b>Self- Insurance Reserve Fund (SIRF)</b>	
	<b>2009</b>	<b>2008</b>
<b>Operating revenue</b>		
Charges	\$	\$ 500,000
<b>Total operating revenue</b>		500,000
<b>Non-operating revenue</b>		
Interest	21,120	55,516
<b>Total non-operating revenue</b>	21,120	55,516
Change in net assets	21,120	555,516
<b>Net assets - beginning of the year</b>	2,126,345	1,570,829
<b>Net assets - end of the year</b>	<u>\$ 2,147,465</u>	<u>\$ 2,126,345</u>

The accompanying notes are an integral part of this statement.

**MENTAL HEALTH AND MENTAL RETARDATION  
AUTHORITY OF HARRIS COUNTY**  
**STATEMENTS OF CASH FLOW**  
**PROPRIETARY FUND**  
*For the Years Ended August 31, 2009 and 2008*

	<b>Governmental Activities - Internal Service Fund</b>	
	<b>Self- Insurance Reserve Fund (SIRF)</b>	
	<b>2009</b>	<b>2008</b>
<b>Cash flow from operating activities:</b>		
Cash received from charges	\$ _____	\$ 500,000
<b>Net cash provided by operating activities</b>	<b>_____</b>	<b>500,000</b>
<b>Cash flow from investing activities:</b>		
Interest income	21,120	55,516
<b>Net cash provided by investing activities</b>	<b>21,120</b>	<b>55,516</b>
Net increase in cash and cash equivalents	21,120	555,516
<b>Total cash and cash equivalents, beginning of year</b>	<b>2,126,345</b>	<b>1,570,829</b>
<b>Total cash and cash equivalents, end of year</b>	<b>\$ 2,147,465</b>	<b>\$ 2,126,345</b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ _____	\$ 500,000
Increase/(decrease) in due from governmental fund	_____	_____
<b>Net cash provided by operating activities</b>	<b>\$ _____</b>	<b>\$ 500,000</b>

The accompanying notes are an integral part of this statement.

**MENTAL HEALTH AND MENTAL RETARDATION  
 AUTHORITY OF HARRIS COUNTY**  
*STATEMENTS OF FIDUCIARY NET ASSETS*  
*FIDUCIARY FUNDS*  
*August 31, 2009 and 2008*

	<u>Expendable Trusts</u>	
	<u>2009</u>	<u>2008</u>
<b>Assets</b>		
Cash and cash equivalents	<u>\$ 119,605</u>	<u>\$ 85,832</u>
 <b>Net Assets</b>		
Held in trust for SSI beneficiaries	<u>\$ 119,605</u>	<u>\$ 85,832</u>

The accompanying notes are an integral part of this statement.

**MENTAL HEALTH AND MENTAL RETARDATION  
 AUTHORITY OF HARRIS COUNTY  
 STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 For the Years Ended August 31, 2009 and 2008**

	<u>Expendable Trusts</u>	
	<u>2009</u>	<u>2008</u>
<b>Additions</b>		
Social security receipts	\$ 700,281	\$ 496,868
Interest income	570	1,123
	<u>700,851</u>	<u>497,991</u>
 <b>Deductions</b>		
Payment to clients	<u>667,078</u>	<u>538,583</u>
Changes in net assets	33,773	(40,592)
<b>Net assets - beginning of the year</b>	<u>85,832</u>	<u>126,424</u>
<b>Net assets - end of the year</b>	<u><u>\$ 119,605</u></u>	<u><u>\$ 85,832</u></u>

The accompanying notes are an integral part of this statement.

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY OF HARRIS COUNTY**

**COMBINING STATEMENT OF NET ASSETS**

**COMPONENT UNITS**

August 31, 2009

	<b>Pasadena Cottages, Inc. May 31, 2009</b>	<b>Pecan Village, Inc. August 31, 2009</b>	<b>Villas at Bayou Park, Inc. August 31, 2009</b>	<b>Pear Grove, Inc. August 31, 2009</b>	<b>Total</b>
<b>Assets</b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ 13,759	\$ 46,416	\$ 30,290	\$ 28,928	\$ 119,393
Accounts receivable	4,078		2,327	3,400	9,805
Prepaid expenses	6,594	5,152	2,755	2,015	16,516
Other assets		471	11,205	8,496	20,172
<b>Total current assets</b>	<u>24,431</u>	<u>52,039</u>	<u>46,577</u>	<u>42,839</u>	<u>165,886</u>
<b>Noncurrent assets:</b>					
Restricted cash and cash equivalents	10,174	59,215	47,639	154,776	271,804
Capital assets, net	197,489	934,654	1,930,496	1,700,391	4,763,030
<b>Total noncurrent assets</b>	<u>207,663</u>	<u>993,869</u>	<u>1,978,135</u>	<u>1,855,167</u>	<u>5,034,834</u>
<b>Total assets</b>	<u>\$ 232,094</u>	<u>\$ 1,045,908</u>	<u>\$ 2,024,712</u>	<u>\$ 1,898,006</u>	<u>\$ 5,200,720</u>
<b>Liabilities</b>					
<b>Current liabilities:</b>					
Accounts payable	\$ 37,217	\$ 30,290	\$ 66,471	\$ 179,228	\$ 313,206
Accrued interest payable	2,556				2,556
Current portion of long-term obligations	6,797	9,752		41,791	58,340
<b>Total current liabilities</b>	<u>46,570</u>	<u>40,042</u>	<u>66,471</u>	<u>221,019</u>	<u>374,102</u>
<b>Deposit liabilities:</b>					
Tenant deposits held in trust	100	5,131	4,176	2,542	11,949
<b>Noncurrent liabilities:</b>					
Noncurrent portion of long-term obligations	333,986	1,099,700	2,099,554	1,487,908	5,021,148
<b>Total liabilities</b>	<u>380,656</u>	<u>1,144,873</u>	<u>2,170,201</u>	<u>1,711,469</u>	<u>5,407,199</u>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	(143,294)	(174,798)	(169,058)	170,692	(316,458)
Restricted for:					
Asset replacement	10,174				10,174
Unrestricted net assets/(deficit)	(15,442)	75,833	23,569	15,845	99,805
<b>Total net assets</b>	<u>(148,562)</u>	<u>(98,965)</u>	<u>(145,489)</u>	<u>186,537</u>	<u>(206,479)</u>
<b>Total liabilities and net assets</b>	<u>\$ 232,094</u>	<u>\$ 1,045,908</u>	<u>\$ 2,024,712</u>	<u>\$ 1,898,006</u>	<u>\$ 5,200,720</u>

The accompanying notes are an integral part of this statement.

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY OF HARRIS COUNTY**  
**COMBINING STATEMENT OF NET ASSETS**  
**COMPONENT UNITS**  
**August 31, 2008**

	<b>Pasadena Cottages, Inc. May 31, 2008</b>	<b>Pecan Village, Inc. August 31, 2008</b>	<b>Villas at Bayou Park, Inc. August 31, 2008</b>	<b>Pear Grove, Inc. August 31, 2008</b>	<b>Total</b>
<b>Assets</b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ 3,484	\$ 34,415	\$ 42,612	\$ 1,731	\$ 82,242
Accounts receivable				2,268	2,268
Prepaid expenses	6,296	380	2,494		9,170
Other assets		471	11,175	8,485	20,131
<b>Total current assets</b>	<b>9,780</b>	<b>35,266</b>	<b>56,281</b>	<b>12,484</b>	<b>113,811</b>
<b>Noncurrent assets:</b>					
Restricted cash and cash equivalents	7,947	43,968	17,889	186,520	256,324
Capital assets, net	206,388	964,256	1,975,475	1,792,579	4,938,698
<b>Total noncurrent assets</b>	<b>214,335</b>	<b>1,008,224</b>	<b>1,993,364</b>	<b>1,979,099</b>	<b>5,195,022</b>
<b>Total assets</b>	<b>\$ 224,115</b>	<b>\$ 1,043,490</b>	<b>\$ 2,049,645</b>	<b>\$ 1,991,583</b>	<b>\$ 5,308,833</b>
<b>Liabilities</b>					
<b>Current liabilities:</b>					
Accounts payable	\$ 49,613	\$ 13,107	\$ 49,845	\$ 313,971	\$ 426,536
Accrued interest payable	2,602				2,602
Current portion of long-term obligations	6,214	9,752		41,791	57,757
<b>Total current liabilities</b>	<b>58,429</b>	<b>22,859</b>	<b>49,845</b>	<b>355,762</b>	<b>486,895</b>
<b>Deposit liabilities:</b>					
Tenant deposits held in trust	100	4,774	3,844	751	9,469
<b>Noncurrent liabilities:</b>					
Noncurrent portion of long-term obligations	340,783	1,099,700	2,099,524	1,487,908	5,027,915
<b>Total liabilities</b>	<b>399,312</b>	<b>1,127,333</b>	<b>2,153,213</b>	<b>1,844,421</b>	<b>5,524,279</b>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	(140,609)	(145,196)	(124,049)	262,880	(146,974)
Restricted for:					
Asset replacement	7,947				7,947
Unrestricted net assets/(deficit)	(42,535)	61,353	20,481	(115,718)	(76,419)
<b>Total net assets</b>	<b>(175,197)</b>	<b>(83,843)</b>	<b>(103,568)</b>	<b>147,162</b>	<b>(215,446)</b>
<b>Total liabilities and net assets</b>	<b>\$ 224,115</b>	<b>\$ 1,043,490</b>	<b>\$ 2,049,645</b>	<b>\$ 1,991,583</b>	<b>\$ 5,308,833</b>

The accompanying notes are an integral part of this statement.

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY OF HARRIS COUNTY**

**COMBINING STATEMENT OF ACTIVITIES**

**COMPONENT UNITS**

For the Year Ended August 31, 2009 \*

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				Totals
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Pasadena Cottages, Inc	Pecan Village, Inc.	Villas at Bayou Park, Inc,	Pear Grove, Inc.	
<b>Pasadena Cottages, Inc.</b>									
HUD Section 811 program	\$ 70,268	\$ 127,774	\$	\$	\$ 57,506	\$	\$	\$	\$ 57,506
Interest on long-term debt	30,931				(30,931)				(30,931)
<b>Total -Pasadena Cottage, Inc.</b>	<u>101,199</u>	<u>127,774</u>			<u>26,575</u>				<u>26,575</u>
<b>Pecan Village, Inc.</b>									
HUD Section 811 program	102,508	87,036				(15,472)			(15,472)
<b>Villas at Bayou Park, Inc.</b>									
HUD Section 811 program	98,701	55,924					(42,777)		(42,777)
<b>Pear Grove, Inc.</b>									
HUD Section 811 program	102,391	29,590		111,346				38,545	38,545
<b>Total component units</b>	<u>\$ 404,799</u>	<u>\$ 300,324</u>	<u>\$</u>	<u>\$ 111,346</u>					<u>6,871</u>
<b>General revenues:</b>									
Investment earnings					60	340	71	497	968
Other income						10		333	343
Transfer to primary government									
<b>Total general revenues and transfer</b>					<u>60</u>	<u>350</u>	<u>71</u>	<u>830</u>	<u>1,311</u>
Change in net assets					26,635	(15,122)	(42,706)	39,375	8,182
<b>Net assets - beginning</b>					(175,197)	(83,843)	(103,568)	147,162	(215,446)
Prior period adjustment							785		785
<b>Net assets - ending</b>					<u>\$ (148,562)</u>	<u>\$ (98,965)</u>	<u>\$ (145,489)</u>	<u>\$ 186,537</u>	<u>\$ (206,479)</u>

\* Pasadena Cottages, Inc. is reported for the year ended May 31, 2009.

The accompanying notes are an integral part of this statement.

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY OF HARRIS COUNTY**

*COMBINING STATEMENT OF ACTIVITIES*

*COMPONENT UNITS*

*For the Year Ended August 31, 2008 \**

	<b>Program Revenues</b>				<b>Net (Expense) Revenue and Changes in Net Assets</b>				
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Pasadena Cottages, Inc</b>	<b>Pecan Village, Inc.</b>	<b>Villas at Bayou Park, Inc,</b>	<b>Pear Grove, Inc.</b>	<b>Totals</b>
<b>Pasadena Cottages, Inc.</b>									
HUD Section 811 program	\$ 89,084	\$ 124,590	\$	\$	\$ 35,506	\$	\$	\$	\$ 35,506
Interest on long-term debt	31,468				(31,468)				(31,468)
<b>Total -Pasadena Cottage, Inc.</b>	<u>120,552</u>	<u>124,590</u>			<u>4,038</u>				<u>4,038</u>
<b>Pecan Village, Inc.</b>									
HUD Section 811 program	93,353	72,409				(20,944)			(20,944)
<b>Villas at Bayou Park, Inc.</b>									
HUD Section 811 program	98,227	44,976					(53,251)		(53,251)
<b>Pear Grove, Inc.</b>									
HUD Section 811 program	58,265	3,999						(54,266)	(54,266)
<b>Total component units</b>	<u>\$ 370,397</u>	<u>\$ 245,974</u>	<u>\$</u>	<u>\$</u>					<u>(124,423)</u>
<b>General revenues:</b>									
Investment earnings					61	597	97	437	1,192
Other income						844			844
Transfer to primary government									
<b>Total general revenues and transfer</b>					<u>61</u>	<u>1,441</u>	<u>97</u>	<u>437</u>	<u>2,036</u>
Change in net assets					4,099	(19,503)	(53,154)	(53,829)	(122,387)
<b>Net assets - beginning</b>					<u>(179,296)</u>	<u>(64,340)</u>	<u>(50,414)</u>	<u>200,991</u>	<u>(93,059)</u>
<b>Net assets - ending</b>					<u>\$ (175,197)</u>	<u>\$ (83,843)</u>	<u>\$ (103,568)</u>	<u>\$ 147,162</u>	<u>\$ (215,446)</u>

\* Pasadena Cottages, Inc. is reported for the year ended May 31, 2008.

The accompanying notes are an integral part of this statement.

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# **MENTAL HEALTH AND MENTAL RETARDATION**

## **AUTHORITY OF HARRIS COUNTY**

### *Notes to the Basic Financial Statements*

#### **Note 1 - Reporting Entity- Basis of Presentation**

##### **Primary Government**

Mental Health and Mental Retardation Authority of Harris County (the “Agency”) is a public agency that was established as a result of the Texas Mental Health and Mental Retardation Act of 1965. This Act provided for the creation of local boards of trustees to develop and implement community-based mental health and mental retardation services. The Agency is governed by a Board of Trustees appointed by the Commissioners Court of Harris County (the “County”). The County has the ability to appoint and remove the members of the governing Board of Trustees of the Agency. For financial reporting purposes, and in conformance with the Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, the Agency is considered a component unit of the County.

The accompanying financial statements present the Agency’s primary government and component units over which the Agency exercises significant influence.

##### **Component Units**

Pasadena Cottages, Inc., a Texas non-profit corporation (“Pasadena”) was organized in 1992 to purchase and maintain property for residential programs for the mentally retarded. The Agency’s Board of Trustees appoints the Board of Trustees of Pasadena and has the ability to remove Trustees; thus, the Agency is financially accountable for Pasadena. Accordingly, Pasadena has been included in the Agency’s basic financial statements as a discretely presented component unit.

Pecan Village, Inc., a Texas non-profit corporation (“Pecan Village”) was organized in 2000 to provide homes for persons with mental disability by acquiring and managing residential property under the Department of Housing and Urban Development (HUD) Section 811 grant. The Agency’s Board of Trustees appoints the Board of Trustees of Pecan Village and has the ability to remove Trustees; thus, the Agency is financially accountable for Pecan Village. Accordingly, Pecan Village has been included in the Agency’s basic financial statements as a discretely presented component unit.

Villas at Bayou Park, Inc., a Texas non-profit corporation (“Villas at Bayou”) was organized in 2001 to provide homes for persons with mental disability by acquiring and managing residential property under the Department of Housing and Urban Development (HUD) Section 811 grant. The Agency’s Board of Trustees appoints the Board of Directors of Villas at Bayou and has the ability to remove Directors; thus, the Agency is financially accountable for Villas at Bayou. Accordingly, Villas at Bayou has been included in the Agency’s basic financial statements as a discretely presented component unit.

Pear Grove, Inc., a Texas non-profit corporation (“Pear Grove”) was organized in 2004 to provide homes for persons with mental disability by acquiring and managing residential property under the Department of Housing and Urban Development (HUD) Section 811 grant. The Agency’s Board of Trustees appoints the Board of Trustees of Pear Grove and has the ability to remove Trustees; thus, the Agency is financially accountable for Pear Grove. Accordingly, Pear Grove has been included in the Agency’s basic financial statements as a discretely presented component unit.

## **MENTAL HEALTH AND MENTAL RETARDATION**

### **AUTHORITY OF HARRIS COUNTY**

*Notes To The Basic Financial Statements (continued)*

#### **Note 1 - Reporting Entity- Basis of Presentation (continued)**

##### **Component Units (continued)**

Friends of MHMRA of Harris County (“Friends of MHMRA”) was organized during 2005 to provide charitable services and increase the awareness in the community. The Agency’s Board of Trustees has the ability to appoint and remove directors and officers of Friends of MHMRA and is financially accountable and the corporation operates exclusively for the benefit of and to perform the functions of the Agency. Accordingly, Friends of MHMRA has been included in the Agency’s basic financial statements as a blended component unit.

Financial statements of these component units may be obtained from the Chief Financial Officer, Mental Health and Mental Retardation Authority of Harris County, Texas, P.O. Box 25381, Houston, Texas 77265-5381.

##### **Government-wide and Fund Financial Statements**

The financial statements of the Agency have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted primary standard-setting body for establishing governmental accounting and financial reporting principles. The Agency’s significant accounting policies are described below.

