

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

For Fiscal Years Ended August 31, 2010 and 2009

Steven B. Schnee, Ph.D.
Executive Director

Harris County, Texas

MENTAL HEALTH AND MENTAL RETARDATION
AUTHORITY OF HARRIS COUNTY
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Introductory Section

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

Listing of Officials

August 31, 2010

Board of Trustees

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

Executive Staff

| | |
|--------------------------------|--|
| Steven B. Schnee, Ph.D. | Executive Director |
| Scott P. Strang, Ph.D., M.B.A. | Chief Operating Officer |
| 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, M.S.E. | Deputy Director, Psychiatric Emergency and Hospital Services |
| Alex V. Lim, C.P.A., M.M.A. | Chief Financial Officer |
| Jeanne Mayo, M.S., J.D. | General Counsel |
| Sarah Flick, M.D. | Medical Director, Mental Retardation Services |
| Daryl Knox, M.D. | Medical Director, Psychiatric Emergency Services |
| Sylvia Muzquiz, M.D. | Medical Director, Mental Health Services |

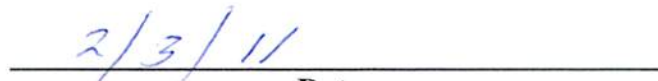
**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY
OF HARRIS COUNTY, TEXAS**

CERTIFICATE OF BOARD APPROVAL

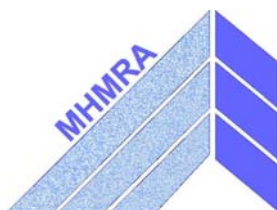
I, Lynne A. Cleveland, Chairperson of the Board of Trustees of the Mental Health and Mental Retardation Authority of Harris County, do hereby certify that this accompanying audit report for Fiscal Year 2010 from Null-Lairson, PC, was reviewed and approved at a meeting of the Board of Trustees held on the 25th day of January, 2011.



Chairperson, MHMRA Board of Trustees



Date



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

January 25, 2011

To the Citizens of Harris County
and 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, 2010. 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. It is also required by our major funding sources: the State's Department of State Health Services (DSHS) and Department of Aging and Disability Services (DADS), as well as other federal, state and local grantors.

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.

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 controls is to ensure compliance with legal provisions embodied in the annual budget approved by the Agency's governing body. Activities of the General Fund are included in the annual 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.

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, 2010 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, 2010 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.

Business Profile

MHMRA of Harris County is a governmental entity providing Mental Health (MH) and Intellectual and Developmental Disability (IDD) 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 intellectual and developmental disability 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, 2010, 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 and DADS and other contract payors or grantors. 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 is 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 intellectual and developmental disability components were moved under the oversight of the Department of Aging and Disability Services (DADS).

For FY 2010, MHMRA of Harris County had a contract with each of these two state agencies, DSHS, a state Agency created pursuant to Texas Health and Safety Code (THSC), Chapter 1001, and 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 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 \$16.6 million in FY 2010. 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.

Future Economic Factors and Next Year's Budgets and Rates

The deepening recession that has engulfed the U.S. economy has made its presence felt in the state of Texas and Harris County. The State does not have an income tax and relies mainly on sales taxes for the greater part of its revenue. As sales activities tapered down, revenues understandably went down with it.

The basic state appropriations from DSHS and DADS are expected to remain essentially the same as in the previous year. For FY2011, however, initial reduced funding from DSHS will come in the form of rate reduction of 1% for Medicaid Case Management and Medicaid Rehabilitation services. In the case of DADS, this will come in the form of rate reductions of 3.7% for Home and Community Services (HCS) and 1.5% for Intermediate Care Facilities (ICF-MR).

As the State's revenue shortfall widened, the following additional rate cuts are being contemplated: Two percent (2%) for HCS and ICF-MR to be made effective February 1, 2011 and 1% for Medicaid Case Management and Medicaid Rehabilitation, the effective date of which is still undetermined.

Harris County also announced a reduction of 2.32% of its total contribution to MHMRA effective March 1, 2010. While no final numbers have yet been released, the County is again considering a 10% reduction in the budgets of its agencies effective March 1, 2011.

The adverse effect of the recession was also felt in another arena. As the financial market weakened, returns on investments have crawled to marginal levels. Investment placements of MHMRA of Harris County therefore saw yields which were lowest in years.

As everybody is looking forward to the recovery from the recession, inflation, particularly the cost of fuel, has started to again rear its head. Any upsurge in economic activity will likely cause an escalation of operating costs, particularly utilities, travel, supplies and food expenses. Cost reduction and operating efficiencies, particularly in the use of electronic processes and forms, are therefore being pursued by MHMRA with greater vigor.

Long-term Financial Planning

The fund balance of the General Fund is equivalent to 91 days of expenditure. This is within the targeted standard of most community centers of having a fund balance equivalent to 90 to 120 days of expenditure.

MHMRA has a number of projected major capital outlays 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 to refurbish, repair or replace existing vehicles, furniture, equipment and computers, as well as repair and maintain existing structures, buildings and land improvements.

In light of budget cuts that have been adopted by the State and Harris County, the Board of Trustees of MHMRA has indicated that it may use some of the organization's fund balance to bridge the funding shortfall until revenue streams recover.

Acknowledgements

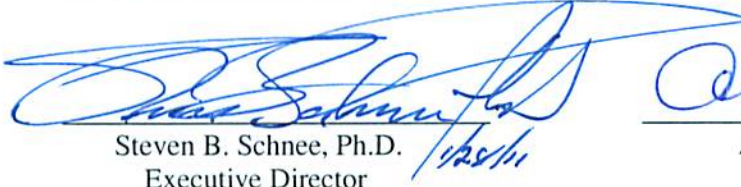
This report could not have been prepared without the outstanding competence and dedication of MHMRA's Financial Services Department. We express our appreciation to the staff of said department for their invaluable contribution to this effort.

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 standards of professionalism and competence in the management of MHMRA of Harris County and the quality and effectiveness of the services and assistance provided to and for our consumers and their families, reflecting their deep commitment to this community, especially to those who are mentally and developmentally impaired.

Respectfully submitted,



Steven B. Schnee, Ph.D.
Executive Director



Alex V. Lim, CPA, MBA
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Mental Health & Mental
Retardation Authority of Harris
County, Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
August 31, 2009

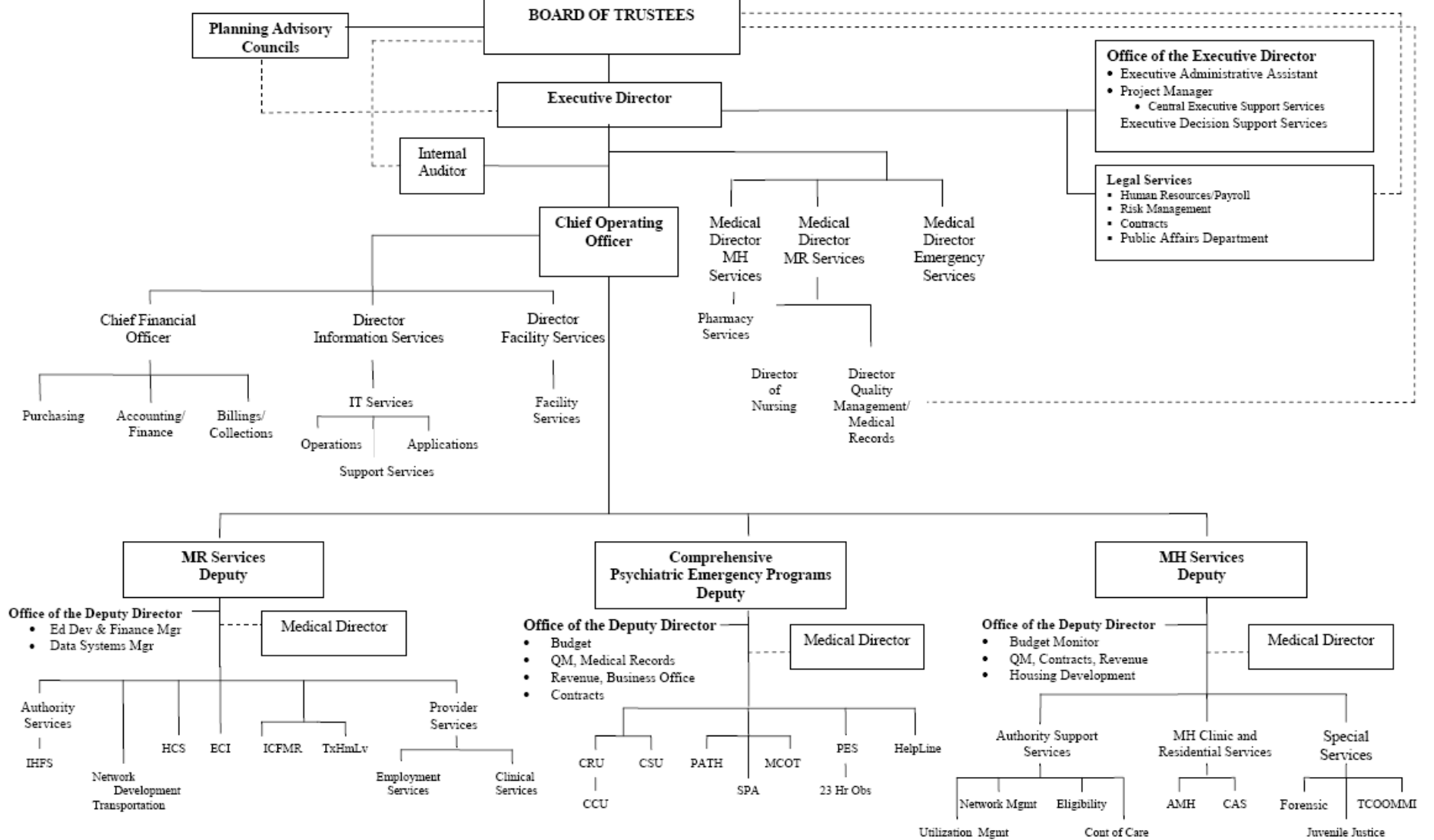
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY OF HARRIS COUNTY – FY'10/11



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, 2010, (May 31, 2010 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, 2010, 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 19, 2011 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 (21st 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.

A handwritten signature in black ink that reads "Null Lairson, AC". The signature is written in a cursive, flowing style.

Null Lairson, PC
Texas City, Texas
January 19, 2011

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, 2010. 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 2010 by \$56,332,488 (net assets). Of this amount, \$42,140,254 (unrestricted net assets) may be used to meet the Agency's ongoing obligations.
- MHMRA's total net assets (government-wide) increased by \$3,496,118 during the fiscal year.
- The Agency's governmental funds increased by \$1,809,595 resulting in an ending fund balance of \$43,112,233.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$26,364,127 or 15 % 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 24.

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 52 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 55 through 57 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 \$56,332,488 at the close of the fiscal year.

The largest portion of MHMRA's net assets (74.8 percent) represents the unrestricted financial resources available for future operations. This compares to last fiscal year's unrestricted financial resources at 77.6 percent.

The remaining balance of the Agency's net assets, 25.2 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, 2010, with comparative figures for FY 2009:

MHMRA of Harris County's Net Assets

| | Governmental Activities | |
|--|--------------------------------|----------------------|
| | 2010 | 2009 |
| Current and other assets | \$ 57,595,750 | \$ 55,461,509 |
| Capital assets | 18,752,935 | 17,376,318 |
| Total assets | \$ 76,348,685 | \$ 72,837,827 |
| Current liabilities | \$ 13,333,262 | \$ 12,970,626 |
| Long-term liabilities outstanding | 6,682,935 | 7,030,831 |
| Total liabilities | \$ 20,016,197 | \$ 20,001,457 |
| Net assets | | |
| Invested in capital assets, net of related debt | \$ 14,192,234 | \$ 12,106,397 |
| Unrestricted | 42,140,254 | 40,729,973 |
| Total net assets | \$ 56,332,488 | \$ 52,836,370 |

To a large extent, the increase in net assets was due to: the effective use of the pharmaceutical companies' Patient Assistance Program (PAP) and sample medications to replace what otherwise would have been significant expenses for clients' drugs, and the leveraging of the organizational structure and general administration for the management of more grants and funds from various sources.