The Agency’s reporting entity applies all relevant GASB pronouncements. The government-wide and component unit financial statements apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

Revenue and expenditure classifications in the fund financial statements conform to requirements codified in Guidelines for Annual Financial and Compliance Audits of Community Mental Health and Mental Retardation Centers (21st Revision) published by the Texas Health and Human Services Commission (HHSC).

##### **Measurement Focus and Basis of Accounting**

###### ***Government-wide Financial Statements***

The statements of net assets and statements of activities display information about the Agency as a whole. The statements of net assets and statements of activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenditures, gains, losses, assets, and liabilities are recognized when the underlying transactions take place. Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of net assets have been eliminated. In the Statement of Activities, internal service fund transactions have been eliminated. Government-wide financial statements do not include fiduciary funds or component units that are fiduciary in nature.

# MENTAL HEALTH AND MENTAL RETARDATION

## AUTHORITY OF HARRIS COUNTY

*Notes To The Basic Financial Statements (continued)*

### **Note 1 - Reporting Entity- Basis of Presentation (continued)**

#### ***Fund Financial Statements***

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund financial statements are presented using current financial resources measurement focus and modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Fiduciary fund financial statements are presented using the economic resources measurement focus and accrual basis of accounting. The operating statements of these funds present increases and decreases in net current assets. Under the modified accrual basis of accounting, revenues are recognized when they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the fiscal period. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Agency considers all revenues as available if it is collected within 60 days after the year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Fund balance is reserved for inventories in the general fund to comply with reporting standards of GASB. In addition, unexpended funds received for specific projects were reserved in the fund financials.

Program revenues are derived from state and federal grants and third party billings for services rendered. General revenue is primarily derived from the County budget allocation for the Agency. Indirect expenses are allocated to individual functions based on the percentage of actual direct costs in accordance with HHSC reporting guidelines.

#### ***Description of Funds***

The Agency's accounts are organized on the basis of funds each of which is considered a separate accounting entity with a self-balancing set of accounts. All transactions are accounted for in funds, as follows:

##### **Governmental Fund**

*General Fund* - The General Fund is the general operating fund of the Agency. There are no legal requirements to account for financial resources in any governmental fund type other than the General Fund.

##### **Proprietary Funds**

*Internal Service Fund* - Permitted for any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis when the reporting government is the predominant participant in the activity.

*Self-Insurance Reserve Fund* - This fund is used to account for certain self-insurance activities for professional liabilities.

## **MENTAL HEALTH AND MENTAL RETARDATION**

### **AUTHORITY OF HARRIS COUNTY**

*Notes To The Basic Financial Statements (continued)*

#### **Note 1 - Reporting Entity- Basis of Presentation (continued)**

##### **Description of Funds (continued)**

###### **Fiduciary Funds**

Agency funds are used to account for assets held as an agent for individuals, other governmental entities, and/or other funds. These funds are custodial in nature and do not involve measurement of results of operations.

*SSI Expendable Trust Fund* - This fund is used to account for the receipts and distribution of the supplemental security income of eligible clients.

###### **Budgetary Information**

The Agency's annual budget for the General Fund is prepared based on estimated expenditures provided on a unit basis summarized by program category. The budget is submitted to the Board of Trustees. The budget must have the Board of Trustees' approval and that of the HHSC. All annual appropriations lapse at fiscal year end.

Contract/budget negotiations are scheduled by HHSC at which time contract performance measures and funding amounts are negotiated. The contract and/or budget are revised to incorporate any modifications agreed upon and resubmitted to HHSC. The final budget is approved by HHSC, generally before the beginning of the new fiscal year.

Budgetary control is maintained at the program level. The Agency's management is authorized to transfer budgeted amounts within and among programs. Revisions that alter total revenue or total expenditures by more than \$10,000 must be approved by the Board of Trustees.

#### **Note 2 - Summary of Significant Accounting Policies**

##### **Cash and Cash Equivalents**

The Agency's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investment with original maturities of three months or less from the date of acquisition.

It is the Agency's policy to secure deposits with banks by collateral provided by the institutions, for amounts in excess of the Federal Deposit Insurance Corporation insurance. The collateral is held in the Federal Reserve account of an independent third-party agent.

# MENTAL HEALTH AND MENTAL RETARDATION

## AUTHORITY OF HARRIS COUNTY

Notes To The Basic Financial Statements (continued)

### Note 2 - Summary of Significant Accounting Policies (continued)

#### Cash and Cash Equivalents (continued)

The Board of Trustees of the Agency authorizes management to invest with certain stipulations in obligations of the United States or its agencies and instrumentalities; direct obligations of the State of Texas or its agencies and instrumentalities; collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States; other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities; Prime Domestic Bankers Acceptances; obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment firm not less than A or its equivalent; fully collateralized direct repurchase agreements; certificates of deposit if issued by a state bank, national bank or savings and loan association domiciled in this state; commercial paper; and SEC-registered, no-load money market mutual funds.

During the years ended August 31, 2009 and 2008, the Agency did not own any types of securities other than those permitted by statute. Investments for the Agency are reported at fair value.

#### Accounts Receivable

Accounts receivable from patients and insurance carriers (including Medicare and Medicaid) for services rendered are reduced by the amount of such billings deemed by management to be ultimately uncollectible. The Agency provides for an amount of uncollectible patient fees using the reserve method based on past collection history.

#### Inventory

Inventory consists of expendable supplies and drugs held for consumption and are valued at the lower of cost (first-in, first-out) or market. Under the system of accounting for inventory, supplies and drugs are charged to budgetary expenditures when consumed.

#### Prepaid Expenses

Prepaid expenses primarily consist of prepayments on insurance and office rentals which are expensed over the accounting period benefited.

#### Capital Assets

Capital assets with useful lives of more than one year are stated at cost. Donated capital assets are valued at their estimated fair market value on the date received. The Agency capitalizes assets with an initial, individual cost of \$5,000 or more. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. No depreciation is calculated on land. Depreciation expense on assets specifically identified with a function/program is included in its direct expenses, and the depreciation on shared capital assets are included ratably. The following lives are used:

Buildings	45 years
Building Improvements	20 years
Furniture, Machinery, Vehicles and Other Equipment	5-20 years
Telecommunications and Peripheral Equipment	10 years

## **MENTAL HEALTH AND MENTAL RETARDATION**

### **AUTHORITY OF HARRIS COUNTY**

*Notes To The Basic Financial Statements (continued)*

#### **Note 2 - Summary of Significant Accounting Policies (continued)**

##### **Unearned Revenues**

Grants and other revenues received and related to the period after the year end are reported as unearned revenues.

##### **Compensated absences**

The Agency provides vacation pay benefits to its employees. The employees are permitted to accumulate accrued vacation, limited to 1 1/2 times the annual amount earned, and to redeem such unused vacation in cash upon termination of employment. Unused vacation hours can be accumulated with limits depending on years of service ranging from 126 to 234 hours. Any accrued vacation hours in excess of the maximum allowed to be accrued are lost, if not currently used. In accordance with Governmental Accounting Standards Board Statement No. 16, *Accounting for Compensated Absences*, the Agency accrues its liability for such vacation pay. No payment for unused sick leave is made at termination.

##### **Risk Management**

The Agency is exposed to various risks of loss related to tort; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; doctors' malpractice; and natural disasters.

The Agency was covered by insurance for these various risks at a cost considered to be economically justifiable.

During fiscal year 2003, due to a lack of availability of insurance coverage and the costs of available coverage, the Agency stopped purchasing excess insurance coverage for physicians' professional liabilities. The Agency has purchased commercial insurance for claims for \$1,000,000 per incident and \$3,000,000 per annum and has increased the umbrella coverage to \$2,000,000 per incident. The Agency retains all risk over and above these amounts. During fiscal year 2005, the Agency established a Self-Insurance Risk Fund "SIRF" (an internal service fund) to account for and finance this uninsured risks (third level of professional liability coverage). Amounts payable to the SIRF and loss reserves are determined by management in consultation with an independent actuary based on historical claim information to pay prior and current-year claims and to establish a reserve for future catastrophic losses.

A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable.

##### **Use of Estimates**

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

##### **Restricted Resources**

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

**MENTAL HEALTH AND MENTAL RETARDATION**

**AUTHORITY OF HARRIS COUNTY**

*Notes To The Basic Financial Statements (continued)*

**Note 3 - Deposits and Investments**

**Custodial Credit Risk - Deposits:** Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Agency does not have a deposit policy for custodial credit risk. As of August 31, 2009 and 2008, the Agency’s bank balances were \$7,298,952 and \$2,132,504. The custodial credit risk exposure at August 31, 2009 and 2008 were as follows:

	<u>2009</u>	<u>2008</u>
Collateralized by securities held by the pledging financial institutions' trust department or agent but not in the Agency's name	<u>\$ 838,328</u>	<u>\$ 1,932,504</u>

As of August 31, 2009, the Agency had the following investments:

<u>Security</u>	<u>Average Maturity</u>	<u>Rating</u>	<u>Fair Value</u>
<b>Commercial Paper/Discount Notes</b>			
TexPool Investment Fund	31 days	AAAm	<u>\$ 31,759,214</u>

**Custodial Credit Risk - Investments:** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments of \$2,503,546 at year end were held by Bank of America’s trust department or agent not in the Agency’s name.

**Interest Rate Risk** - The Agency’s formal investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Financial assets are invested only in investments whose maturities do not exceed five years at the time of purchase. In addition, the average maturity of the overall portfolio shall not exceed three years.

**Credit Risk** - State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Agency’s investment policy further limits its investment choices by excluding (1) reverse repurchase agreements, (2) options or future contracts, (3) obligations whose payments represent the coupon payments on the outstanding principle balance for the underlying mortgage backed security collateral and pays no principle, (4) obligations whose payment represents the principle stream of cash flow from the underlying mortgage backed security and bears no interest, (5) collateralized mortgage obligations the interest rate of which is determined by an index that adjust opposite to the changes in the market index and (6) obligations whose interest payment is derived from changes in a market index. As of August 31, 2009, Moody’s and Standard & Poor’s Investment Services have assigned the above credit ratings which reflect the extremely strong protection that the Agency’s portfolio investments provide against losses from credit defaults or credit deterioration.

## MENTAL HEALTH AND MENTAL RETARDATION

### AUTHORITY OF HARRIS COUNTY

Notes To The Basic Financial Statements (continued)

#### Note 3 - Deposits and Investments (continued)

Investments of \$31,759,214 were held by the Texas Local Government Investment Pool (TexPool). The State Comptroller of Public Accounts exercises oversight responsibility over the Texas Local Government Investment Pool (TexPool). Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller of Public Accounts has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAM by Standard & Poor's. As a requirement to maintain the rating, weekly portfolio information is submitted to both Standard & Poor's and the Office of the State Comptroller of Public Accounts for review.

TexPool operates in a manner consistent with the Securities and Exchange Commission's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same value as the value in TexPool shares.

Additional information on TexPool can be obtained by contacting Administrative Offices, TexPool Participant Service, c/o Federated Investors, Inc., 1001 Travis Avenue, Suite 1400, Houston, Texas 77002.

At August 31, 2008, investments consisted of commercial paper of \$25,261,369 and money market funds of \$3,221,489.

#### Note 4 - Accounts Receivable

Accounts receivable are comprised of the following balances at August 31, 2009 and 2008 for the primary government:

	<u>2009</u>	<u>2008</u>
<b>Due from other governments</b>		
Harris County	\$ 6,774,266	\$ 6,538,614
State and Federal	7976184	8841194
3rd Party billings (net of allowance for uncollectible amounts of \$1,075,791 and \$1,021,942 respectively)	935609	863765
Other receivables	462830	268808
<b>Total receivables</b>	<u>\$ 16,148,889</u>	<u>\$ 16,512,381</u>

**MENTAL HEALTH AND MENTAL RETARDATION**

**AUTHORITY OF HARRIS COUNTY**

*Notes To The Basic Financial Statements (continued)*

**Note 5 - Capital Assets**

A summary of changes in general capital asset balances for the year ended August 31, 2009, is as follows:

	<b>Primary Government</b>			Balance as of August 31, 2009
	Balance as of September 1,	Additions	Retirements	
<b>Governmental activities</b>				
Land	\$ 3,314,761	\$	\$ 94,818	\$ 3,219,943
Buildings and improvements	24,672,108		357,124	24,314,984
Furniture and Equipment	6,697,314	108,000	86,001	6,719,313
Vehicles	1,193,997	121,360	52,448	1,262,909
<b>Total at historical cost</b>	<u>35,878,180</u>	<u>229,360</u>	<u>590,391</u>	<u>35,517,149</u>
<b>Less accumulated depreciation for</b>				
Buildings and improvements	10,495,528	907,484	185,719	11,217,293
Furniture and Equipment	6,075,126	263,708	78,750	6,260,084
Vehicles	527,488	186,900	50,934	663,454
<b>Total accumulated depreciation</b>	<u>17,098,142</u>	<u>1,358,092</u>	<u>315,403</u>	<u>18,140,831</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 18,780,038</u>	<u>\$(1,128,732)</u>	<u>\$ 274,988</u>	<u>\$ 17,376,318</u>

A summary of changes in general capital asset balances for the year ended August 31, 2008, is as follows:

	<b>Primary Government</b>			Balance as of August 31, 2008
	Balance as of September 1, 2007	Additions	Retirements	
<b>Governmental activities</b>				
Land	\$ 3,314,761	\$	\$	\$ 3,314,761
Buildings and improvements	24,672,108			24,672,108
Furniture and Equipment	6,650,223	114,005	66,914	6,697,314
Vehicles	388,347	166,415	103,569	451,193
Vehicles held under capital leases	659,821	182,187	99,204	742,804
<b>Total at historical cost</b>	<u>35,685,260</u>	<u>462,607</u>	<u>269,687</u>	<u>35,878,180</u>
<b>Less accumulated depreciation for</b>				
Buildings and improvements	9,573,217	922,311		10,495,528
Furniture and Equipment	5,724,638	397,380	46,892	6,075,126
Vehicles	231,002	141,264	103,569	268,697
Vehicles held under capital leases	324,261	33,734	99,204	258,791
<b>Total accumulated depreciation</b>	<u>15,853,118</u>	<u>1,494,689</u>	<u>249,665</u>	<u>17,098,142</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 19,832,142</u>	<u>\$(1,032,082)</u>	<u>\$ 20,022</u>	<u>\$ 18,780,038</u>

**MENTAL HEALTH AND MENTAL RETARDATION**

**AUTHORITY OF HARRIS COUNTY**

*Notes To The Basic Financial Statements (continued)*

**Note 5 - Capital Assets (continued)**

Depreciation expense for the years ended August 31, 2009 and 2008 are \$1,358,092 and \$1,494,689, respectively, and were charged to the following functions and activities:

	<u>2009</u>	<u>2008</u>
<b>Primary government</b>		
<b>Governmental Activities:</b>		
General Administration	\$ 269,599	\$ 315,325
Adult Mental Health	475,654	519,555
Mental Retardation	290,056	325,482
Child and Adolescent	120,806	135,324
Crisis Center	201,977	199,003
<b>Total governmental activities</b>	<u>\$ 1,358,092</u>	<u>\$ 1,494,689</u>

**Note 6 - Accounts Payable**

Accounts payable are comprised of the following balances at August 31, 2009 and 2008 for the primary government:

	<u>2009</u>	<u>2008</u>
Vendors payable	\$ 4,285,994	\$ 3,494,441
Due to Medicaid		288,662
<b>Total Payables</b>	<u>\$ 4,285,994</u>	<u>\$ 3,783,103</u>

**Note 7 - Long-Term Liabilities**

Long-term liability activity for the year ended August 31, 2009 was as follows:

	<u>Balance as of September 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance as of August 31, 2009</u>	<u>Amounts Due within One Year</u>
<b>Governmental Activities</b>					
Notes and capital lease payable:					
Bank notes payable	\$ 5,940,236	\$	\$ (670,315)	\$ 5,269,921	\$ 709,220
Other liabilities:					
Compensated absences	2,483,667	2,493,080	(2,256,617)	2,720,130	250,000
<b>Governmental activities long-term liabilities</b>	<u>\$ 8,423,903</u>	<u>\$ 2,493,080</u>	<u>\$ (2,926,932)</u>	<u>\$ 7,990,051</u>	<u>\$ 959,220</u>

Long-term liability activity for the year ended August 31, 2008 was as follows:

	<u>Balance as of September 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance as of August 31, 2008</u>	<u>Amounts Due within One Year</u>
<b>Governmental Activities</b>					
Notes and capital lease payable:					
Bank notes payable	\$ 6,571,015	\$	\$ (630,779)	\$ 5,940,236	\$ 670,315
Capital leases	222,465	167,227	(389,692)		
Total notes and capital leases payable	6,793,480	167,227	(1,020,471)	5,940,236	670,315
Other liabilities:					
Compensated absences	2,295,587	568,875	(380,795)	2,483,667	300,000
<b>Governmental activities long-term liabilities</b>	<u>\$ 9,089,067</u>	<u>\$ 736,102</u>	<u>\$ (1,401,266)</u>	<u>\$ 8,423,903</u>	<u>\$ 970,315</u>

Note payable to a bank carries interest rate of 5.8%, is payable in monthly payments of \$82,983, and is collateralized by a security and deed of trust on related property through December 2015.

**MENTAL HEALTH AND MENTAL RETARDATION**

**AUTHORITY OF HARRIS COUNTY**

*Notes To The Basic Financial Statements (continued)*

**Note 7 - Long-Term Liabilities (continued)**

Debt service for notes payable as of August 31, 2009 is as follows:

<u>Year ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 709,220	\$ 287,043	\$ 996,263
2011	751,519	244,779	996,298
2012	796,229	200,568	996,798
2013	842,977	152,584	995,561
2014	894,446	102,328	996,774
2015-2016	<u>1,275,530</u>	<u>53,071</u>	<u>1,328,601</u>
	<u>\$ 5,269,922</u>	<u>\$ 1,040,373</u>	<u>\$ 6,310,295</u>

Provisions of the loan agreement relating to a note payable contain certain covenants requiring or restricting: (1) the Agency’s cash and investments in the general fund equal, at a minimum, to six weeks of “current operating expenses”, (2) the Agency to maintain a “Debt Service Coverage Ratio” of 1.0x for each consecutive two fiscal years, (3) the Agency’s ability to pledge or mortgage assets without prior written consent and (4) the Agency’s ability to enter into new lease obligations in excess of \$1,000,000. The “current operating expenses” and “Debt Service Coverage Ratio” are defined in the debt indenture.

**Note 8 - Capital Lease Obligations**

The Agency had entered into various capital lease agreements to finance the purchase of vehicles. Obligations under the lease agreements have been recorded at the present value of future minimum lease payments. The lease terms were 3 years with annual interest rates ranging from 5.90% to 6.80%.

In June 2008, the Agency retired all of the capital leases in the total amount of \$260,087.

**Note 9 - Operating Leases**

The Agency leases certain administrative, residential and outpatient facilities under operating lease agreements. Rent expense under operating leases, including annually renewable operating leases for equipment and vehicles, amounted to \$789,372 and \$774,004 in 2009 and 2008, respectively.

The future minimum rental payments required under non-cancelable operating leases having remaining terms in excess of one year as of August 31, 2009 are as follows:

<u>Year ending August 31,</u>	
2010	\$ 522,220
2011	297,792
2012	89,054
2013	47,341
2014	47,341
2014 - 2019	<u>236,709</u>
	<u>\$ 1,240,457</u>

# MENTAL HEALTH AND MENTAL RETARDATION

## AUTHORITY OF HARRIS COUNTY

Notes To The Basic Financial Statements (continued)

### Note 10 - Related Party Transactions

The Agency, a component unit of the County, obtains certain community services from the County under contractual agreements. Expenses under such contracts amounted to \$709,531 and \$1,073,249 for the years ended August 31, 2009 and 2008, respectively.

### Note 11 - Pension Plan

The defined contribution pension plan (the "Plan") was established by the Agency for substantially all of its employees, effective January 1, 1989. The plan document was updated and amended effective January 1, 2000.

The unaudited condensed cash basis financial statements for the plan's fiscal years ended December 31, 2008 and 2007 are as follows:

#### Statement of Fiduciary Net Assets December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>Assets</b>		
Investments, at fair market value	\$ 21,405,376	\$ 25,846,788
<b>Total assets</b>	<u>\$ 21,405,376</u>	<u>\$ 25,846,788</u>
<b>Net Assets</b>		
Held in trust for pension benefits and other purposes	<u>\$ 21,405,376</u>	<u>\$ 25,846,788</u>

#### Statement of Changes in Fiduciary Net Assets For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>Additions</b>		
Contributions:		
Employer	\$ 3,689,629	\$ 3,445,725
Forfeitures		10,361
<b>Total contributions</b>	<u>3,689,629</u>	<u>3,456,086</u>
Investment earnings:		
Net decrease in fair value of investments	(7,499,203)	(15,825)
Dividends/ Interest	647,909	1,308,673
<b>Total investment earnings</b>	<u>(6,851,294)</u>	<u>1,292,848</u>
<b>Total additions</b>	<u>(3,161,665)</u>	<u>4,748,934</u>
<b>Deductions</b>		
Benefits	1,164,679	1,791,669
Others	115,068	83,085
<b>Total deductions</b>	<u>1,279,747</u>	<u>1,874,754</u>
Change in net assets	(4,441,412)	2,874,180
<b>Net assets - beginning of the year</b>	<u>25,846,788</u>	<u>22,972,608</u>
<b>Net assets - end of the year</b>	<u>\$ 21,405,376</u>	<u>\$ 25,846,788</u>

## MENTAL HEALTH AND MENTAL RETARDATION

### AUTHORITY OF HARRIS COUNTY

Notes To The Basic Financial Statements (continued)

#### Note 11 - Pension Plan (continued)

The plan allows forfeitures to be applied to reduce sponsor contributions for the plan year in which the forfeitures occurred. Forfeitures for the plan years 2008 and 2007 amounted to \$115,068 and \$83,085, respectively, of which \$115,068 and \$72,724, respectively, was used against the Agency's contributions for the year ended August 31, 2009 and 2008, respectively.

Effective Plan year 2005, the Agency also will make a supplemental contribution each year if the amount in the forfeiture account after Plan expenses exceeds \$200,000. To receive this supplemental contribution the employees must have earned six years of service and employed at the end of the plan year. The percentage of contribution varies from 1 to 3% depending on the number of years of service.

Beginning Plan year 2004, contributions are made on an annual basis, and employees must also be actively employed with the Agency on the last day of the Plan year to receive the matching contributions.

Employees who retire, die or become permanently disabled during the year are entitled to the full contribution for the year.

Agency contributions made on account of the 2004 plan year or any subsequent plan year, as adjusted by earning and losses thereon, will vest 100% after 5 years of service with no vesting prior to 5 years.

A favorable determination letter of the defined contribution plan was received on October 10, 2000 from the Internal Revenue Service. Employer contributions for the fiscal years ended August 31, 2009 and 2008 amounted to \$4,569,513 and \$3,789,022, respectively.

The Plan's investments as of December 31, 2008 and 2007 are as follows:

	Fair Value	
	2008	2007
<b>Wells Fargo Bank Investment Funds for Employee Benefit Trusts:</b>		
Advantage Asset Allocation Fund	\$ 6,315,391	\$ 9,457,838
Stable Return Fund	5,246,708	4,200,215
Advantage Index Fund	2,846,852	4,743,274
Bond Index Fund	1,226,411	1,072,359
Investment Partners Fund	272,221	420,807
Large Cap Value Fund	201,300	367,247
Growth Fund	332,394	399,066
Small Cap Fund	149,456	201,172
Research International	221,455	417,389
Advantage Dow Jones Target Today	167,175	81,986
Advantage Dow Jones Target 2010	561,406	589,918
Advantage Dow Jones Target 2020	1,171,561	1,117,937
Advantage Dow Jones Target 2030	1,136,392	1,213,031
Advantage Dow Jones Target 2040	1,556,654	1,564,549
<b>Total</b>	<b>\$ 21,405,376</b>	<b>\$ 25,846,788</b>

The investments are valued at fair value by the Trustee based on published prices as of December 31, 2008 and 2007. These investments are held in trust in the name of the Plan by the bank's trust department.

## **MENTAL HEALTH AND MENTAL RETARDATION**

### **AUTHORITY OF HARRIS COUNTY**

*Notes To The Basic Financial Statements (continued)*

#### **Note 12 - Voluntary Employee Contribution Tax Deferred Investment Plans**

The Agency offers its employees a defined contribution tax deferred investment plan under Internal Revenue Code (IRC) Section 403(b). This plan was established by the Agency for all of its employees effective May 1, 1996.

Additionally, the Agency offers its employees a defined contribution tax deferred investment plan under Internal Revenue Code (IRC) Section 457. This plan was established by the Agency effective July 1, 2006.

Under both plans, benefits depend solely on amounts contributed to the plan plus investment earnings. An employee shall become a member of a plan commencing as soon as practicable after the employee completes plan enrollment forms provided by the Agency and the custodians. Participation in the plans is completely voluntary and all funding of the plans is by employee salary deferral.

Each member may elect to defer a fixed percentage or a fixed amount of compensation not to exceed the maximum specified by the IRC, and for the 403 (b) plan, have the employer contribute such deferred amounts to the custodian(s) selected by the member in accordance with the provisions of the plan, and for the 457 plan, have the employer contribute such deferred amounts to the custodian, Institutional Securities Corporation, located in Dallas, Texas.

#### **Note 13 - Contingencies**

The Agency is named defendant in several lawsuits. The Agency believes these lawsuits to have meritorious defense and is defending them vigorously. The amount of liability, if any, from the claims cannot be determined with certainty; however, management is of the opinion that the outcome of the claims will not have a material adverse impact on the financial position. The financial statements do not include any adjustments for potential losses that may result from these matters.

The Agency receives significant amounts of grants from state and federal agencies and participates in Medicare and Medicaid programs. These programs are subject to audit by the agents for granting agencies for compliance with grant provisions. The Agency's management believes that any liability for reimbursement which may arise as the result of these audits will not be material to the financial position of the Agency.

#### **Note 14 - Sample Drugs and Patient Assistance Programs**

MHMRA of Harris County participates in a Patient Assistance Program (PAP) and Sample Drug Program where the Agency, on behalf of their consumers, receives pharmaceuticals for free and dispenses these drugs to the consumers according to policy.

The amounts of free drugs dispensed by the Agency for its consumers for the years ended August 31, 2009 and 2008 were \$11,862,338 and \$8,405,350, respectively. The PAP and sample drugs received and provided to the consumers reduce the total drug expense that would normally be incurred if these were not provided for free.

MHMRA is deemed as the payor of last resort for the medications. The Agency recognizes the benefits of the PAP program and has dedicated staff to assist the consumers in applying for the PAP programs through the various pharmaceutical companies. Through internal policy, Agency physicians are required to participate in the PAP program.

## **MENTAL HEALTH AND MENTAL RETARDATION**

### **AUTHORITY OF HARRIS COUNTY**

*Notes To The Basic Financial Statements (continued)*

#### **Note 14 - Sample Drugs and Patient Assistance Programs (continued)**

The pharmaceutical companies' PAP and Sample Drug Programs are intended to directly benefit the consumers. Therefore, the amounts listed above are not reflected in the Agency's basic financial statements, which is consistent with the revenue recognition criteria set forth in FAS 116.

#### **Note 15 - Subsequent Events**

By the end of the fiscal year, most of the Hurricane Ike-related recovery and restoration activities had been completed, with the exception of roof repairs at the Southeast Clinic located on Long Drive. Damages at this site were determined to be more extensive than initial inspections indicated. The Agency had been advised that Hurricane Ike had lifted the edge of the roof panels and that the panels needed to be replaced. Upon removal of the roof panels, it was determined that the metal purloins, to which the panels were to be attached, had rusted from water damage and would also need to be replaced. The projected cost for the damage is approximately \$480,000.

#### **Note 16 - Prior Period Adjustment**

The Agency's treatment of accrued expenses in previous years was determined to have been misclassified, and a prior period adjustment has been made in correction. The net effect of this change was a decrease of \$1,644,460 to the beginning fund balance in the General Fund.

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## **Other Supplementary Information**

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**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY  
OF HARRIS COUNTY, TEXAS**

***CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE BY SOURCE***

*For the Year Ended August 31, 2009*

	<b>Total</b>
<b>Governmental Funds Capital Assets</b>	
Land	\$ 3,219,943
Buildings	10,843,987
Furniture and Equipment	6,719,313
Leasehold Improvements	13,470,997
Vehicles	1,262,909
	<hr/>
<b>Total Governmental Fund Capital Assets</b>	<b>\$ 35,517,149</b>
	<hr/> <hr/>
<b>Investment in Governmental Funds Capital Assets by Source</b>	
General Fund	\$ 35,517,149
	<hr/>
<b>Total Investment in Governmental Funds Capital Assets</b>	<b>\$ 35,517,149</b>
	<hr/> <hr/>

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY  
OF HARRIS COUNTY, TEXAS**

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE BY FUNCTION**

*For the Year Ended August 31, 2009*

<b>Function</b>	<b>Land</b>	<b>Buildings</b>	<b>Equipment and Furniture</b>	<b>Leasehold Improvements</b>	<b>Vehicles</b>	<b>Total</b>
Mental Health	\$ 1,774,221	\$ 5,418,006	\$ 1,995,971	\$ 5,145,933	\$ 152,654	\$ 14,486,785
Mental Retardation	870,772	2,714,431	1,452,466	2,067,396	469,777	7,574,842
Child and Adolescent	138,700	1,133,425	705,559	1,362,674		3,340,358
Crisis Center			573,344	2,439,691	468,553	3,481,588
Administration	436,250	1,578,125	1,991,973	2,455,303	171,925	6,633,576
<b>Total Governmental Fund Capital Assets</b>	<b>\$ 3,219,943</b>	<b>\$ 10,843,987</b>	<b>\$ 6,719,313</b>	<b>\$ 13,470,997</b>	<b>\$ 1,262,909</b>	<b>\$ 35,517,149</b>

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY  
OF HARRIS COUNTY, TEXAS**

*CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS*

*SCHEDULE OF CHANGES BY FUNCTIONS*

*For the Year Ended August 31, 2009*

<b>Function</b>	<b>Governmental Fund Capital Assets August 31, 2008</b>	<b>Additions</b>	<b>Retirements</b>	<b>Adjustments</b>	<b>Governmental Fund Capital Assets August 31, 2009</b>
Mental Health	\$ 14,487,576	\$ 22,405	\$ 23,196	\$	\$ 14,486,785
Mental Retardation	7,575,418	16,304	16,880		7,574,842
Child and Adolescent	3,340,638	7,920	8,200		3,340,358
Crisis Center	3,384,346	160,372	63,130		3,481,588
Administration	7,090,202	22,359	478,985		6,633,576
<b>Total Governmental Fund Capital Assets</b>	<b>\$ 35,878,180</b>	<b>\$ 229,360</b>	<b>\$ 590,391</b>	<b>\$</b>	<b>\$ 35,517,149</b>

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**Statistical Section  
(Unaudited)**

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**MENTAL HEALTH AND MENTAL RETARDATION**  
**AUTHORITY OF HARRIS COUNTY**  
*STATISTICAL SECTION*

This Statistical Section aims to provide information about the Agency's economic condition. It normally consists of information on financial trends, revenue capacity, debt capacity, demographic and economic environment, and operations.

Information on financial trends indicates how the financial portion of the Agency, in terms of net assets and fund balances, and changes thereto, have changed over time. It will be noted from the schedules that both of these statistics generally increased during the past five years.

Information on revenue capacity centers mainly on the principal sources of revenues as the Agency is not a taxing authority. Principally, it generates its revenues from state and federal sources.

Demographic and economic information aims at describing the Agency's socio-economic environment. Included in this report therefore are: data on population and unemployment and principal employers in the catchment area. The Agency's catchment area has seen a steady increase in population. This is expected to continue for the next few years. Citizens of other states migrate to Texas in order to avail of better opportunities. These opportunities can be gleaned from the rising per capita personal income from 1999 to 2008.

Operating information consists of number of employees by function/program, client and service related data, drilled-down expenditures for mental health and mental retardation, and finally capital assets utilized by the programs.

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**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY  
OF HARRIS COUNTY**

**NET ASSETS BY COMPONENT (UNAUDITED)**

*Last Five Fiscal Years*

*(Accrual Basis of Accounting)*

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Governmental activities</b>					
Invested in capital assets, net of related debt	\$ 9,866,118	\$ 13,545,214	\$ 13,038,662	\$ 12,839,801	\$ 12,106,397
Restricted for:					
Texas Medication Algorithm Project	26,733				
Texas Implementation of Medication Algorithm Project	1,399,484	268,665			
Harris County Youth and Family Mental Health Services Collaborative	442,420				
Unrestricted	<u>27,599,648</u>	<u>28,023,628</u>	<u>33,828,411</u>	<u>34,598,005</u>	<u>40,729,973</u>
<b>Total governmental activities net assets</b>	<u>\$ 39,334,403</u>	<u>\$ 41,837,507</u>	<u>\$ 46,867,073</u>	<u>\$ 47,437,806</u>	<u>\$ 52,836,370</u>

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY  
OF HARRIS COUNTY**

**CHANGES IN NET ASSETS (UNAUDITED)**

*Last Five Fiscal Years*

*(Accrual Basis of Accounting)*

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Expenses</b>					
Governmental activities					
Adult Mental Health	\$ 45,537,912	\$ 45,750,962	\$ 49,543,794	\$ 48,668,914	\$ 46,597,293
Mental Retardation	26,013,270	28,887,707	31,535,408	33,116,707	37,666,929
Child and Adolescent	11,390,426	12,681,152	12,980,279	16,316,746	15,939,526
Crisis Center	14,015,296	17,578,366	19,067,856	20,028,746	27,250,245
Community Hospital	19,806,281	19,806,281	19,806,273	23,306,273	23,274,922
Interest on long-term debt	574,554	542,928	414,825	380,687	326,553
<b>Total governmental activities expenses</b>	<u>117,337,739</u>	<u>125,247,396</u>	<u>133,348,435</u>	<u>141,818,073</u>	<u>151,055,468</u>
<b>Program Revenues</b>					
Governmental activities					
Charges for services	20,646,580	24,945,392	24,247,294	30,075,949	31,696,453
Operating grants and contributions	82,456,093	79,565,247	90,342,483	93,999,142	101,245,906
Capital grants and contributions			306,050	193,950	
<b>Total governmental activities program revenue</b>	<u>103,102,673</u>	<u>104,510,639</u>	<u>114,895,827</u>	<u>124,269,041</u>	<u>132,942,359</u>
<b>Net (Expense) Revenue</b>					
Governmental activities	(14,235,066)	(20,736,757)	(18,452,608)	(17,549,032)	(18,113,109)
<b>General revenues and other Changes in Net Assets</b>					
Governmental activities					
Payment from Harris County	22,094,322	22,271,825	20,502,849	17,736,332	20,402,681
Grants and contributions not restricted to specific programs	581,385				686,713
Investment earnings	727,061	1,548,416	1,935,931	1,228,325	320,117
Other income	77,443	176,367	528,721	362,001	2,459,743
Special items					
Net gain on disposal of assets	197,633	25,971	544,077	26,370	73,818
Capital assets written off	(1,246,268)	(782,718)	(29,404)	(20,022)	
Transfer	45,017				
<b>Total</b>	<u>22,476,593</u>	<u>23,239,861</u>	<u>23,482,174</u>	<u>19,333,006</u>	<u>23,943,072</u>
<b>Change in Net Assets</b>					
Governmental activities	<u>\$ 8,241,527</u>	<u>\$ 2,503,104</u>	<u>\$ 5,029,566</u>	<u>\$ 1,783,974</u>	<u>\$ 5,829,963</u>