Governmental Activities

Revenues for the Agency's governmental activities were \$172,853,391 while total expenses were \$169,380,915. The change in net assets of governmental activities was \$3,496,118 after a \$23,642 net gain on disposal of assets. The following table reflects a comparison of the governmental activities between FY 2010 and FY 2009:

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

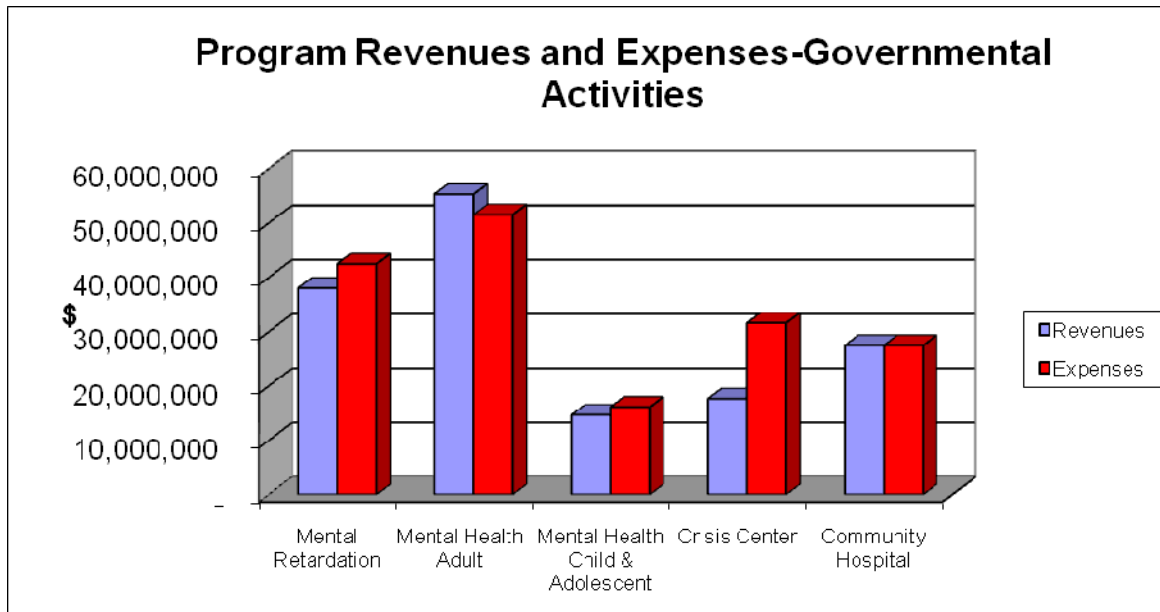
MHMRA of Harris County's Changes in Net Assets

| | <u>Governmental Activities</u> | |
|---|--------------------------------|---------------------|
| | <u>2010</u> | <u>2009</u> |
| Revenues | | |
| Program revenues: | | |
| Charges for services: | | |
| Mental Retardation | \$ 15,193,569 | \$ 12,471,378 |
| Mental Health Adult | 14,821,151 | 13,375,924 |
| Mental Health Child and Adolescents | 4,425,202 | 3,855,105 |
| Crisis Center | 1,980,438 | 1,994,046 |
| Total charges for services | <u>36,420,360</u> | <u>31,696,453</u> |
| Operating grants and contributions: | | |
| Mental Retardation | 22,807,144 | 20,885,397 |
| Mental Health Adult | 40,442,856 | 37,747,513 |
| Mental Health Child and Adolescents | 10,232,000 | 10,128,283 |
| Crisis Center | 15,637,437 | 9,209,791 |
| Community Hospital | 27,450,626 | 23,274,922 |
| Total operating grants and contributions | <u>116,570,063</u> | <u>101,245,906</u> |
| General revenues: | | |
| Payment from Harris County | 18,814,979 | 20,402,681 |
| Grants not restricted to specific programs | 49,871 | 686,713 |
| Investment Earnings | 176,940 | 320,117 |
| Other income | 821,177 | 2,459,743 |
| Total general revenues | <u>19,862,968</u> | <u>23,869,254</u> |
| Total Revenues | <u>172,853,391</u> | <u>156,811,613</u> |
| Expenses | | |
| General Administration | 17,242,810 | 16,601,107 |
| Mental Retardation | 37,274,622 | 32,760,745 |
| Mental Health Adult | 45,250,352 | 40,527,913 |
| Mental Health Child and Adolescents | 14,145,935 | 13,863,375 |
| Crisis Center | 27,729,527 | 23,700,853 |
| Community Hospital | 27,450,626 | 23,274,922 |
| Interest on long-term debt | 287,043 | 326,553 |
| Total Expenses | <u>169,380,915</u> | <u>151,055,468</u> |
| Excess Before Special Items | | |
| Special Items: | | |
| Net gain on disposal of assets | 23,642 | 73,818 |
| Total Special Items | <u>23,642</u> | <u>73,818</u> |
| Change in Net Assets | <u>\$ 3,496,118</u> | <u>\$ 5,829,963</u> |