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY  
OF HARRIS COUNTY**

*FUND BALANCES, GOVERNMENTAL FUNDS (UNAUDITED)*

*Last Five Fiscal Years*

*(Accrual Basis of Accounting)*

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>General fund</b>					
Reserved for:					
Inventories	\$ 468,269	\$ 230,625	\$ 199,771	\$ 272,749	\$ 198,810
Prepaid	654,066	382,369	301,291	259,879	200,023
Texas Medication Algorithm Project	26,733				
Texas Implementation of Medication					
Algorithm Project	675,234	268,665			
Harris County Youth and Family Mental					
Health Services Collaborative	442,420				
Unreserved:					
Designated funds:					
Infrastructure development	1,544,172	2,009,172	4,724,172	4,724,172	5,800,000
Self insurance	1,000,000	1,000,000	1,500,000	2,000,000	2,000,000
Debt repayment					5,269,922
Compensated absences					2,720,129
Others	480,000	735,774	2,524,470	1,599,190	743,037
General fund - undesignated	<u>22,953,141</u>	<u>24,833,976</u>	<u>25,303,465</u>	<u>26,099,337</u>	<u>24,370,717</u>
<b>Total general fund</b>	<u>\$ 28,244,035</u>	<u>\$ 29,460,581</u>	<u>\$ 34,553,169</u>	<u>\$ 34,955,327</u>	<u>\$ 41,302,638</u>

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY  
OF HARRIS COUNTY**  
*CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (UNAUDITED)*  
*Last Five Fiscal Years*  
*(Modified Accrual Basis of Accounting)*

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Revenues</b>					
Local	\$ 48,841,258	\$ 53,649,455	\$ 52,180,624	\$ 53,333,683	\$ 57,888,002
State	66,089,752	64,255,040	71,348,608	76,936,456	83,161,961
Federal	10,972,641	11,314,939	14,275,329	13,270,045	15,740,531
<b>Total revenues</b>	<u>125,903,651</u>	<u>129,219,434</u>	<u>137,804,561</u>	<u>143,540,184</u>	<u>156,790,494</u>
<b>Expenditures</b>					
Salaries	53,087,788	60,762,975	66,637,986	71,521,224	78,101,016
Employee benefits	9,727,365	13,234,417	14,935,820	15,280,823	17,663,317
Professional and consultant services	15,007	7,030,810	7,460,872	7,207,549	7,714,718
Training and travel	104	1,700,441	1,767,429	2,002,900	2,493,567
Debt service	2,453,789	3,878,514	1,132,398	1,401,158	996,868
Capital outlay	1,512,194	1,527,533	1,050,503	462,607	229,360
Non-capitalized equipment		641,950	585,059	767,841	2,388,284
Pharmaceutical expense	11,313,911	8,099,015	6,999,820	7,261,937	3,733,380
Other operating expense	40,981,493	31,190,315	33,180,776	36,212,343	37,031,315
<b>Total expenditures</b>	<u>119,091,651</u>	<u>128,065,970</u>	<u>133,750,663</u>	<u>142,118,382</u>	<u>150,351,825</u>
<b>Excess of revenues over/(under expenditures)</b>	6,812,000	1,153,464	4,053,898	1,421,802	6,438,669
<b>Other financing sources (uses)</b>					
Capital leases	82,718	37,111	259,435	167,227	
Proceeds from sale of assets	349,825	25,971	779,255	26,370	340,041
<b>Total other financing sources (uses)</b>	<u>432,543</u>	<u>63,082</u>	<u>1,038,690</u>	<u>193,597</u>	<u>340,041</u>
<b>Net change in fund balances</b>	<u>\$ 7,244,543</u>	<u>\$ 1,216,546</u>	<u>\$ 5,092,588</u>	<u>\$ 1,615,399</u>	<u>\$ 6,778,710</u>

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY  
OF HARRIS COUNTY**

**PRINCIPAL SOURCES OF REVENUES (UNAUDITED)**

*Last Five Fiscal Years*

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Local</b>					
County government	\$ 26,331,144	\$ 26,414,128	\$ 26,306,400	\$ 26,851,273	\$ 30,366,731
Medicaid/Medicare	10,338,856	14,536,914	12,460,818	12,496,212	12,503,786
Other	12,171,258	12,698,413	13,413,406	13,986,198	15,017,485
<b>Total local revenue</b>	<u>48,841,258</u>	<u>53,649,455</u>	<u>52,180,624</u>	<u>53,333,683</u>	<u>57,888,002</u>
<b>State</b>					
Department of State Health Services - General Revenue	49,605,680	48,064,347	53,965,505	58,835,494	63,574,567
Department of Aging and Disability Services - General Revenue	10,455,329	11,207,304	11,942,518	11,898,169	12,150,341
Early Childhood Intervention	2,426,552	2,091,604	2,254,673	2,150,183	2,375,698
Texas Council on Offenders with Mental Impairments	2,469,875	2,406,650	2,739,912	3,385,933	3,598,828
Other state agencies	1,132,316	485,135	446,000	666,677	1,462,527
<b>Total state revenues</b>	<u>66,089,752</u>	<u>64,255,040</u>	<u>71,348,608</u>	<u>76,936,456</u>	<u>83,161,961</u>
<b>Federal</b>					
Mental Health Block Grant	3,083,498	3,049,016	3,081,806	3,081,806	3,081,806
Early Childhood Intervention	3,615,656	3,678,577	4,742,899	5,208,576	6,359,357
Other federal revenues	4,273,487	4,587,346	6,450,624	4,979,663	6,299,368
<b>Total federal revenues</b>	<u>10,972,641</u>	<u>11,314,939</u>	<u>14,275,329</u>	<u>13,270,045</u>	<u>15,740,531</u>
<b>Total revenues</b>	<u>\$ 125,903,651</u>	<u>\$ 129,219,434</u>	<u>\$ 137,804,561</u>	<u>\$ 143,540,184</u>	<u>\$ 156,790,494</u>

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY  
OF HARRIS COUNTY**  
*SUMMARY SCHEDULE OF INDIRECT COSTS (UNAUDITED)*  
*Year Ended August 31, 2009*

	<u>Total Costs</u>	<u>Non Allowable Costs</u>	<u>Depreciation</u>	<u>Total Adjusted Costs</u>	<u>Direct Costs</u>	<u>Indirect Costs Excluding Hurricane Ike Expenses</u>	<u>Indirect Costs Including Hurricane Ike Expenses</u>
Salaries	\$ 78,101,016	\$	\$	\$ 78,101,016	\$ 68,329,027	\$ 9,547,625	\$ 9,771,989
Employee Benefits	17,663,317			17,663,317	15,387,495	2,236,891	2,275,822
Debt Service	996,868	(670,315)		326,553	258,147	68,406	68,406
Capital Outlay	229,360	(229,360)					
Pharmaceutical Expense	3,857,552			3,857,552	3,857,552		
Depreciation			1,358,092	1,358,092	1,088,493	269,599	269,599
Other Operating Expenses	49,503,712	(103,712)		49,400,000	43,973,660	3,432,890	5,426,340
<b>Total Expenses</b>	<u>\$ 150,351,825</u>	<u>\$ (1,003,387)</u>	<u>\$ 1,358,092</u>	<u>\$ 150,706,530</u>	<u>\$ 132,894,374</u>	<u>\$ 15,555,411</u>	<u>\$ 17,812,156</u>
Indirect Costs						\$ 15,555,411	\$ 17,812,156
Direct Costs						\$ 132,894,374	\$ 132,894,374
<b>Indirect Cost Rate</b>						11.71%	13.40%

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY  
OF HARRIS COUNTY, TEXAS  
DETAIL SCHEDULE OF DIRECT AND INDIRECT COSTS (UNAUDITED)  
Year Ended August 31, 2009**

	<u>Total Costs</u>	<u>Adjustments/ Exclusions</u>	<u>Indirect Cost Excluding Hurricane Ike Expenses</u>	<u>Indirect Cost Including Hurricane Ike Expenses</u>	<u>Direct Cost</u>
<b>EXPENDITURES:</b>					
Personal costs:					
Salaries and wages	\$ 78,101,016	\$	\$ 9,547,625	\$ 9,771,989	\$ 68,329,027
Fringe benefits	17,663,317		2,236,891	2,275,822	15,387,495
Client Living Cost	89,412				89,412
Consultation and professional fees	1,445,519	(13,594)	270,728	365,409	1,066,516
Travel - board and staff	2,493,567	(25)	106,348	106,439	2,387,103
<b>Consumable supplies:</b>					
Drugs	3,857,552				3,857,552
Food	267,087	(66,959)	410	2,263	197,865
Other	1,106,068	(69)	100,878	343,168	762,831
<b>Furniture and equipment:</b>					
Capital expenditures	108,000	(108,000)			
Rental	153,601		55,832	57,718	95,883
Repair and maintenance	947,760	(27)	(401,848)	(287,758)	1,235,491
<b>Building:</b>					
Capital expenditures from general operation					
Rental	868,354		66,606	68,100	800,254
Repair and maintenance	2,349,242	(2,312)	602,277	801,804	1,545,126
<b>Vehicles:</b>					
Capital expenditures	121,360	(121,360)			
Rental	6,804		6,804	6,804	
Repair and maintenance	208,870		33,616	33,616	175,254
<b>Contract with service agencies</b>	<b>29,544,122</b>	<b>(20,000)</b>	<b>65,273</b>	<b>65,273</b>	<b>29,458,849</b>
<b>Other:</b>					
Utilities, postage and telephone	2,035,332		533,394	539,585	1,495,747
Client transportation	25,854		1	1	25,853
Audit and legal fees	174,185		174,185	174,185	
Insurance	472,813		128,574	128,574	344,239
Meetings	5,220	(4,520)	450	450	250
Transfer and storage	147,692		18,921	116,602	31,090
Dues and subscriptions	168,145		144,627	144,627	23,518
Payment on note principal	670,315	(670,315)			
Interest charges	326,553		68,406	68,406	258,147
Client expenses - House Bill 1154	1,297,897				1,297,897
Laboratory expenses	264,184				264,184
Security expense	1,010,378		139,448	145,123	865,255
Miscellaneous	4,421,606	3,794	1,386,366	2,614,357	1,811,043
<b>Total expenditures</b>	<b>\$ 150,351,825</b>	<b>\$ (1,003,387)</b>	<b>\$ 15,285,812</b>	<b>\$ 17,542,557</b>	<b>\$ 131,805,881</b>
Equipment and vehicle depreciation	\$ 450,608		\$ 111,763	\$ 111,763	\$ 338,845
Buildings and improvements depreciation	907,484		157,836	157,836	749,648
<b>Total</b>	<b>\$ 151,709,917</b>	<b>\$ (1,003,387)</b>	<b>\$ 15,555,411</b>	<b>\$ 17,812,156</b>	<b>\$ 132,894,374</b>
Computation of indirect cost rate for the year ended August 31, 2009, excluding Hurricane Ike expenses					
Indirect costs			\$ 15,555,411		
Direct costs			\$ 132,894,374		11.71%
Computation of indirect cost rate for the year ended August 31, 2009, including Hurricane Ike expenses					
Indirect costs				\$ 17,812,156	
Direct costs				\$ 132,894,374	13.40%

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY  
OF HARRIS COUNTY**

*LOCAL SERVICE AREA POPULATION (UNAUDITED)*

*August 31, 2009*

Population of local service areas for which the following centers are the local Mental Health and Mental Retardation Authority. (Source: Texas Department of State Health Services, Est FY 2009):

<u>Center</u>	<u>Population of Mental Health Authority</u>	<u>Mental Retardation Authority</u>
ACCESS	\$ 108,346	\$ 108,346
Andrews Center	390,708	390,708
Austin-Travis County	927,884	927,884
Betty Hardwick (Abilene)	181,094	181,094
Bluebonnet Trails	743,737	743,737
Border Region	345,688	345,688
Brazos Valley	294,991	294,991
Burke Center	383,763	383,763
Camino Real	210,413	210,413
Center for Health Care Services	1,582,857	1,582,857
Center for Life Resources	101,962	101,962
Central Counties	399,476	399,476
Central Plains	100,348	100,348
Coastal Plains Center	245,944	245,944
Concho Valley	123,602	123,602
Dallas Metro Care Services		2,363,119
Denton County	710,453	710,453
El Paso	764,639	764,639
Gulf Bend	181,911	181,911
Gulf Coast Center	591,252	591,252
Harris County	3,936,060	3,936,060
Heart of Texas	345,227	345,227
Helen Farabee Center	307,014	307,014
Hill Country	578,328	578,328
Lakes Regional Center	159,706	637,453
LifePath Systems		799,931
Lubbock	301,512	301,512
NorthStar	3,640,797	
Nueces County	325,199	325,199
Pecan Valley	407,636	407,636
Permian Basin	301,126	301,126
Sabine Valley	443,568	443,568
Spindletop	425,037	425,037
Tarrant County	1,759,395	1,759,395
Texana	711,193	711,193
Texas Panhandle	392,604	392,604
Texoma	198,006	198,006
Tri-County	595,992	595,992
Tropical Texas	1,206,162	1,206,162
West Texas	213,624	213,624
<b>Total</b>	<u>\$ 24,637,254</u>	<u>\$ 24,637,254</u>

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY  
OF HARRIS COUNTY**

**DEMOGRAPHIC STATISTICS OF THE LOCAL SERVICE AREA(UNAUDITED)**

*Last Ten Calendar Years*

<b>Calendar Year</b>	<b>Population (A)</b>	<b>Per Capita Personal Income (A)</b>	<b>Public School Enrollment (B)</b>	<b>Unemployment Rate (A)</b>
1999	3,359,671	\$ 32,633	648,784	4.1%
2000	3,400,578	35,617	663,713	4.3%
2001	3,483,800	37,238	681,963	4.7%
2002	3,558,978	36,049	700,090	6.1%
2003	3,616,850	36,900	713,461	6.8%
2004	3,672,691	39,796	725,855	6.3%
2005	3,735,075	43,028	755,290	5.7%
2006	3,858,432	46,132	762,284	5.1%
2007	3,912,196	49,634	774,068	4.3%
2008	3,984,349	not available	790,874	4.8%

(A) Source: Texas Workforce Commission

(B) Source: Texas Education Authority

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY  
OF HARRIS COUNTY**  
*PRINCIPAL EMPLOYERS IN THE CATCHMENT AREA (UNAUDITED)*  
*Current Year and Nine Years Ago\**

<u>Employer</u>	<u>2008</u>			<u>1999</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Administaff, Inc.	22,475	1	0.84%			
Wal-Mart Stores, Inc.	17,260	2	0.65%			
Continental Airlines	15,522	3	0.58%	16,000	2	0.72%
Exxon Mobil	15,340	4	0.58%			
CenterPoint Energy (former Houston Industries)	8,568	5	0.32%			
Baker Hughes, Inc.	8,500	6	0.32%			
National Oilwell Varco	7,400	7	0.28%			
AT&T, Inc. (former SBC/Southwestern Bell)	7,018	8	0.26%			
Chevron/Texaco	7,011	9	0.26%			
JP Morgan Chase (former Texas Commerce Bank)	5,900	10	0.22%			
Halliburton Companies				16,622	1	0.74%
Shell Oil Company				14,000	3	0.63%
Compaq Computer				13,778	4	0.62%
Houston Industries (HL&P & Entex)				13,412	5	0.60%
Columbia.HCA				12,900	6	0.58%
Kroger Food Stores				9,600	7	0.43%
Randalls Food Markets, Inc.				8,900	8	0.40%
Pappas Restaurants, Inc.				8,500	9	0.38%
SBC				7,600	10	0.34%
	<u>114,994</u>			<u>121,312</u>		

\* Based on calendar year.

Source: Houston Business Journal, Business First Survey/Greater Houston Partnership/HBJ

Note: Total County employment for 2008 was approximately 2,664,000 and for 1999 was 2,237,663.

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY  
 OF HARRIS COUNTY**  
**FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION/PROGRAM (UNAUDITED)**  
*Last Eight Fiscal Years \**

<b>Function/Program</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Adult Mental Health	504.38	446.90	353.30	453.99	554.22	515.05	474.61	534.16
Mental Retardation	487.94	470.65	368.60	377.67	417.83	422.90	441.08	471.16
Child and Adolescent	129.81	90.50	141.80	111.14	154.61	179.95	189.87	192.47
Crisis Center	126.02	154.65	187.15	203.20	198.74	201.90	240.93	277.05
Administration	278.91	227.10	202.00	169.75	174.35	185.75	194.36	202.86
<b>Total</b>	<b>1,527.06</b>	<b>1,389.80</b>	<b>1,252.85</b>	<b>1,315.75</b>	<b>1,499.75</b>	<b>1,505.55</b>	<b>1,540.85</b>	<b>1,677.70</b>

\* Full-time equivalent information prior to FY 2002 not available.