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

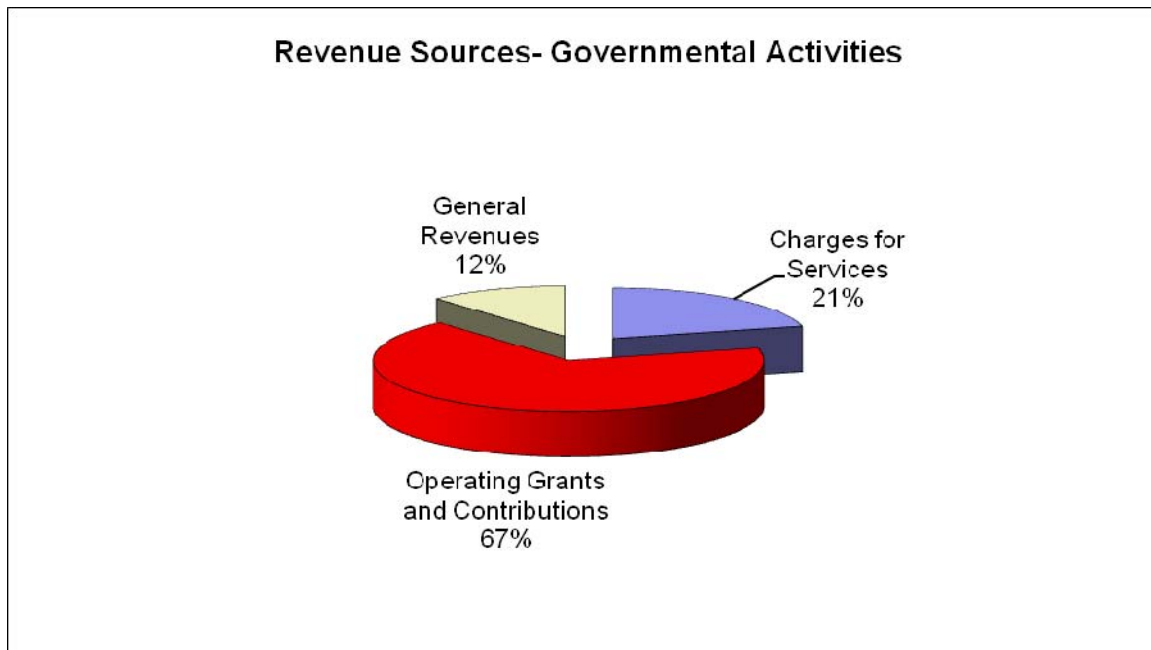
The table and chart below presents the net revenue (cost) of each of the Agency's programs, Mental Retardation, Adult Mental Health, Child and Adolescents Mental Health, Crisis Center and interest on long-term debt. The net revenue (cost) does not reflect the revenue generated through local funding and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

| | Net Cost of Services |
|-------------------------------------|--------------------------------------|
| Mental Retardation | \$ (4,440,444) |
| Mental Health Adult | 3,741,625 |
| Mental Health Child and Adolescents | (1,449,463) |
| Crisis Center | (13,955,167) |
| Interest on long-term debt | (287,043) |
| Total | <u><u>\$ (16,390,492)</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, unassigned 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 pages 18 through 19) reported a fund balance of \$43,112,233. A large portion of this, or 62%, is labeled as unassigned fund balance. As a measure of the General Fund's liquidity, it may be useful to compare spendable (assigned and unassigned) fund balance to total fund expenditures. Spendable fund balance totals \$42,596,611 and represents 25% of total General Fund expenditures or the equivalent of 91 days.

An analysis of significant balances follows:

- Compared to the previous year, State grants and programs for FY 2010 increased by 15% with the allocation of an additional \$4,250,000 for community psychiatric hospital funds from DSHS and a \$1,692,939 transitional fund for the consolidation of HCS service coordination from DADS.
- Federal funds also increased by 14% compared to the prior year with the allocation of \$3,283,918 and \$1,175,357 as Social Services Block Grant (SSBG) funds for Hurricane Ike Recovery Assistance released through the Houston-Galveston Area Council for Counseling Services, and Jail Transitional Services respectively.

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

- In FY 2010, investment earnings dropped by \$126,375 or 42% compared to FY 2009 with the recession continuing to squeeze the economy.

Internal Service Fund.

In FY 2010, the total assets of the Internal Service (Proprietary) Fund representing a self insurance reserve fund increased from \$2,147,465 in FY 2009 to \$2,151,774.

General Fund Budgetary Highlights

A number of amendments were made to the original budget during the year. The major ones include the allocation of \$5,986,953 for the Hurricane Ike Disaster Recovery Assistance through the Houston-Galveston Area Council, and \$989,973 as Social Services Block Grant for Inpatient Competency Restoration, both of which were reflected under Federal Program Revenues. The budget was also amended with the increase in Mental Health General Revenue by \$4,250,000 for the community psychiatric hospital and the increase in Mental Retardation General Revenue by \$1,692,939 for the consolidation of Home and Community Services (HCS) service coordination.

Salaries and fringe benefits budget was increased due to the recruitment of additional employees required to implement the Social Services Block Grant projects for Hurricane Ike Recovery Assistance, adjustment of the salaries of staff which were below the market compensation range, and the hiring of case managers who will implement the planned consolidation of HCS service coordination with MHMRA.

Capital Asset and Debt Administration

Capital Assets. MHMRA's investment in capital assets as of August 2010, amounts to \$18,752,935 (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 2010 | Fiscal Year 2009 | Increase (Decrease) |
|-------------------------------|----------------------|----------------------|------------------------|
| Land | \$ 3,421,489 | \$ 3,219,943 | \$ 201,546 |
| Buildings & improvement | 12,985,791 | 13,097,691 | (111,900) |
| Furniture & equipment | 535,132 | 459,229 | 75,903 |
| Automobiles | 186,954 | 236,548 | (49,594) |
| Intangible Assets - Software | 257,835 | | 257,835 |
| Vehicles under Capital Leases | 1,365,734 | 362,907 | 1,002,827 |
| Total Capital assets | \$ 18,752,935 | \$ 17,376,318 | \$ 1,376,617 |

**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 6 on page 46 of this report.

Long-term debt. At the end of the current fiscal year, the Agency had total outstanding long-term debt of \$7,684,454. A more extensive discussion about long-term debt is provided in Note 8 on page 47 of this report.