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY  
OF HARRIS COUNTY**

**OPERATING INDICATORS BY FUNCTION/PROGRAM (UNAUDITED)**

*Last Ten Fiscal Years*

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Admissions:</b>										
Mental Health	15,991	12,006	13,973	14,014	15,241	16,709	17,560	14,735	21,696	13,773
Mental Retardation	1,671	1,931	2,784	4,011	5,191	5,026	5,308	5,956	6,626	9,777
<b>Total admissions</b>	<u>17,662</u>	<u>13,937</u>	<u>16,757</u>	<u>18,025</u>	<u>20,432</u>	<u>21,735</u>	<u>22,868</u>	<u>20,691</u>	<u>28,322</u>	<u>23,550</u>
<b>Total clients served (unduplicated):</b>										
Mental Health	27,085	28,993	25,595	27,448	28,176	29,212	32,244	34,023	28,233	30,672
Mental Retardation	4,751	5,623	7,532	8,786	8,761	8,579	9,341	9,870	11,973	14,348
<b>Total clients served</b>	<u>31,836</u>	<u>34,616</u>	<u>33,127</u>	<u>36,234</u>	<u>36,937</u>	<u>37,791</u>	<u>41,585</u>	<u>43,893</u>	<u>40,206</u>	<u>45,020</u>

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY  
OF HARRIS COUNTY**

**GENERAL FUND REVENUE BY SOURCE OF FUNDS (UNAUDITED)**

*Last Ten Fiscal Years*

<b>Fiscal Year</b>	<b>Local Funds</b>	<b>State Funds</b>	<b>Federal Funds</b>	<b>Total</b>
2009	\$ 57,888,002	\$ 83,161,961	\$15,740,531	\$156,790,494
2008	53,333,683	76,936,456	13,270,045	143,540,184
2007	52,180,624	71,348,608	14,275,329	137,804,561
2006	53,649,455	64,255,040	11,314,939	129,219,434
2005	48,841,258	66,089,752	10,972,641	125,903,651
2004	48,414,839	67,088,804	9,180,659	124,684,302
2003	46,534,190	81,631,539	9,096,999	137,262,728
2002	41,722,282	84,460,522	13,565,940	139,748,744
2001	42,734,631	76,686,336	12,770,885	132,191,852
2000	35,404,218	74,991,353	11,758,402	122,153,973

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY  
OF HARRIS COUNTY**

**GENERAL FUND EXPENDITURES BY CATEGORY (UNAUDITED)**

*Last Ten Fiscal Years*

<b>Fiscal Year</b>	<b>Mental Health</b>	<b>Mental Retardation</b>	<b>Administration</b>	<b>Total</b>
2009	\$ 100,759,324	\$ 32,486,993	\$ 17,105,508	\$ 150,351,825
2008	100,027,256	29,847,368	12,243,758	142,118,382
2007	92,448,978	27,600,507	13,701,178	133,750,663
2006	88,575,211	25,802,648	13,688,111	128,065,970
2005	82,582,767	23,717,899	12,790,985	119,091,651
2004	81,169,594	25,829,964	17,682,795	124,682,353
2003	83,421,687	30,093,120	20,823,820	134,338,627
2002	96,012,949	30,750,850	17,924,122	144,687,921
2001	90,390,501	29,337,791	17,077,865	136,806,157
2000	78,798,837	26,007,527	20,339,622	125,145,986

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY  
OF HARRIS COUNTY**  
*CAPITAL ASSETS BY GOVERNMENTAL ACTIVITY (UNAUDITED)*  
*Last Five Fiscal Years*

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Adult Mental Health</b>					
Land	\$ 1,874,313	\$ 1,874,313	\$ 1,774,221	\$ 1,774,221	\$ 1,774,221
Buildings and improvements	10,684,764	10,678,064	10,563,939	10,563,939	10,563,939
Equipment and furniture	2,058,098	2,006,922	1,990,410	1,996,762	1,995,971
Vehicles	446,350	397,904	272,914	152,654	152,654
<b>Total capital assets for Adult Mental Health</b>	<u>15,063,525</u>	<u>14,957,203</u>	<u>14,601,484</u>	<u>14,487,576</u>	<u>14,486,785</u>
<b>Mental Retardation</b>					
Land	870,772	870,772	870,772	870,772	870,772
Buildings and improvements	4,754,955	4,781,827	4,781,827	4,781,827	4,781,827
Equipment and furniture	1,497,674	1,460,434	1,448,419	1,453,042	1,452,466
Vehicles	510,083	468,225	461,996	469,777	469,777
<b>Total capital assets for Mental Retardation</b>	<u>7,633,484</u>	<u>7,581,258</u>	<u>7,563,014</u>	<u>7,575,418</u>	<u>7,574,842</u>
<b>Child and Adolescent</b>					
Land	138,700	138,700	138,700	138,700	138,700
Buildings and improvements	2,479,474	2,496,099	2,496,099	2,496,099	2,496,099
Equipment and furniture	727,520	709,430	703,594	705,839	705,559
<b>Total capital assets for Child and Adolescent</b>	<u>3,345,694</u>	<u>3,344,229</u>	<u>3,338,393</u>	<u>3,340,638</u>	<u>3,340,358</u>
<b>Crisis Center</b>					
Buildings and improvements	2,442,010	2,439,691	2,439,691	2,439,691	2,439,691
Equipment and furniture	539,108	525,703	521,378	548,908	573,344
Vehicles	235,001	186,867	258,863	395,747	468,553
<b>Total capital assets for Crisis Center</b>	<u>3,216,119</u>	<u>3,152,261</u>	<u>3,219,932</u>	<u>3,384,346</u>	<u>3,481,588</u>
<b>Administration</b>					
Land	531,068	531,068	531,068	531,068	436,250
Buildings and improvements	4,387,139	4,390,552	4,390,552	4,390,552	4,033,428
Equipment and furniture	2,053,972	2,002,900	1,986,422	1,992,763	1,991,973
Vehicles	38,172	54,395	54,395	175,819	171,925
<b>Total capital assets for Administration</b>	<u>7,010,351</u>	<u>6,978,915</u>	<u>6,962,437</u>	<u>7,090,202</u>	<u>6,633,576</u>
<b>Total capital assets</b>	<u>\$ 36,269,173</u>	<u>\$ 36,013,866</u>	<u>\$ 35,685,260</u>	<u>\$ 35,878,180</u>	<u>\$ 35,517,149</u>

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY  
OF HARRIS COUNTY**  
*RECONCILIATION OF TOTAL REVENUES TO FOURTH QUARTER FINANCIAL REPORT (UNAUDITED)*  
*Year Ended August 31, 2009*

	<b>Revenues</b>			
	<b>Per Center CARE Report III</b>	<b>Additions</b>	<b>Deletions</b>	<b>Per Audited Financial Statements</b>
<b>Local Revenues</b>				
Harris County	\$ 30,089,946	\$ 276,785	(a)	\$ 30,366,731
Patient Fees and Private Insurance	1,031,830			792,460
Medicare	579,651			579,651
Medicaid	11,831,423	92,712	(b)	11,924,134
ICF/MR, HCS, and Texas Home Living	6,673,667			6,673,667
Administrative Claiming	3,485,272			3,485,272
Interest on investments	314,628	5,489	(a)	299,002
Miscellaneous	15,693,816	275,648	(a),(b)	3,767,085
<b>Total Local Sources</b>	<u>69,700,233</u>	<u>650,634</u>		<u>57,888,002</u>
<b>State General Revenue</b>	76,421,161			75,724,908
<b>Other State Sources:</b>				
Early Childhood Intervention	8,735,056			2,375,698
Department of Assistive and Rehabilitative Services-Rehab	1,029,323			1,029,323
Texas Council on Offenders with Mental Impairments	3,598,828			3,598,828
Texas Department of Criminal Justice	433,203	1	(d)	433,204
<b>Total Other State Sources</b>	<u>13,796,410</u>	<u>1</u>		<u>7,437,053</u>
<b>Total State Revenue</b>	<u>90,217,571</u>	<u>1</u>		<u>83,161,961</u>
<b>Federal Sources:</b>				
Mental Health Block Grant	3,081,806			3,081,806
Social Services Block Grant - Title XX	269,679			269,679
MH Block Path		795,770	(a)	795,770
Early Childhood Intervention		6,359,357	(b)	6,359,357
Hurricane Ike Disaster Relief	686,713			686,713
Mental Health/Disaster Services-Immediate Service Program	1,827,089			1,827,089
Youth Mental Health Outcomes	7,537			7,537
HUD - Transitional Housing - Safe Haven	343,210			343,210
Shelter Plus Care	223,873			223,873
Community Development Block Grant-Project H.E.L.P.	687,697			687,697
Community Development Block Grant-Katrina/Rita	1,457,800			1,457,800
<b>Total Federal Sources</b>	<u>8,585,404</u>	<u>7,155,127</u>		<u>15,740,531</u>
<b>Total Revenue</b>	<u>\$ 168,503,208</u>	<u>\$ 7,805,762</u>		<u>\$ 156,790,494</u>

- (a) Audit adjustment
- (b) Revenue reclassification
- (c) Reclassification to other financing sources.
- (d) Rounding adjustment

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY  
OF HARRIS COUNTY**

**RECONCILIATION OF TOTAL EXPENDITURES TO FOURTH QUARTER FINANCIAL REPORT (UNAUDITED)**

Year Ended August 31, 2009

Object of Expenditure	Expenditures				Per Audited Financial Statements
	Per Center CARE Report III	Additions		Deletions	
Salaries	\$ 77,438,989	\$ 662,027	(a)	\$	\$ 78,101,016
Employee Benefits	17,748,363	151,416	(a)	236,462	(a) 17,663,317
Professional and Consultant Services	7,714,718				7,714,718
Training and Travel	2,489,658	3,910	(a)	1	(c) 2,493,567
Debt Service	996,867	1	(c)		996,868
Capital Outlay	958,836			729,476	(b) 229,360
Non-Capitalized Equipment	2,387,908	376	(a)		2,388,284
Pharmaceutical Expense (medication and script process)	3,681,835	112,943	(a)	61,398	(b) 3,733,380
Pharmaceutical Expense (PAP only)	11,757,029	105,309	(a),(b)	11,862,338	(a)
Other Operating Expense	36,725,283	893,483	(a),(b),(c)	587,451	(a) 37,031,315
<b>Total Expenditures</b>	<b>\$ 161,899,486</b>	<b>\$ 1,929,465</b>		<b>\$ 13,477,126</b>	<b>\$ 150,351,825</b>

- (a) Audit adjustment
- (b) Expenditure reclassification
- (c) Rounding adjustment

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY**  
**OF HARRIS COUNTY**  
**SUMMARY SCHEDULE OF MENTAL HEALTH ADULT, MENTAL HEALTH CHILDREN,**  
**AND MENTAL RETARDATION EXPENDITURES BY SERVICE CATEGORY AND**  
**SOURCE OF FUNDS (UNAUDITED)**  
**Year Ended August 31, 2009**

<b>Service Categories (by Funding Source)</b>	<b>Mental Health Adult</b>	<b>Mental Health Children</b>	<b>Mental Retardation</b>	<b>Total</b>	<b>Approved Budget</b>	<b>Variance</b>
General Revenue - Mental Health	\$ 26,932,853	\$ 10,118,248	\$	\$ 37,051,101	\$ 37,467,811	\$ 416,710
General Revenue - Mental Retardation			10,852,444	10,852,444	10,978,558	126,114
In Home and Family Support - MR			1,297,897	1,297,897	1,341,427	43,530
New Generation Medications	7,205,701	38,069		7,243,770	7,243,770	
Community Hospitals	19,279,696			19,279,696	19,279,696	
HCS			4,701,524	4,701,524	4,496,927	(204,597)
ICF-MR			1,737,819	1,737,819	1,779,517	41,698
Texas Home Living Waiver			234,324	234,324	288,335	54,011
PATH	795,770			795,770	795,770	
Title XX Social Services Block Grant		269,679		269,679	269,679	
Mental Health Block Grant	2,265,141	816,665		3,081,806	3,081,806	
Medicaid	5,998,950	3,243,134	2,185,067	11,427,151	9,827,999	(1,599,152)
Medicaid Administrative Claiming	1,548,195	396,023	864,495	2,808,713	3,046,473	237,760
HUD - Transitional Housing - Safe Haven	343,210			343,210	332,242	(10,968)
Shelter Plus Care	223,873			223,873	468,297	244,424
Hurricane Ike Disaster Relief	686,713			686,713		(686,713)
Youth Mental Health Outcomes	7,537			7,537		(7,537)
Community Development Block Grant-Project H.E.L.P.	687,697			687,697	524,520	(163,177)
Community Development Block Grant-Katrina/Rita Counseling	1,457,800			1,457,800	1,289,497	(168,303)
Mental Health/Disaster Services-Immediate Service Program	1,827,089			1,827,089	3,692,971	1,865,882
Texas Department of Criminal Justice	433,204			433,204	446,000	12,796
DARS-Autism			1,029,323	1,029,323	1,150,000	120,677
Early Childhood Intervention			8,735,055	8,735,055	9,194,800	459,745
Texas Council on Offenders with Mental Impairments	2,882,520	716,308		3,598,828	3,554,762	(44,066)
Required Local Match	4,656,451	596,045	1,416,747	6,669,243	6,669,242	(1)
Additional Local Funds	18,197,575	1,187,494	4,485,490	23,870,559	35,825,739	11,955,180
<b>Total Expended Sources</b>	<b>\$ 95,429,975</b>	<b>\$ 17,381,665</b>	<b>\$ 37,540,185</b>	<b>\$ 150,351,825</b>	<b>\$ 163,045,838</b>	<b>\$ 12,694,013</b>

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY  
OF HARRIS COUNTY**  
*SCHEDULE OF REVENUES AND EXPENDITURES BY SOURCE OF FUNDS,  
GENERAL FUND (UNAUDITED)*  
Year Ended August 31, 2009

<u>Fund Source</u>	<u>Total Revenue</u>	<u>Total Mental Health Adult Expenditures</u>	<u>Total Mental Health Children Expenditures</u>	<u>Total Mental Retardation Expenditures</u>	<u>Total Center Expenditures</u>	<u>Excess Revenues Over Expenditures</u>
<b>Objects of Expense:</b>						
Salaries	\$ 78,101,016	\$ 45,411,069	\$ 12,222,025	\$ 20,467,922	\$ 78,101,016	
Employee Benefits	17,663,317	9,778,288	2,771,962	5,113,067	17,663,317	
Professional and Consultant Fees	7,714,718	3,104,646	(182,268)	4,792,340	7,714,718	
Training and Travel	2,493,567	1,544,161	363,176	586,230	2,493,567	
Debt Service	996,868	563,905	139,913	293,050	996,868	
Capital Outlay	229,360	(127,266)	117,355	239,271	229,360	
Non-capitalized Equipment	2,388,284	1,391,487	283,180	713,617	2,388,284	
Pharmaceutical Expense (medication and script process)	3,733,380	3,531,830	201,550		3,733,380	
Other Operating Expense	37,031,315	30,231,855	1,464,772	5,334,688	37,031,315	
<b>Total Expenditures</b>	<b>\$ 150,351,825</b>	<b>\$ 95,429,975</b>	<b>\$ 17,381,665</b>	<b>\$ 37,540,185</b>	<b>\$ 150,351,825</b>	
<b>Method of Finance:</b>						
General Revenue - Mental Health	\$ 37,703,824	\$ 26,932,853	\$ 10,118,248	\$	\$ 37,051,101	\$ 652,723
General Revenue - Mental Retardation	10,978,558			10,852,444	10,852,444	126,114
In Home and Family Support - MR	1,341,427			1,297,897	1,297,897	43,530
New Generation Medications	7,243,770	7,205,701	38,069		7,243,770	
Community Hospitals	19,279,696	19,279,696			19,279,696	
HCS	4,701,524			4,701,524	4,701,524	
ICF-MR	1,737,819			1,737,819	1,737,819	
Texas Home Living Waiver	234,324			234,324	234,324	
PATH	795,770	795,770			795,770	
Title XX Social Services Block Grant	269,679		269,679		269,679	
Mental Health Block Grant	3,081,806	2,265,141	816,665		3,081,806	
Medicaid	11,924,135	5,998,950	3,243,134	2,185,067	11,427,151	496,984
Medicaid Administrative Claiming	3,485,272	1,548,195	396,023	864,495	2,808,713	676,559
HUD - Transitional Housing - Safe Haven	343,210	343,210			343,210	
Shelter Plus Care	223,873	223,873			223,873	
Hurricane Ike Disaster Relief	686,713	686,713			686,713	
Youth Mental Health Outcomes	7,537	7,537			7,537	
Community Development Block Grant-Project H.E.L.P.	687,697	687,697			687,697	
Community Development Block Grant-Katrina/Rita Counseling	1,457,800	1,457,800			1,457,800	
Mental Health/Disaster Services-Immediate Service Program	1,827,089	1,827,089			1,827,089	
Texas Department of Criminal Justice	433,204	433,204			433,204	
DARS-Autism	1,029,323			1,029,323	1,029,323	
Early Childhood Intervention	8,735,055			8,735,055	8,735,055	
Texas Council on Offenders with Mental Impairments	3,598,828	2,882,520	716,308		3,598,828	
Required Local Match	6,669,243	4,656,451	596,045	1,416,747	6,669,243	
Additional Local Funds	29,135,685	18,197,575	1,187,494	4,485,490	23,870,559	5,265,126
<b>Total Expended Sources</b>	<b>\$ 157,612,861</b>	<b>\$ 95,429,975</b>	<b>\$ 17,381,665</b>	<b>\$ 37,540,185</b>	<b>\$ 150,351,825</b>	<b>\$ 7,261,036</b>