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, 2010 and 2009

| | <u>2010</u> | | <u>2009</u> | |
|---|--|----------------------------|--|----------------------------|
| | Primary Government- Governmental Activities | Component Units | Primary Government- Governmental Activities | Component Units |
| Assets | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 8,622,165 | \$ 244,651 | \$ 6,914,793 | \$ 119,393 |
| Investments | 33,069,514 | | 31,759,214 | |
| Accounts receivable, net | 15,237,977 | 12,481 | 16,148,889 | 9,805 |
| Inventories | 182,569 | | 198,810 | |
| Land held for resale | 150,472 | | 239,780 | |
| Deposits | 105,624 | | 100,212 | |
| Prepaid expenses | 227,429 | 13,811 | 99,811 | 16,516 |
| Other assets | | 2,221 | | 20,172 |
| Total current assets | <u>57,595,750</u> | <u>273,164</u> | <u>55,461,509</u> | <u>165,886</u> |
| Noncurrent assets: | | | | |
| Restricted cash and cash equivalents | | 159,101 | | 271,804 |
| Capital assets, net | 18,752,935 | 4,639,430 | 17,376,318 | 4,763,030 |
| Total noncurrent assets | <u>18,752,935</u> | <u>4,798,531</u> | <u>17,376,318</u> | <u>5,034,834</u> |
| Total assets | <u>\$ 76,348,685</u> | <u>\$ 5,071,695</u> | <u>\$ 72,837,827</u> | <u>\$ 5,200,720</u> |
| Liabilities | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 4,566,492 | \$ 303,799 | \$ 4,285,990 | \$ 313,206 |
| Accrued expenses | 7,600,495 | 2,505 | 7,012,450 | 2,556 |
| Unearned revenue | 164,756 | | 712,966 | |
| Current portion of long-term obligations | 1,001,519 | 17,187 | 959,220 | 58,340 |
| Total current liabilities | <u>13,333,262</u> | <u>323,491</u> | <u>12,970,626</u> | <u>374,102</u> |
| Deposit liabilities: | | | | |
| Tenant deposits held in trust | | 13,571 | | 11,949 |
| Noncurrent liabilities: | | | | |
| Noncurrent portion of long-term obligations | 6,682,935 | 5,013,728 | 7,030,831 | 5,021,148 |
| Total liabilities | <u>20,016,197</u> | <u>5,350,790</u> | <u>20,001,457</u> | <u>5,407,199</u> |
| Net Assets | | | | |
| Invested in capital assets, net of related debt | 14,192,234 | (391,485) | 12,106,397 | (316,458) |
| Restricted for: | | | | |
| Asset replacement | | 113,663 | | 10,174 |
| Unrestricted net assets | 42,140,254 | (1,273) | 40,729,973 | 99,805 |
| Total net assets | <u>56,332,488</u> | <u>(279,095)</u> | <u>52,836,370</u> | <u>(206,479)</u> |
| Total liabilities and net assets | <u>\$ 76,348,685</u> | <u>\$ 5,071,695</u> | <u>\$ 72,837,827</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

STATEMENT OF ACTIVITIES

For the Year Ended August 31, 2010

| 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 |
| Primary government: | | | | | | | |
| Governmental activities: | | | | | | | |
| General Administration | \$ 17,242,810 | \$ (17,242,810) | \$ | \$ | \$ | \$ | \$ |
| Adult Mental Health | 45,250,352 | 6,272,030 | 14,821,151 | 40,442,856 | | 3,741,625 | |
| Mental Retardation | 37,274,622 | 5,166,535 | 15,193,569 | 22,807,144 | | (4,440,444) | |
| Child and Adolescent | 14,145,935 | 1,960,730 | 4,425,202 | 10,232,000 | | (1,449,463) | |
| Crisis Center | 27,729,527 | 3,843,515 | 1,980,438 | 15,637,437 | | (13,955,167) | |
| Community Hospital (payment to HCPC) | 27,450,626 | | | 27,450,626 | | | |
| Interest on long-term debt | 287,043 | | | | | (287,043) | |
| Total governmental activities | \$ 169,380,915 | \$ | \$ 36,420,360 | \$ 116,570,063 | \$ | (16,390,492) | |
| Component units: | | | | | | | |
| HUD Programs | \$ 456,307 | | \$ 343,585 | \$ | \$ | | (112,722) |
| Total component units | \$ 456,307 | | \$ 343,585 | \$ | \$ | | (112,722) |
| General revenues: | | | | | | | |
| Payment from Harris County | | | | | | 18,814,979 | |
| Grants and contributions not restricted to specific programs | | | | | | 49,871 | |
| Investment earnings | | | | | | 176,940 | 694 |
| Other income | | | | | | 821,177 | 9,971 |
| Net gain on disposal of assets | | | | | | 23,642 | |
| Total general revenues, special items and transfer | | | | | | 19,886,610 | 10,665 |
| Change in net assets | | | | | | 3,496,118 | (102,057) |
| Net assets - beginning | | | | | | 52,836,370 | (206,479) |
| Prior period adjustment | | | | | | | 29,441 |
| Net assets - ending | | | | | | \$ 56,332,488 | \$ (279,095) |

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 |
| Primary government: | | | | | | | |
| Governmental activities: | | | | | | | |
| 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) | |
| Total governmental activities | 151,055,468 | \$ | 31,696,453 | 101,245,906 | | \$ (18,113,109) | |
| Component units: | | | | | | | |
| HUD Programs | \$ 404,799 | | \$ 300,324 | \$ | \$ 111,346 | | 6,871 |
| Total component units | \$ 404,799 | | \$ 300,324 | \$ | \$ 111,346 | | 6,871 |
| General revenues: | | | | | | | |
| 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 |
| Net gain on disposal of assets | | | | | | 73,818 | |
| Total general revenues, special items and transfer | | | | | | 23,943,072 | 1,311 |
| Change in net assets | | | | | | 5,829,963 | 8,182 |
| Net assets - beginning | | | | | | 47,006,407 | (215,446) |
| Prior period adjustment | | | | | | | 785 |
| Net assets - ending | | | | | | \$ 52,836,370 | \$ (206,479) |

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, 2010 and 2009

| | General Fund | |
|--|----------------------|----------------------|
| | 2010 | 2009 |
| Assets | | |
| Cash and cash equivalents | \$ 8,622,165 | \$ 6,914,793 |
| Investments | 30,917,740 | 29,611,753 |
| Accounts receivable (net of allowance for uncollectible) | 1,330,894 | 935,609 |
| Receivables from other governments | 13,648,127 | 14,750,450 |
| Other receivables | 258,956 | 462,830 |
| Inventories | 182,569 | 198,810 |
| Land held for resale | 150,472 | 239,780 |
| Deposits | 105,624 | 100,212 |
| Prepaid items | 227,429 | 99,811 |
| Total assets | \$ 55,443,976 | \$ 53,314,048 |
| Liabilities and Fund Balances | | |
| Liabilities: | | |
| Accounts payable | 4,566,492 | \$ 4,285,994 |
| Accrued expenses | 7,600,495 | 7,012,450 |
| Unearned revenue | 164,756 | 712,966 |
| Total liabilities | 12,331,743 | 12,011,410 |
| Fund balances: | | |
| Nonspendable: | | |
| Inventories | 182,569 | 198,810 |
| Prepaid | 333,053 | 200,023 |
| Assigned: | | |
| Infrastructure development | 5,800,000 | 5,800,000 |
| Self insurance | 2,000,000 | 2,000,000 |
| Debt repayment | 4,560,702 | 5,269,922 |
| Compensated absences | 3,123,753 | 2,720,129 |
| Other purposes | 748,029 | 743,037 |
| Unassigned | 26,364,127 | 24,370,717 |
| Total fund balances | 43,112,233 | 41,302,638 |
| Total liabilities and fund balances | \$ 55,443,976 | \$ 53,314,048 |

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
August 31, 2010 and 2009**

| | <u>2010</u> | <u>2009</u> |
|---|----------------------|----------------------|
| Total Fund Balance | \$ 43,112,233 | \$ 41,302,638 |
| Amounts reported for governmental activities in the statement of net assets are different because: | | |
| 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. | 2,151,774 | 2,147,465 |
| Capital assets used in governmental activities are not financial resources and therefore not reported in the fund. | 18,752,935 | 17,376,318 |
| Long-term liabilities, current and long-term, are not due and payable with current financial resources and therefore, are not reported in the fund. | <u>(7,684,454)</u> | <u>(7,990,051)</u> |
| Net assets of governmental activities | <u>\$ 56,332,488</u> | <u>\$ 52,836,370</u> |

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, 2010 and 2009

| | <u>General Fund</u> | |
|--------------------------------------|----------------------|----------------------|
| | <u>2010</u> | <u>2009</u> |
| Revenues | | |
| State grants & programs | \$ 95,527,987 | \$ 83,161,961 |
| Federal grants | 17,895,020 | 15,740,531 |
| Harris County allocation | 29,728,217 | 30,366,731 |
| Local billings | 27,419,723 | 23,455,184 |
| Investment earnings | 172,627 | 299,002 |
| Miscellaneous | 2,105,509 | 3,767,085 |
| Total revenues | <u>172,849,083</u> | <u>156,790,494</u> |
| Expenditures | | |
| Current: | | |
| Adult mental health | 45,589,182 | 40,074,665 |
| Mental retardation | 37,292,849 | 32,486,993 |
| Child and adolescent | 14,244,467 | 13,750,489 |
| Crisis center | 27,509,561 | 23,659,248 |
| Community hospital (payment to HCPC) | 27,450,626 | 23,274,922 |
| General administration | 17,980,182 | 16,108,640 |
| Debt service: | | |
| Principal | 709,220 | 670,315 |
| Interest and other charges | 287,043 | 326,553 |
| Total expenditures | <u>171,063,130</u> | <u>150,351,825</u> |
| Excess of revenues over expenditures | 1,785,953 | 6,438,669 |
| Other Financing Sources | | |
| Proceeds from sale of assets | 23,642 | 340,041 |
| Total other financing sources | <u>23,642</u> | <u>340,041</u> |
| Net change in fund balance | 1,809,595 | 6,778,710 |
| Fund balances - beginning | <u>41,302,638</u> | <u>34,523,928</u> |
| Fund balances - ending | <u>\$ 43,112,233</u> | <u>\$ 41,302,638</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, 2010 and 2009

| | <u>2010</u> | <u>2009</u> |
|--|---------------------|---------------------|
| Net change in fund balance - total governmental fund | \$ 1,809,595 | \$ 6,778,710 |
| 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. | 2,691,961 | 229,360 |
| Depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets. | (1,307,281) | (1,358,092) |
| 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. | (8,063) | (8,765) |
| Income generated from internal service fund are reported in governmental activities. | 4,309 | 21,120 |
| 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. | 709,220 | 670,315 |
| 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>(403,623)</u> | <u>(236,462)</u> |
| Change in net assets of governmental activities | <u>\$ 3,496,118</u> | <u>\$ 5,829,963</u> |

The accompanying notes are an integral part of this statement.

MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY OF HARRIS COUNTY
BUDGETARY COMPARISON STATEMENT
GENERAL FUND
For the Year Ended August 31, 2010

| | Budget | | Actual (Budgetary basis) | Variance Positive/ (Negative) |
|---|---------------|---------------|--------------------------------|-------------------------------------|
| | Original | Final | | |
| State Program Revenues | | | | |
| General revenue | \$ 82,034,638 | \$ 88,539,593 | \$ 89,056,139 | \$ 516,546 |
| Early Childhood Intervention | 9,178,864 | 9,178,864 | 1,906,946 | (7,271,918) |
| Services to Children with Autism | 725,398 | 725,398 | 724,000 | (1,398) |
| Texas Council on Offenders with Mental Impairments | 3,568,403 | 3,568,403 | 3,394,902 | (173,501) |
| Texas Department of Criminal Justice- Parole and Substance Abuse | 446,000 | 446,000 | 446,000 | |
| Total state program revenues | 95,953,303 | 102,458,258 | 95,527,987 | (6,930,271) |
| Federal Program Revenues | | | | |
| 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 | 880,466 | 880,466 | 880,466 | |
| Social Services Block Grant (Inpatient Competency Restoration) | | 989,973 | 1,139,973 | 150,000 |
| Social Services Block Grant (SA-SSBG Treatment Adult) | | | 58,862 | 58,862 |
| Social Services Block Grant (SA-SSBG Treatment Cost Reimbursement) | | | 62,975 | 62,975 |
| Social Services Block Grant (Hurricane Ike Recovery Assistance) | | 5,986,953 | 4,459,275 | (1,527,678) |
| SAMHSA-Partners at Independence Heights | | | 49,872 | 49,872 |
| Early Childhood Intervention | | | 5,920,373 | 5,920,373 |
| Mental Health/Disaster Services-Crisis Counseling | 1,833,828 | 2,192,027 | 1,085,397 | (1,106,630) |
| Transitional Housing Program-Safe Havens | 332,000 | 332,000 | 384,620 | 52,620 |
| Project H.E.L.P. | 191,670 | 191,670 | 155,076 | (36,595) |
| Katrina/Rita Counseling and Case Management | 468,303 | 468,303 | 346,646 | (121,657) |
| Total federal program revenues | 7,057,752 | 14,392,877 | 17,895,020 | 3,502,142 |
| Local Revenues | | | | |
| County funds | 30,019,670 | 29,650,113 | 29,728,217 | 78,104 |
| Local Billings | | | | |
| Patient fees and private insurance | 557,901 | 557,901 | 887,815 | 329,914 |
| Medicare | 516,458 | 516,458 | 592,743 | 76,285 |
| Medicaid | 11,209,548 | 12,405,361 | 14,731,144 | 2,325,781 |
| ICF/MR, HCS and THL waiver | 6,865,708 | 6,865,708 | 6,562,520 | (303,188) |
| Administrative claiming | 3,067,959 | 3,079,751 | 4,645,501 | 1,565,750 |
| Total local billings | 22,217,574 | 23,425,179 | 27,419,723 | 3,994,542 |

The accompanying notes are an integral part of this statement.

MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY OF HARRIS COUNTY

BUDGETARY COMPARISON STATEMENT (continued)

GENERAL FUND

For the Year Ended August 31, 2010

| | Budget | | Actual (Budgetary basis) | Variance Positive/ (Negative) |
|--|----------------|----------------|--------------------------------|-------------------------------------|
| | Original | Final | | |
| Investment Earnings | 370,061 | 370,681 | 172,627 | (198,054) |
| Miscellaneous | 2,765,340 | 6,205,330 | 2,105,508 | (4,099,822) |
| Total Revenues before Patient Assistance Program | | | | |
| Assistance Program | 158,383,700 | 176,502,438 | 172,849,083 | (3,653,360) |
| Patient Assistance Program | 12,243,420 | 12,430,813 | 16,588,089 | 4,157,276 |
| Total Revenues | \$ 170,627,120 | \$ 188,933,251 | \$ 189,437,172 | \$ 503,916 |
| Expenditures | | | | |
| Current: | | | | |
| Personnel costs | \$ 102,199,543 | \$ 113,858,409 | \$ 108,786,775 | \$ 5,071,634 |
| Contracts with service agencies and professional fees | 37,837,737 | 39,323,930 | 38,392,275 | 931,655 |
| Drug cost and other supplies | 5,088,758 | 5,224,003 | 3,345,838 | 1,878,165 |
| Rental | 722,030 | 1,399,641 | 1,156,507 | 243,134 |
| Repairs and maintenance | 3,229,286 | 3,725,907 | 6,581,414 | (2,855,507) |
| Travel | 2,511,756 | 3,120,466 | 2,635,039 | 485,427 |
| Bad debt expense | 267,259 | 271,920 | 601,174 | (329,254) |
| Security services | 938,883 | 938,883 | 950,711 | (11,828) |
| Rental assistance | | | 0 | |
| Client service costs | 1,341,426 | 1,341,426 | 1,295,719 | 45,707 |
| Utilities | 1,680,025 | 1,751,377 | 1,906,729 | (155,352) |
| Other expenses | 1,514,479 | 4,034,930 | 1,722,725 | 2,312,205 |
| Debt service: | | | | |
| Principal | 709,220 | 709,220 | 709,220 | |
| Interest and other charges | 287,043 | 287,043 | 287,043 | |
| Capital outlay | 56,255 | 515,283 | 2,691,961 | (2,176,678) |
| Total expenditures before Patient Assistance Program | | | | |
| Assistance Program | 158,383,700 | 176,502,438 | 171,063,130 | 5,439,308 |
| Expenditures Patient Assistance Program | 12,243,420 | 12,430,813 | 16,588,089 | (4,157,276) |
| Total expenditures | 170,627,120 | 188,933,251 | 187,651,219 | (1,282,032) |
| Excess of revenues over expenditures | | | 1,785,948 | |
| Other Financing Sources | | | | |
| Proceeds from sale of assets | | | 23,642 | 23,642 |
| | | | 23,642 | 23,642 |
| Excess of revenues and other financing sources over expenditures | | | 1,809,590 | 1,809,590 |
| Fund balance, September 1, 2010 | \$ 10,519,292 | \$ 20,999,492 | \$ 41,302,638 | \$ 20,303,146 |

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, 2010

Sources / Inflows of Resources

Total revenue as per Budgetary Comparison Schedule \$ 189,437,172

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. (16,588,089)

**Total revenue as per Statement of Revenues, Expenditures and Changes
 in Fund Balances - Governmental Funds** \$ 172,849,083