**MENTAL HEALTH MENTAL RETARDATION AUTHORITY  
OF HARRIS COUNTY**  
**SCHEDULE OF MENTAL HEALTH ADULT EXPENDITURES BY SERVICE CATEGORY AND SOURCE OF FUNDS (UNAUDITED)**  
**Year Ended August 31, 2009**

Service Categories (by Funding Source)	New Generation Medications	Other Medications (Pills & Injections)	Medication Related Services (EKG & Labs)	Medicaid Type Services (Both Eligible and Ineligible)	Value Added Services	Screening & Eligibility	All Other Outpatient Services	Crisis Residential	Crisis Outpatient	Crisis Screening & Eligibility	Crisis Other	New Crisis Services - Crisis Residential	New Crisis Services - Crisis Outpatient	New Crisis Services - Crisis Screening & Eligibility	New Crisis Services - Crisis Other	Community Hospital (Inpatient Only)	Other Services Non-Priority Population	Total
General Revenue - Mental Health	\$	\$	\$	\$ 13,090,574	\$ 130,656	\$	\$ 3,323,153	\$	\$ 1,714,489	\$ 259,960	\$	\$ 2,954,300	\$ 4,974,814	\$ 171,172	\$ 313,735	\$	\$	\$ 26,932,853
New Generation Medications	2,494,905			4,710,796														7,205,701
Community Hospitals							795,770									19,279,696		19,279,696
PATH																		795,770
Mental Health Block Grant				2,265,141														2,265,141
Medicaid			7,254	5,793,428	72,550	7,254			52,427	66,037								5,998,950
Medicaid Administrative Claiming			975	931,804	9,749	975		18,370	301,554	255,120	29,648							1,548,195
HUD - Transitional Housing - Safe Haven				343,210														343,210
Shelter Plus Care							223,873											223,873
Hurricane Ike Disaster Relief																	686,713	686,713
Youth Mental Health Outcomes																	7,537	7,537
Community Development Block Grant-Project H.E.L.P.							687,697											687,697
Community Development Block Grant-Katrina/Rita Counseling																	1,457,800	1,457,800
Mental Health/Disaster Services- Immediate Service Program																	1,827,089	1,827,089
Texas Department of Criminal Justice			4,332	381,219	43,320	4,333												433,204
Texas Council on Offenders with Mental Impairments		209,259	26,733	2,352,469	267,326	26,733			2,636,298	294,020								4,656,451
Required Local Match				1,726,133					4,140,216	2,026,966								8,193,118
Additional Local Funds		776,121	6,529		85,295	2,400	3,254,203	3,897,618	4,140,216	2,026,966	13,001					3,995,226		18,197,575
<b>Total Expended Sources</b>	<b>\$ 2,494,905</b>	<b>\$ 985,380</b>	<b>\$ 45,823</b>	<b>\$ 31,594,774</b>	<b>\$ 608,896</b>	<b>\$ 41,695</b>	<b>\$ 8,284,696</b>	<b>\$ 3,915,988</b>	<b>\$ 8,844,984</b>	<b>\$ 2,902,103</b>	<b>\$ 42,649</b>	<b>\$ 2,954,300</b>	<b>\$ 4,974,814</b>	<b>\$ 171,172</b>	<b>\$ 313,735</b>	<b>\$ 23,274,922</b>	<b>\$ 3,979,139</b>	<b>\$ 95,429,975</b>

**MENTAL HEALTH MENTAL RETARDATION AUTHORITY  
OF HARRIS COUNTY**  
*SCHEDULE OF MENTAL HEALTH CHILDREN EXPENDITURES BY SERVICE CATEGORY AND SOURCE OF FUNDS (UNAUDITED)*  
Year Ended August 31, 2009

Service Categories (by Funding Source)	New Generation Medications	Other Medications (Pills & Injections)	Medicaid Type Services (Both Eligible and Ineligible)	Value Added Services	All Other Outpatient Services	Crisis Outpatient	Crisis Screening & Eligibility	Crisis Other	Waiting List Children	Other Services Non- Priority Population	Total
General Revenue - Mental Health	\$		\$ 8,803,575	\$	\$	\$ 871,932	\$ 234,994	\$	\$ 207,747	\$	\$ 10,118,248
New Generation Medications	38,069										38,069
Title XX Social Services Block Grant			269,679								269,679
Mental Health Block Grant			816,665								816,665
Medicaid			3,141,370			78,777	22,987				3,243,134
Medicaid Administrative Claiming			305,238			38,249	27,905	24,631			396,023
Texas Council on Offenders with Mental Impairments			716,308								716,308
Required Local Match					447,427	118,670	29,948				596,045
Additional Local Funds		163,481	246,161	10,412	688,765	19,399	5,532	52,436		1,308	1,187,494
Total Expended Sources	\$ 38,069	\$ 163,481	\$ 14,298,996	\$ 10,412	\$ 1,136,192	\$ 1,127,027	\$ 321,366	\$ 77,067	\$ 207,747	\$ 1,308	\$ 17,381,665

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY  
OF HARRIS COUNTY**  
*SCHEDULE OF MENTAL RETARDATION EXPENDITURES BY SERVICE CATEGORY AND SOURCE OF FUNDS (UNAUDITED)*  
*Year Ended August 31, 2009*

Service Categories (by Funding Source)	Assessment, Eligibility Determination	Service Coordination	Independent Living, Community Support	Respite	Employment Assistance/ Supported Employment	Vocational Training	Day Habilitation	Specialized Therapies	MR Residential Services	In Home and Family Support	HCS	Texas Home Living	ICF-MR	Other Services Non-Priority Population	Total
General Revenue - Mental Retardation	\$ 1,700,361	\$ 1,741,268	\$ 882,463	\$ 1,349,481	\$ 1,593,052	\$ 326,731	\$ 947,493	\$ 2,196,751	\$ 114,844	\$	\$	\$	\$	\$	\$ 10,852,444
In Home and Family Support - MR										1,297,897					1,297,897
HCS											4,701,524				4,701,524
ICF-MR													1,737,819		1,737,819
Texas Home Living Waiver												234,324			234,324
Medicaid	29,657	869,710	29,657	29,657	29,657	29,657	30,548	129,999						1,006,525	2,185,067
Medicaid Administrative Claiming	613,223	184,850												66,422	864,495
DARS-Autism			102,932				463,196	463,195							1,029,323
Early Childhood Intervention														8,735,055	8,735,055
Required Local Match	21,720	263,407	246,946	84,687	8,351	1,691	100,859	689,086							1,416,747
Additional Local Funds	44,728	623,557	38,363	53,732	98,832	9,683	229,588	241,544	6,317	361,840	799,937	10,854	449,515	1,517,000	4,485,490
<b>Total Expended Sources</b>	<b>\$ 2,409,689</b>	<b>\$ 3,682,792</b>	<b>\$ 1,300,361</b>	<b>\$ 1,517,557</b>	<b>\$ 1,729,892</b>	<b>\$ 367,762</b>	<b>\$ 1,771,684</b>	<b>\$ 3,720,575</b>	<b>\$ 121,161</b>	<b>\$ 1,659,737</b>	<b>\$ 5,501,461</b>	<b>\$ 245,178</b>	<b>\$ 2,187,334</b>	<b>\$ 11,325,002</b>	<b>\$ 37,540,185</b>

**MENTAL HEALTH MENTAL RETARDATION AUTHORITY**  
**OF HARRIS COUNTY**  
**SCHEDULE OF LEASES IN EFFECT (UNAUDITED)**  
*Year Ended August 31, 2009*

<b>Lessor</b>	<b>Address</b>	<b>Monthly Amount 2009</b>	<b>Beginning Date</b>	<b>Termination Date</b>
City of Houston, Multiservice	4014 Market - Houston, TX	\$345	Month to month	
Bernstein-Perwien Properties	7062B Lakeview Haven Dr, Ste 114 - Houston, TX	\$273	9/1/2008	8/31/2009
MH Forensic, Jail-Ampco Systems	Franklin at LaBranch - Houston, TX	\$3,600	8/1/2009	7/31/2010
Harris County Facilities & Property	5518 Jackson St.- Houston, TX	\$50/yr	Annually	4/30/2010
NCI Tsanoff-Ripley	340 N Sidney - Houston, TX	\$18,097	4/1/1992	12/31/2010
Plazer Properties, Ltd.	3600 S. Gessner, Suite 110 - Houston, TX	\$20,856	6/1/2006	10/31/2011
Long Point Plaza II	9610 Long Point, Suite 351 - Houston, TX	\$174	11/1/2007	10/31/2010
Houston RE Income Properties	2909 Hillcroft, Suite 320 - Houston, TX	\$4,111	2/1/2008	9/30/2009
AT&T Operations, Inc.	6200 Savoy - Houston, TX	\$3,023	1/1/2009	11/30/2009
Pasadena Cottages	2212 Wichita - Pasadena, TX	\$3,600	Month to month	Month to month
Harris County Hospital District	1502 Taub Loop	\$1/year	PP for 25 Year	2024
Harris County Jail	3540 West Dallas	Free		

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY  
OF HARRIS COUNTY  
SCHEDULE OF LAND, BUILDINGS AND EQUIPMENT (UNAUDITED)  
Year Ended August 31, 2009**

	<b>Assets</b>			<b>August 31, 2009</b>
	<b>September 1, 2008</b>	<b>Additions</b>	<b>Retirements</b>	
Land	\$ 3,314,761	\$	\$ 94,818	\$ 3,219,943
Buildings and improvements	24,672,108		357,124	24,314,984
Furniture and equipment	6,697,314	108,000	86,001	6,719,313
Vehicles	1,193,997	121,360	52,448	1,262,909
	<u>\$ 35,878,180</u>	<u>\$ 229,360</u>	<u>\$ 590,391</u>	<u>\$ 35,517,149</u>

	<b>Accumulated Depreciation</b>			<b>August 31, 2009</b>
	<b>September 1, 2008</b>	<b>Additions</b>	<b>Retirements</b>	
Land	\$	\$	\$	\$
Buildings and improvements	10,495,528	907,484	185,719	11,217,293
Furniture and equipment	6,075,126	263,708	78,750	6,260,084
Vehicles	527,488	186,900	50,934	663,454
	<u>\$ 17,098,142</u>	<u>\$ 1,358,092</u>	<u>\$ 315,403</u>	<u>\$ 18,140,831</u>

Note: Depreciation is not recorded in the fund financial statements.

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY  
OF HARRIS COUNTY**  
*SCHEDULE OF INSURANCE COVERAGE (UNAUDITED)*  
*Year Ended August 31, 2009*

**Property Insurance**

Insurer: Texas Council Risk Management Fund

Locations:	Policy Period	Insurance Amount		
		Building	Contents	Total
2001 Cedar Bayou	9/1/2008-9/1/2009	\$ 476,204	\$	\$ 476,204
6125 Hillcroft	9/1/2008-9/1/2009	971,532	66,905	1,038,437
7200 N. Loop East	9/1/2008-9/1/2009	1,753,891	55,483	1,809,374
3737 Dacoma	9/1/2008-9/1/2009	3,492,863	304,949	3,797,812
11151 Bob White	9/1/2008-9/1/2009	163,007	129,613	292,620
526 Applewhite	9/1/2008-9/1/2009	143,855	19,528	163,383
2627 Caroline	9/1/2008-9/1/2009	2,151,486	357,881	2,509,367
1313 Dennis	9/1/2008-9/1/2009	87,671	5,549	93,220
3630 West Dallas	9/1/2008-9/1/2009	3,874,287	238,415	4,112,702
1215 Dennis	9/1/2008-9/1/2009	871,176	10,254	881,430
1502 Ben Taub Loop	9/1/2008-9/1/2009	5,000	279,835	284,835
7011 Southwest Fwy.	9/1/2008-9/1/2009	12,323,713	2,263,519	14,587,232
7033 Southwest Fwy.	9/1/2008-9/1/2009	887,043	169,943	1,056,986
4414 Navigation	9/1/2008-9/1/2009		362,104	362,104
612A-E Branard	9/1/2008-9/1/2009	506,806	3,820	510,626
6607 Stonechase	9/1/2008-9/1/2009	134,888		134,888
6032 Airline Dr.	9/1/2008-9/1/2009	974,532	128,278	1,102,810
5518 Jackson	9/1/2008-9/1/2009	320,357	11,489	331,846
3540 West Dallas	9/1/2008-9/1/2009		5,660	5,660
2800 S. McGregor	9/1/2008-9/1/2009		44,975	44,975
6603 Barbarella	9/1/2008-9/1/2009	174,195	21,666	195,861
5901 Long Dr.	9/1/2008-9/1/2009	4,090,468	602,449	4,692,917
5705 Warm Springs	9/1/2008-9/1/2009	209,534	14,522	224,056
6805 Oak Village Dr.	9/1/2008-9/1/2009	601,816	55,483	657,299
5959-G Long Drive	9/1/2008-9/1/2009		5,330	5,330
1200 Baker Street	9/1/2008-9/1/2009		64,229	64,229
2208A-D Cedar Bayou	9/1/2008-9/1/2009	890,970	27,744	918,714
9610 Long Point, Suite 351	9/1/2008-9/1/2009		2,575	2,575
2909 Hillcroft, Suite 120	9/1/2008-9/1/2009		24,720	24,720

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY  
OF HARRIS COUNTY**  
*SCHEDULE OF INSURANCE COVERAGE (UNAUDITED) (continued)*  
*Year Ended August 31, 2009*

**Flood Insurance**

*Insurer: Travelers Insurance*

<b>Locations:</b>	<b>Policy Period</b>	<b>Insurance Amount</b>		
		<b>Building</b>	<b>Contents</b>	<b>Total</b>
1502 Ben Taub Loop	9/1/2008-9/1/2009	\$	\$ 181,200	\$ 181,200
2800 S. McGregor	9/1/2008-9/1/2009		50,000	50,000
7011 Southwest Freeway	9/15/2008-9/15/2009	500,000	250,000	750,000
3737 Dacoma Street	10/3/2008-10/3/2009	500,000	300,000	800,000
7200 North Loop East	10/3/2008-10/3/2009	500,000	300,000	800,000
2001 Cedar Bayou Road	10/3/2008-10/3/2009	500,000	100,000	600,000
11511 Bob White Drive	10/3/2008-10/3/2009	178,500	25,000	203,500
1215 Dennis	10/6/2008-10/6/2009	200,000	50,000	250,000
1313 Dennis	10/6/2008-10/6/2009	100,000	5,000	105,000
2627 Caroline	10/6/2008-10/6/2009	500,000	250,000	750,000
7033 Southwest Freeway	10/6/2008-10/6/2009	300,000	50,000	350,000
612B Branard	10/6/2008-10/6/2009	100,000	30,000	130,000
612C Branard	10/6/2008-10/6/2009	100,000	30,000	130,000
5707 Warm Springs	11/4/2008-11/4/2009	150,000	25,000	175,000
2122A Wichita Street	11/4/2008-11/4/2009	200,000	50,000	250,000
2122B Wichita Street	11/4/2008-11/4/2009	200,000	50,000	250,000
5901 Long Drive	1/18/2009-1/18/2010	500,000	200,000	700,000
6032 Airline Drive	8/14/2009-8/14/2010	500,000	80,500	580,500
6125 Hillcroft Street	8/14/2009-8/14/2010	500,000	80,500	580,500

**OF HARRIS COUNTY**

**SCHEDULE OF INSURANCE COVERAGE (UNAUDITED) (continued)**

**Year Ended August 31, 2009**

**Property**

Insurer:	Texas Council Risk Management Fund		
Policy Period:	09/01/08 - 09/01/09		
	Blanket Limit		
	Building Limit	\$	35,147,296
	BPP Limit	\$	5,276,920
	EDP Limit	\$	7,279,595
	Boiler/Machinery Limit	\$	48,382,102
	Business Income	\$	1,000,000
	Sublimit	\$	100,000
	Deductible except Wind	\$	1,000
	Wind Deductibles (TIV = Bldg + BPP)		Named Storm
	Tier 1 Per Location Deductible	2% TIV or \$75,000 minimum	
	Tier 2 Per Location Deductible	\$	1,000
	Flood		
	High Risk Zone		No Coverage
	Zone B - \$1000,000 Deductible	\$	1,500,000
	Harris County Zone B Excluded		
	Zone C - \$1.000 Deductible	\$	5,000,000

**General Liability**

Insurer:	Texas Council Risk Management Fund		
Policy Period:	09/01/08 - 09/01/09		
	Per Occurrence		
	Combined Single Limit	\$	1,000,000
	Deductible	\$	1,000

**Public Officials Errors and Omissions**

Insurer:	Texas Council Risk Management Fund		
Policy Period:	09/01/08 - 09/01/09		
	Claims Made		
	Limit per Claim	\$	1,000,000
	Annual Aggregate	\$	3,000,000
	Deductible	\$	10,000

**Employment Practices Liability**

Insurer:	Texas Council Risk Management Fund		
Policy Period:	09/01/08 - 09/01/09		
	Endorsed to E & O		
	Sublimit per Claim	\$	50,000
	Annual Aggregate	\$	100,000
	Deductible	\$	10,000
	Retro Date 08/28/89		

**Professional Liability**

Insurer:	Texas Council Risk Management Fund		
Policy Period:	09/01/08 - 09/01/09		
	Claims Made		
	Limit per Claim	\$	1,000,000
	Annual Aggregate	\$	3,000,000
	Deductible	\$	10,000
	Retro Date 08/28/89		

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY  
OF HARRIS COUNTY**  
*SCHEDULE OF INSURANCE COVERAGE (UNAUDITED) (continued)*  
*Year Ended August 31, 2009*

**Sexual Misconduct**

Insurer:	Texas Council Risk Management Fund		
Policy Period:	09/01/08 - 09/01/09		
	Endorsed to Professional Liability		
	Sublimit per Claim	\$	100,000
	Annual Aggregate	\$	300,000
	Retro Date 08/28/89		

**Auto Liability**

Insurer:	Texas Council Risk Management Fund		
Policy Period:	09/01/08 - 09/01/09		
	Combined Single Limit	\$	1,000,000
	Scheduled and Hired Vehicles		
	PIP per Person Limit	\$	10,000
	Uninsured/Underinsured Motorists	\$	250,000
	Nonowned Liability		Excess
	Liability Deductible	\$	1,000

**Auto Physical Damage**

Insurer:	Texas Council Risk Management Fund		
Policy Period:	09/01/08 - 09/01/09		
	Scheduled and Hired Autos		
	Comprehensive Deductible	\$	500
	Collision Deductible	\$	1,000
	Hired Physical Dmg Maximum	\$	35,000
	Nonowned Physical Damage		Excess
	Comprehensive Deductible	\$	500
	Collision Deductible	\$	1,000
	Funeral Expenses	\$	5,000

**Excess Liability**

Insurer:	Texas Council Risk Management Fund		
Policy Period:	09/01/08 - 09/01/09		
	General Liability		
	Additional Limit of Liability	\$	4,000,000
	Public Officials E&O Liability		
	Additional Limit of Liability	\$	4,000,000
	Auto Liability		
	Additional Limit of Liability	\$	4,000,000
	Professional Liability		
	Additional Limit of Liability	\$	2,000,000
	Not included under Excess Liability		
	Sexual Misconduct		
	Employment Practices		

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY  
OF HARRIS COUNTY**  
*SCHEDULE OF INSURANCE COVERAGE (UNAUDITED) (continued)*  
*Year Ended August 31, 2009*

**Workers Compensation**

Insurer:	Texas Council Risk Management Fund		
Policy Period:	09/01/08 - 09/01/09		
	Workers Compensation		Statutory
	Named States		Texas
	Per Accident Deductible	\$	100,000
	Aggregate Limit	\$	300,000
	Volunteers		Yes
	Elected/Appointed Officials		Yes
	Employer's Liability	\$	1,000,000

**Flood Insurance**

Insurer:	Travelers Flood
Policy Period:	Various
	Coverage Limit - per Schedule

**Boiler and Machinery**

Insurer:	CNA Insurance		
Policy Period:	09/01/08 - 09/01/09		
	Equipment Breakdown Property Damage	\$	36,412,500
	Expediting Expense	\$	34,412,500
	Business Income including Extra Expense	\$	2,000,000
	Data or Media	\$	100,000
	Spoilage Damage	\$	25,000
	Utility Interruption Damage - 24 Hr Waiting Period	\$	1,000,000
	Ordinance or Law	\$	500,000
	Hazardous Substances	\$	100,000
	Newly Acquired Location		Included
	Deductibles:		
	Direct Coverages (except for the following)	\$	5,000
	A/C and Refrigerating Equipment	\$	5,000
	A/C and Refrigerating Systems over 100 tons	\$	10,000
	Indirect Coverages		24 Hours
	Perishable Goods	\$	5,000

**Fiduciary Liability**

Insurer:	Executive Risk Indemnity, Inc.		
Policy Period:	09/01/08 - 09/01/09		
	Claims Made - Prior Date 08/31/00		
	Limit of Liability Each Claim	\$	3,000,000
	Limit of Liability Each Policy Period	\$	3,000,000
	Retention	\$	25,000
	Defense within Limits of Liability		

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY  
OF HARRIS COUNTY  
SCHEDULE OF BOND COVERAGE (UNAUDITED)  
Year Ended August 31, 2009**

<u>Surety Company</u>	<u>Scope of Coverage</u>	<u>Amount</u>
Travelers Commercial 9/18/08 - 9/18/09	Commercial Crime Policy	
	Public Employee Dishonesty Per Loss	\$ 200,000
	Deductible	2,500
	Forgery Alterations	200,000
	Deductible	2,500
	Money and Securities - On Premise	25,000
	Deductible	2,500
	Money and Securities - Messenger	25,000
	Deductible	2,500
	Computer Fraud	3,000
	Deductible	1,000
	Money Order and Counterfeit Currency	3,000
	Deductible	1,000
Western Surety 11/18/08 - 11/18/09	Errors & Omissions - Notary	
	Limit of Liability	20,000

**MENTAL HEALTH MENTAL RETARDATION AUTHORITY  
OF HARRIS COUNTY**  
**SCHEDULE OF PROFESSIONAL AND CONSULTING FEES AND  
CONTRACTED PROVIDER SERVICES (UNAUDITED)**  
**Year Ended August 31, 2009**

NAME	CITY	TYPE OF SERVICE	AMOUNT
Aguirre, Laura	Houston, TX	Respite Services	\$ 3,413
Alexandre, Jaxques F.	Katy, TX	Respite Services	5,508
All Day Dental	Houston, TX	Dental Services	16,044
All the Little Things Country	LaPorte, TX	Day Habilitation	11,735
Amaro, Hilda D.	Houston, TX	Respite Services	1,827
Angelo, Charlotte	Houston, TX	Foster/Companion Care	14,841
ARC of Greater Houston	Houston, TX	Vocational and Employment Training	201,196
Arellano, Juan	Houston, TX	Foster/Companion Care	21,772
Association for the Developmentally Disabled	Houston, TX	Day Habilitation	8,915
Asui Healthcare Learning	Houston, TX	Day Habilitation	8,443
Avail Solutions, Inc.	Corpus Christi, TX	Crisis Hotline Services	3,500
Baig, Mahera F.	Houston, TX	Foster/Companion Care	15,998
Bairfield, Doris	Houston, TX	Foster/Companion Care	15,998
Baldwin, Johnnie L.	Houston, TX	Foster/Companion Care	51,719
Bautista, Kathy	Houston, TX	Foster/Companion Care	14,841
Bay Area Recovery Center	Dickinson, TX	Substance Abuse Treatment	113,681
Bay Area Rehabilitation Center	Baytown, TX	Day Habilitation and Vocational Services	25,646
Baylor College of Medicine	Houston, TX	Residency Program Training	9,755
Baylor College of Medicine/Family Community Medicine	Houston, TX	Medical Consultations/EKG Services	108,042
Baytown Opportunity Center	Baytown, TX	Day Habilitation and Vocational Services	5,498
Behavioral Hospital of Bellaire	Houston, TX	Psychiatric Bed Services	15,097
Bolden, Sandra	Houston, TX	Foster/Companion Care	7,933
Broussard, Gwendolyn	Houston, TX	Foster/Companion Care	15,998
Broussard, Theresa	Houston, TX	Respite Services	4,172
Brown, Barbara Jean	Houston, TX	Respite Services	5,085
Brown, Glenda Lee	Houston, TX	Foster/Companion Care	14,841
Browne Penland McGregor Architects, Inc.	Houston, TX	Architectural Services	13,817
Burns-Watts, Vanessa	Houston, TX	Foster/Companion Care	15,998
Care Essentials Home Care, LLC	Houston, TX	Respite Services	21,638
CARF International	Tucson, AZ	Accreditation Consulting	5,300
Caro Healthcare Services	Houston, TX	Respite Services	4,057
Carpenter, Barbara	Spring, TX	Foster/Companion Care	15,998
Carpenter, Robert	Baytown, TX	Physician Services	1,000
Carruthers, Don	Houston, TX	Consumer Advisor	5,000
Caver, Kenneth	Highlands, TX	Physician Services	1,000
CCI Enterprises, Inc.	Houston, TX	Respite Services	12,479
Center for Urban Community Services, Inc.	New York, NY	Critical Time Intervention Training	5,561
Chen, Chun-Lie	Houston, TX	Foster/Companion Care	14,841
Cheyenne Center	Houston, TX	Housing/Transition Services	13,515
Chuca, Apolinar	Houston, TX	Graphic Art & Design Service	24,000
Clarewood Work Training	Bellaire, TX	Day Habilitation	64,463
Coalition for the Homeless	Houston, TX	Advocacy	20,000
Coleman, Billie	Houston, TX	Foster/Companion Care	14,841
Communication Axxess Ability Group	Houston, TX	Interpreting Services	12,348
Cox, John	Houston, TX	Consumer Advisor	1,815
Crespo, Barbara Smith	Houston, TX	Respite Services	9,420
Data Shredding Services of Texas	Houston, TX	Document Destruction	21,110
Davis, Latonia	Houston, TX	Foster/Companion Care	14,841
Dean's Professional Services	Houston, TX	Temporary Staffing - Nursing	67,290
Delamater, Sandra J.	Glendive, MT	Technology Support Services	2,700

**MENTAL HEALTH MENTAL RETARDATION AUTHORITY  
OF HARRIS COUNTY**  
**SCHEDULE OF PROFESSIONAL AND CONSULTING FEES AND  
CONTRACTED PROVIDER SERVICES (UNAUDITED)**  
**Year Ended August 31, 2009**

NAME	CITY	TYPE OF SERVICE	AMOUNT
Del Angel, Dora	Houston, TX	Respite Services	\$ 2,025
Dental Clinic at the Center	Houston, TX	Dental Services	1,520
Depelchin Children's Center	Houston, TX	Therapy Services	103,775
Developmental Day Habilitation	Houston, TX	Day Habilitation	30,943
Directions of Recovery, Inc.	Houston, TX	Co-Occurring Disorders Services Respite Services, Day Habilitation and	247,507
Diversity Healthcare	Houston, TX	Vocational Training	172,970
Dyer-Lewis, Evia Michelle	Houston, TX	Foster/Companion Care	10,368
Eichelberger, Miriam L.	Houston, TX	Foster/Companion Care	15,998
Elite Personnel Consultants	Houston, TX	Temporary Staffing	25,411
Elliot, Saddle	Houston, TX	Foster/Companion Care	17,357
Ergos Technology Partners, Inc.	Houston, TX	Technology Consultants	75,525
Evins Temporaries	Atlanta, GA	Contract Labor	225,576
EZ Dental, Inc.	Houston, TX	Dental Services	1,000
Farzam, F. H., D.D.S.	Houston, TX	Dental Services	5,015
Flores, Linda	Houston, TX	Foster/Companion Care	14,841
Flores, Luis Roberto	Humble, TX	Interpreting Services	23,141
Flores, Marilu	Humble, TX	Interpreting Services	4,780
Foote, Alexandria	Houston, TX	Consumer Advisor	4,520
Forum Plaza	Houston, TX	Housing/Transition Services	12,784
Forward Edge, Inc.	Pasadena, TX	Pre-employment Testing	28,368
Garcia, Alicia A.	Houston, TX	Foster/Companion Care	15,998
Garza-Cantu, Rita	Houston, TX	Foster/Companion Care	14,272
Gathering Place	Houston, TX	Day Habilitation	19,983
Gatling, Imon-Ivan	Houston, TX	Respite Services	2,096
Gonzales, David, D.D.S.	Houston, TX	Dental Services	1,730
Goodman Technology Associates, Inc.	Humble, TX	Technology Support Services	3,138
Gordon, Victor Lavaurn	Houston, TX	Consumer Advisor	4,400
Guerra, Jose Luis	Houston, TX	Respite Services	6,218
Guidry, Frances	Houston, TX	Foster/Companion Care	15,998
Gulf Coast Opportunity Center, Inc.	Houston, TX	Day Habilitation	27,905
Haggerty, Jennifer	Baytown, TX	Foster/Companion Care	29,861
Harris County Department of Education	Houston, TX	Speech Therapy	625,499
Harris, Sandra Inez	Houston, TX	Respite Services	9,893
Harvey, Betty H.	Houston, TX	Consumer Advisor	4,620
Healthcare for the Homeless	Houston, TX	Crisis/Peer Support Services	41,667
Henry, Carolyn D.	Houston, TX	Foster/Companion Care	29,861
Hernandez, Kelli	Houston, TX	Foster/Companion Care	21,772
Hernandez, Maria Luisa	Houston, TX	Foster/Companion Care	15,998
Herrera, Gloria	Houston, TX	Foster/Companion Care	15,779
Hillsman, Candace	Houston, TX	Foster/Companion Care	21,772
Hohn, Deborah, D.D.S.	Baytown, TX	Dental Services	1,000
Hope Village	Houston, TX	Day Habilitation	2,388
Houston Education Consult	Houston, TX	Psychological Evaluations	77,500
Howland, Steve	Houston, TX	Writing and Editorial Services	9,983
Hsieh, Richard	Houston, TX	Information Technology Consultant	2,240
Iacono, Carmine U., Ph.D.	League City, TX	Psychologist	8,942
Infigo Systems, Inc.	Portland, OR	Technology Support Services	26,291
Intracare Hospital North	Houston, TX	Psychiatric Bed Services	6,331

**MENTAL HEALTH MENTAL RETARDATION AUTHORITY  
OF HARRIS COUNTY**  
**SCHEDULE OF PROFESSIONAL AND CONSULTING FEES AND  
CONTRACTED PROVIDER SERVICES (UNAUDITED)**  
**Year Ended August 31, 2009**

NAME	CITY	TYPE OF SERVICE	AMOUNT
Jackson Hinds Gardens	Houston, TX	Housing/Transition Services	\$ 12,931
James-Shelley, Jeanmarie	Houston, TX	Foster/Companion Care	6,668
Jim Gwin Architects, Inc.	Houston, TX	Architectural Services	73,944
Johnson, Royce M.	Houston, TX	Foster/Companion Care	21,713
JSA Health Texas	Houston, TX	Tele-Medicine Services	4,454
K Griff Investigations	Houston, TX	Employment Checks	2,695
Kahn, K. Pica	Kemah, TX	Marketing/Media Consulting	24,000
Kantor, Michele	Houston, TX	Foster/Companion Care	16,025
Kathuria, Aruna	Spring, TX	Foster/Companion Care	14,841
Kent, Loretta	Katy, TX	Foster/Companion Care	21,772
Knight, Felecia	Houston, TX	Foster/Companion Care	14,841
Kozowyk, James	Houston, TX	Foster/Companion Care	15,998
Landrum, Connie	Houston, TX	Foster/Companion Care	14,841
Language Line Services	Monterrey, CA	Interpreting services	18,598
Laval, Ramon, Ph.D.	Houston, TX	Psychologist	107,400
Lima, Guadalupe	Houston, TX	Foster/Companion Care	21,772
Lomonte, Drew, D.D.S.	Houston, TX	Dental Services	1,539
Longoria, Jose	Houston, TX	Foster/Companion Care	15,998
Malbrough, Lela	Houston, TX	Foster/Companion Care	8,620
Mann, Thomas H., Ph.D.	Richmond, TX	Psychologist	13,720
Manning, Tony	Houston, TX	Consumer Advisor	3,100
Martinez, Felix	Houston, TX	Consumer Advisor	2,360
Martinez, Manuela	Houston, TX	Foster/Companion Care	15,998
Martinez, Rosibel	Houston, TX	Foster/Companion Care	14,841
Masterword Services, Inc.	Houston, TX	Interpreting Services	164,556
Mayberry, Christine	Houston, TX	Foster/Companion Care	14,841
Mayberry, Mable Austin	Houston, TX	Foster/Companion Care	14,841
Memorial Hermann Hospital System	Houston, TX	Emergency Response Diversion	36,600
Montemayor, Noemi	Crosby, TX	Foster/Companion Care	14,841
Moore, Betty	Houston, TX	Foster/Companion Care	14,841
Morales, Laura R., M.A.	Houston, TX	Speech/Language Pathologist	35,983
Morgan & Associates Dental	Houston, TX	Dental Services	14,584
Nightingale Adult Day Center	Houston, TX	Interpreting Services	29,354
Nightingale Vocational Rehab Center	Houston, TX	Day Habilitation and Vocational Services	33,747
Null-Lairson, P.C.	Houston, TX	Audit Services	81,500
Ochoa, Juanita	Houston, TX	Foster/Companion Care	15,998
Ochoa, Karla G.	Houston, TX	Respite Services	4,478
Omega Healthcare	Houston, TX	Temporary Staffing - Nursing	28,848
Ortiz, Ray	Houston, TX	Foster/Companion Care	9,209
Pace Opportunity Center, Inc.	Houston, TX	Day Habilitation	38,975
Passages, Inc.	Houston, TX	Co-Occurring Disorders Services	15,721
Perry, Bobbie	Houston, TX	Foster/Companion Care	14,841
Pham, Diep, D.D.S.	Houston, TX	Dental Services	1,160
Pharma Care Staffing Services	Houston, TX	Temporary Staffing - Pharmacy	26,016
Phillips, Jewel	Houston, TX	Foster/Companion Care	15,998
Pre-Check, Inc.	Houston, TX	Pre-employment Testing	16,948
Prosumers International	San Antonio, TX	Peer Support Training Services	9,892
R & L Group	Houston, TX	Respite Services	5,845
Rainbow Christian Academy	Houston, TX	Day Habilitation	21,568
Ramirez, Minerva Y.	Houston, TX	Respite Services	1,215

**MENTAL HEALTH MENTAL RETARDATION AUTHORITY  
OF HARRIS COUNTY**  
**SCHEDULE OF PROFESSIONAL AND CONSULTING FEES AND  
CONTRACTED PROVIDER SERVICES (UNAUDITED)**  
**Year Ended August 31, 2009**

NAME	CITY	TYPE OF SERVICE	AMOUNT
Randle, Barbara E.	Houston, TX	Foster/Companion Care Vocational Training, Day Habilitation, and	\$ 14,639
Reach Unlimited, Inc.	Houston, TX	Supported Home Living	50,639
Rendon, Ruby	Channelview, TX	Foster/Companion Care	14,272
Renewed Innovations, Inc.	Houston, TX	Housing/Transition Services	21,527
Resource Health Service	Houston, TX	Respite Services	21,890
RGIS Inventory Specialists	Houston, TX	Pharmacy Inventory Services	5,802
Riojas, Rose	Baytown, TX	Foster/Companion Care	15,998
Rivera, Stella	Houston, TX	Foster/Companion Care	13,580
Rosette, Jessie	Houston, TX	Foster/Companion Care	10,651
Ross, Sandra	Houston, TX	Foster/Companion Care	15,998
Ruiz, Roberto	Houston, TX	Foster/Companion Care	14,882
Santa Maria Hostel, Inc.	Houston, TX	Substance Abuse Treatment	84,712
Sanzone, Lisa	Houston, TX	Foster/Companion Care	15,998
Satchell, Mary E.	Houston, TX	Foster/Companion Care	14,841
Scott, Saralyn	Houston, TX	Speech Therapy	7,763
Shepherd, Lisa Gayle	Houston, TX	Foster/Companion Care	14,841
Sherwood Architectural Services	Houston, TX	Architectural Services	1,868
Sign Shares	Houston, TX	Interpreting Services	1,410
Simpson, Teneshia Nicole	Houston, TX	Respite Services	1,170
Singletary, Leasia	Houston, TX	Foster/Companion Care	12,517
Singleton, Shelia	Houston, TX	Foster/Companion Care	14,841
Smith, Virginia	Houston, TX	Foster/Companion Care	11,966
Sodexo Services of Texas	Chicago, IL	Consumer Food Service	169,550
South Belt Workshop	Houston, TX	Day Habilitation and Vocational Services	6,764
Special Texas Homes, Inc.	Houston, TX	Day Habilitation and Vocational Services	16,586
Spitler, Nancy	Houston, TX	Foster/Companion Care	2,521
Staff Care, Inc.	Irving, TX	Contract Psychiatrists	289,666
Stallworth, Darrell	Houston, TX	Program Monitoring	22,756
Stericycle, Inc.	Lake Forest, IL	Hazardous Waste Disposal	9,981
Sue Davis Communications	Houston, TX	Public Relations Consulting	13,594
Suteria, Parveen	Spring, TX	Foster/Companion Care	1,315
Teqsys, Inc.	Sugarland, TX	Software Upgrade Consulting	35,000
Texas Medical Center Hospital Laundry Co-op	Houston, TX	Linen Service	36,238
Texas West Oaks Hospital	Houston, TX	Psychiatric Bed Services Day Habilitation, Vocational, and	66,232
The Center	Houston, TX	Residential Services	374,160
The Center for Hearing/Speech	Houston, TX	Speech/Hearing Evaluations	1,658
The Healthy Lunch Box	Houston, TX	Consumer Food Service	36,907
Thibodeaux, Tamika L.	Houston, TX	Respite Services	1,020
Thomas, Macylu	Houston, TX	Consumer Advisor	2,605
Thomas, Monica M.	Houston, TX	Foster/Companion Care	6,794
Thompson, Barbara	Houston, TX	Foster/Companion Care	14,841
Thornton, Jackie	Houston, TX	Foster/Companion Care	15,998
Tjahjadi, Marie	Houston, TX	Foster/Companion Care	15,998
Torres, Christy Ann	Houston, TX	Respite Services	1,421
Transition Guides, Inc.	Silver Spring, MD	Executive Search Services	12,769
Tri-County MHMR	Conroe, TX	Day Habilitation	5,648
Tryon, Natasha S.	Houston, TX	Respite Services	7,553
Turner, Connye	Houston, TX	Infant Consultant	5,280
U. S. Healthworks	Houston, TX	Employee Drug Screening	2,480
Ultra Staff	Houston, TX	Temporary Staffing - Nursing	101,046

**MENTAL HEALTH MENTAL RETARDATION AUTHORITY  
OF HARRIS COUNTY**  
*SCHEDULE OF PROFESSIONAL AND CONSULTING FEES AND  
CONTRACTED PROVIDER SERVICES (UNAUDITED)*  
*Year Ended August 31, 2009*

<u>NAME</u>	<u>CITY</u>	<u>TYPE OF SERVICE</u>	<u>AMOUNT</u>
United Cerebral Palsy	Houston, TX	Respite Services	\$ 920,639
University Dental Center	Houston, TX	Dental Services	2,891
University of Houston-Clear Lake	Houston, TX	Behavioral Therapy Services	210,744
University of Texas Health Science Center	Houston, TX	Psychiatric Residents	111,271
UT Harris County Psychiatric Center	Houston, TX	Outpatient Services	133,949
Venegas, Ruby	Baytown, TX	Foster/Companion Care	14,800
Vernon J. Henry and Associates, Inc.	Houston, TX	Real Estate Consulting	1,059
Village Learning Center, Inc.	Kingwood, TX	Day Habilitation and Vocational Services	51,581
Villareal, Delia	Pasadena, TX	Foster/Companion Care	15,384
Volunteers of America TX, Inc.	Eules, TX	Substance Abuse Treatment	163,846
Wenger, Shobha	Houston, TX	Foster/Companion Care	15,998
Westchase Dental	Houston, TX	Dental Services	18,005
Williams, Frank, Jr.	Houston, TX	Foster/Companion Care	3,945
Williamson, Jana	Houston, TX	Consumer Advisor	1,200
Wise, R. Blake	Channelview, TX	Technical Support	74,542
Wukasch, Ilda M.	Channelview, TX	Respite Services	4,724
X-Ray X-Press	Houston, TX	X-Ray Services	19,674
Zebra, Inc.	Houston, Tx	Substance Abuse Treatment	216,344
Zimac Care Center	Houston, TX	Day Habilitation and Respite Services	19,436
Zumwalt, Barbara	Spring, TX	Foster/Companion Care	1,789

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY  
 OF HARRIS COUNTY  
 SCHEDULE OF LEGAL SERVICES (UNAUDITED)  
 Year Ended August 31, 2009**

<u>Name</u>	<u>City</u>	<u>Type of Service</u>	<u>Amount</u>
Feldman & Rogers, L.L.P	Houston	Employment and general representation	\$ 39,671
Fulbright & Jaworski, L.L.P	Houston	Employee benefits and general representation	42,452
Richard Hightower, P.C.	Houston	Board training	1,762
Charles B. Wolfe	Houston	Real estate representation	8,800

## **Single Audit Section**

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**Independent Auditors' 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  
Mental Health and Mental Retardation  
Authority of Harris County

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and aggregate remaining fund information of Mental Health and Mental Retardation Authority of Harris County, (the "Agency") as of and for the year ended August 31, 2009, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated January 20, 2010. 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.

The financial statements of Pasadena Cottages, Inc., Pecan Village, Inc., Villas at Bayou Park, Inc., Pear Grove and Friends of MHMRA were not audited in accordance with Government Auditing Statements.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Agency'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 Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Agency'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 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 Board of Trustees, the Agency's management, the Texas Health and Human Services Commission and other applicable federal and state awarding agencies and pass-through entities and is not intended to be, and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Nell Larson, AC". The signature is written in a cursive style with a large initial "N".

Houston, Texas  
January 20, 2010

**Independent Auditors' Report on Compliance with the Requirements  
Applicable to each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133, Texas Health and Human Services  
Commission's Guidelines for Annual Financial and Compliance Audits of  
Community MHMR Centers and the State of Texas Single Audit Circular**

To the Board of Trustees  
Mental Health and Mental Retardation  
Authority of Harris County

### **Compliance**

We have audited the compliance of Mental Health and Mental Retardation Authority of Harris County (the "Agency") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the Texas Health and Human Services Commission's *Guidelines for Annual Financial and Compliance Audits of Community Mental Health and Mental Retardation Centers (21<sup>st</sup> Revision)* and the *State of Texas Single Audit Circular* that are applicable to each of its major federal and state programs for the year ended August 31, 2009. The Agency's major federal and state programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the Texas Health and Human Services Commission's *Guidelines for Annual Financial and Compliance Audits of Community Mental Health and Mental Retardation Centers (21<sup>st</sup> Revision)*. Those standards and OMB Circular A-133, and the Texas Health and Human Services Commission's *Guidelines for Annual Financial and Compliance Audits of Community Mental Health and Mental Retardation Centers* and the *State of Texas Single Audit Circular* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Agency's compliance with those requirements.

In our opinion, Mental Health and Mental Retardation Authority of Harris County complied, in all material respects, with requirements referred to above that are applicable to each of its major federal and state programs for the year ended August 31, 2009.

### **Internal Control over Compliance**

The management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Agency's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal or state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal or state program, that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected by the entity's internal control.

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

### **Closing**

This report is intended solely for the information and use of the Board of Trustees, the Agency's management, the Texas Health and Human Services Commission and other applicable federal and state awarding agencies and pass-through entities and is not intended to be, and should not be used by anyone other than these specified parties.



Houston, Texas  
January 20, 2010

**MENTAL HEALTH AND MENTAL RETARDATION**  
**AUTHORITY OF HARRIS COUNTY**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
*For The Year Ended August 31, 2009*

**I. Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued	Unqualified
Internal control over financial reporting: Material weakness (es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to the financial statements noted?	None.

**Federal and State Awards**

Internal controls over major programs:  Material weakness (es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) 2-7 of OMB Circular A-133	None

Identification of Major Programs:

<u>CFDA/Contract Numbers</u>	<u>Name of Federal Program or Cluster</u>
<b>Federal</b>	
84.181	Special Education Grants for Infants and Families with Disabilities (IDEA, Part C)
97.036	Federal Emergency Management Agency Hurricane Ike Disaster Relief
97.032	Mental Health/Disaster Services-Immediate Services Program
14.238	Community Development Block Grant Shelter Plus Care
<b>State</b>	
	General Revenue Grant: Mental Health Psychiatric Hospitals Atypical Antipsychotic Drugs Mental Retardation Permanency Planning In Home and Family support - HB 1154-MR Services to Children with Autism

Dollar threshold used to distinguish between type A and type B programs	Federal: \$472,216
	State: \$2,494,859
Auditee qualified as a low-risk auditee	Yes

**MENTAL HEALTH AND MENTAL RETARDATION**  
**AUTHORITY OF HARRIS COUNTY**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)*  
*For The Year Ended August 31, 2009*

**II. Financial Statement Findings**

None reported

**III. Federal and State Awards Findings and Questioned Costs**

None reported.

**IV. Status of Prior Year Findings**

**Finding #08-01**  
Segregation of Duties  
between Payroll and  
Human Resources  
and Supporting  
Documentation

**Condition:** The payroll supervisor has the ability to set up new employees in the human resource module. In addition, we noted that seven timesheets tested were not signed by the employee. We also noted that one employee received a stipend for which there was no approval or supporting documentation. Finally, 38 direct deposit authorization forms were not located.

**Status:** Immediately upon being notified that the payroll supervisor had the ability to set up new employees within the human resources module, management had the security settings within the software revised to prevent access to this functionality by the payroll supervisor. Per observation, the payroll supervisor still did not have this functionality during the current audit.

Additional training was provided to employee personnel regarding sign off procedures for employee timesheets, and stipends. Testing during fieldwork did not find any missing signatures after training was implemented.

Human resource records were purged during a 2005 record cleanup. All of the employees that had missing direct deposit authorizations were hired before that date. An electronic solution was implemented in 2009 to allow employee self service for implementing direct deposit. Accordingly, on a go forward basis, direct deposit authorizations will be maintained electronically

**Finding #08-02**  
Investment Policy  
and Portfolio Mix

**Condition:** As of August 31, 2008, the Authority had invested 100 percent (\$26,342,617) of its funds in TexPool. Investment pool.

**Status:** During the fiscal year ended August 31, 2009, the Board of Directors approved an amendment to the Authority's investment policy to allow 100% investment in TexPool funds.

**V. Corrective Action Plan**

None reported

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY OF HARRIS COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
*Year Ended August 31, 2009*

<b>Program Title</b>	<b>Federal CFDA #</b>	<b>Contract #</b>	<b>Federal Expenditures</b>
<b>Federal Awards:</b>			
<b>U.S. Dept. of Health and Human Services:</b>			
Passed-through Texas Department of State Health Services:			
Mental Health Block Grant	93.958	--	\$ 3,081,806
Social Services Block Grant (Title XX)	93.667	--	269,679
MH Block Homeless PATH Grant	93.150	2009-029949-001	795,770
Passed-through Texas Department of Assistive and Rehabilitative Services (DARS):			
Temporary Assistance for Needy Families (TANF)	93.558	53802C7037	969,962
Medical Assistance Program (Medicaid; Title XIX)	93.778	53802C7037	1,209,377
Medical Assistance Program, Recovery Act (Medicaid; Title XIX)	93.778	53802C7037	<u>183,470</u>
<b>Total U.S. Department of Health and Human Services</b>			<u><u>6,510,064</u></u>
<b>U.S. Department of Education:</b>			
Passed-through Texas Department of Assistive and Rehabilitative Services (DARS)			
Special Education Grants for Infants and Families with Disabilities (IDEA, Part C)	84.181	53802C7037	3,666,750
Special Education Grants to States (IDEA, Part B)	84.027	53802C7037	<u>329,798</u>
<b>Total U.S. Department of Education</b>			<u><u>3,996,548</u></u>
<b>Federal Emergency Management Agency:</b>			
Passed-through Texas Department of Public Safety's Division of Emergency Management:			
Hurricane Ike Disaster Relief	97.036	FEMA-1791-DR	686,713
Passed-through Texas Department of State Health Services:			
Mental Health/Disaster Services-Immediate Services Program	97.032	2009-030812-001	<u>1,827,089</u>
<b>Total Federal Emergency Management Agency</b>			<u><u>2,513,802</u></u>
<b>National Institute of Mental Health:</b>			
Passed-through Texas A&M Research Foundation:			
Impact of an Evidence-Based Treatment Policy on Youth Mental Health Outcomes	93.242	S080063	7,537
<b>Total National Institute of Mental Health</b>			
<b>U.S. Department of Housing and Urban Development:</b>			
Transitional Housing Program-Safe Havens	14.235	TX24B700022 and TX0191B6E000801	343,210
Passed-through Harris County Community Services Department:			
Shelter Plus Care	14.238	TX24C700054	223,873
Community Development Block Grant - Disaster Recovery Program - Project H.E.L.P.	14.218	P2007-0005	687,697
Community Development Block Grant - Disaster Recovery Program - Katrina/Rita Counseling and Case Management	14.218	P2007-0006	<u>1,457,800</u>
<b>Total U.S. Dept. of Housing and Urban Development</b>			<u><u>2,720,117</u></u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 15,740,531</u></u>

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY OF HARRIS COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)**

Year Ended August 31, 2009

<u>Program Title</u>	<u>Contract #</u>	<u>State Expenditures</u>
<b>State Awards:</b>		
<b>Texas Department of State Health Services::</b>		
General Revenue--Mental Health	--	\$ 37,051,101
General Revenue--Psychiatric Hospitals	--	19,279,696
General Revenue--Atypical Antipsychotic Drugs	--	<u>7,243,770</u>
<b>Total Texas Department of State Health Services</b>		<u>63,574,567</u>
<b>Texas Department of Aging and Disability Services:</b>		
General Revenue--Mental Retardation	--	10,738,956
General Revenue--Permanency Planning	--	113,488
General Revenue--In Home and Family Support--H.B. 1154-MR	--	<u>1,297,897</u>
<b>Total Texas Department of Aging and Disability Services</b>		<u>12,150,341</u>
<b>Texas Department of Assistive and Rehabilitative Services (DARS)</b>		
Early Childhood Intervention (State only)	53802C7037	2,375,698
Services to Children with Autism	5382000816	<u>1,029,323</u>
<b>Total Texas Department of Assistive and Rehabilitative Services (DARS)</b>		<u>3,405,021</u>
<b>Texas Council on Offenders with Mental Impairments-</b>		
Juvenile Offenders	696-TC-6-7-L0125	716,308
Adult Offenders	696-TC-6-7-L0125	<u>2,882,520</u>
<b>Total Texas Council on Offenders with Mental Impairments</b>		<u>3,598,828</u>
<b>Texas Department of Criminal Justice--</b>		
Parole--MH Offenders Program	696-TC-6-7-L0125	238,942
Substance Abuse-- MH Offenders Program	696-TC-6-7-L0125	<u>194,262</u>
<b>Total Texas Department of Criminal Justice</b>		<u>433,204</u>
<b>Total Expenditures of State Awards</b>		<u>83,161,961</u>
<b>Total Expenditures of Federal and State Awards</b>		<u>\$ 98,902,492</u>

See Notes to the Schedule of Federal and State Awards.

**MENTAL HEALTH AND MENTAL RETARDATION**  
**AUTHORITY OF HARRIS COUNTY**  
*NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS*

**Note 1 - Basis of Accounting**

The schedule of Expenditures of Federal and State Awards presents the grant activity of Mental Health and Mental Retardation Authority of Harris County (the “Agency”) for the year ended August 31, 2009. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *Texas Single Audit Circular* and includes awards received directly from federal and state agencies as well as federal and state awards passed through other government agencies.

**Note 2 - Period of Availability**

The accompanying Schedule of Expenditures of Federal and State Awards is presented using the accrual basis of accounting. Revenue is recognized when earned and expenditures are recognized when incurred. Revenues are reported only to the extent of expenditures for the current year. Federal receivables on the statement of net assets represent amounts expended in excess of that received.

**Note 3 - State financial assistance guidelines**

State financial assistance is subject to *Guidelines for Annual Financial and Compliance Audits of Community MHMR Centers (21<sup>st</sup> Revision)*. Such guidelines are consistent with those required under the Single Audit Act of 1996, OMB Circular A-133 and *Government Auditing Standards*, issued by the Comptroller General of the United States.

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