Uses / Outflows of Resources

Total expenditures as per Budgetary Comparison Schedule \$ 187,651,219

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. (16,588,089)

**Total expenditures as per Statement of Revenues, Expenditures and Changes
 in Fund Balances - Governmental Funds** \$ 171,063,130

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, 2010 and 2009

| | Governmental Activities - Internal Service Fund | |
|---------------------|--|---------------------|
| | Self- Insurance Reserve Fund (SIRF) | |
| | 2010 | 2009 |
| Assets | | |
| Current Asset: | | |
| Investments | \$ 2,151,774 | \$ 2,147,465 |
| Total assets | <u>2,151,774</u> | <u>2,147,465</u> |
| Net Assets | <u>\$ 2,151,774</u> | <u>\$ 2,147,465</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, 2010 and 2009

| | Governmental Activities - Internal Service Fund | |
|---|--|---------------------|
| | Self- Insurance Reserve Fund (SIRF) | |
| | 2010 | 2009 |
| Operating revenue | | |
| Charges | \$ | \$ |
| Total operating revenue | | |
| Non-operating revenue | | |
| Interest | 4,309 | 21,120 |
| Total non-operating revenue | 4,309 | 21,120 |
| Change in net assets | 4,309 | 21,120 |
| Net assets - beginning of the year | 2,147,465 | 2,126,345 |
| Net assets - end of the year | <u>\$ 2,151,774</u> | <u>\$ 2,147,465</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, 2010 and 2009

| | Governmental Activities - Internal Service Fund | |
|---|--|---------------------------|
| | Self- Insurance Reserve Fund (SIRF) | |
| | 2010 | 2009 |
| | <hr/> | <hr/> |
| Cash flow from operating activities: | | |
| Cash received from charges | \$ <hr/> | \$ <hr/> |
| Net cash provided by operating activities | <hr/> | <hr/> |
| Cash flow from investing activities: | | |
| Interest income | <hr/> 4,309 | <hr/> 21,120 |
| Net cash provided by investing activities | <hr/> 4,309 | <hr/> 21,120 |
| Net increase in cash and cash equivalents | 4,309 | 21,120 |
| Total cash and cash equivalents, beginning of year | <hr/> 2,147,465 | <hr/> 2,126,345 |
| Total cash and cash equivalents, end of year | <hr/> <u>\$ 2,151,774</u> | <hr/> <u>\$ 2,147,465</u> |
| Reconciliation of operating income to net cash provided by operating activities: | | |
| Operating income | \$ | \$ |
| Increase/(decrease) in due from governmental fund | <hr/> | <hr/> |
| Net cash provided by operating activities | <hr/> <u>\$</u> | <hr/> <u>\$</u> |

The accompanying notes are an integral part of this statement.

**MENTAL HEALTH AND MENTAL RETARDATION
 AUTHORITY OF HARRIS COUNTY**
STATEMENTS OF FIDUCIARY NET ASSETS
AGENCY FUND
August 31, 2010 and 2009

| | <u>Agency Fund</u> | |
|---------------------------|--------------------|-------------------|
| | <u>2010</u> | <u>2009</u> |
| Assets | | |
| Cash and cash equivalents | <u>\$ 72,329</u> | <u>\$ 119,605</u> |
| Liabilities | | |
| Due to clients | <u>\$ 72,329</u> | <u>\$ 119,605</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
AGENCY FUND
For the Years Ended August 31, 2010 and 2009**

| | Agency Fund | |
|--|--------------------|-------------|
| | 2010 | 2009 |
| Assets | | |
| Additions | | |
| Social security receipts | \$ 393,033 | \$ 700,281 |
| Interest income | 100 | 570 |
| Deductions | | |
| Payments to clients | (440,409) | (667,078) |
| Net changes to Assets | (47,276) | 33,773 |
| Assets - beginning of the year | 119,605 | 85,832 |
| Assets - end of the year | \$ 72,329 | \$ 119,605 |
| Liabilities | | |
| Additions | | |
| Social security receipts | \$ 393,033 | \$ 700,281 |
| Interest income | 100 | 570 |
| Deductions | | |
| Payments to clients | (440,409) | (667,078) |
| Net changes to Liabilities | (47,276) | 33,773 |
| Liabilities - beginning of the year | 119,605 | 85,832 |
| Liabilities - end of the year | \$ 72,329 | \$ 119,605 |

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, 2010

| | Pasadena Cottages, Inc. May 31, 2010 | Pecan Village, Inc. August 31, 2010 | Villas at Bayou Park, Inc. August 31, 2010 | Pear Grove, Inc. August 31, 2010 | Total |
|---|---|--|---|---|---------------------|
| Assets | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 17,653 | \$ 61,789 | \$ 31,695 | \$ 133,514 | \$ 244,651 |
| Accounts receivable | | 5,180 | 1,150 | 6,151 | 12,481 |
| Prepaid expenses | 5,361 | 4,118 | 1,915 | 2,417 | 13,811 |
| Other assets | | 471 | 1,000 | 750 | 2,221 |
| Total current assets | <u>23,014</u> | <u>71,558</u> | <u>35,760</u> | <u>142,832</u> | <u>273,164</u> |
| Noncurrent assets: | | | | | |
| Restricted cash and cash equivalents | 12,703 | 52,022 | 41,039 | 53,337 | 159,101 |
| Capital assets, net | 196,981 | 904,714 | 1,885,517 | 1,652,218 | 4,639,430 |
| Total noncurrent assets | <u>209,684</u> | <u>956,736</u> | <u>1,926,556</u> | <u>1,705,555</u> | <u>4,798,531</u> |
| Total assets | <u>\$ 232,698</u> | <u>\$ 1,028,294</u> | <u>\$ 1,962,316</u> | <u>\$ 1,848,387</u> | <u>\$ 5,071,695</u> |
| Liabilities | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | \$ 5,059 | \$ 26,394 | \$ 51,290 | \$ 221,056 | \$ 303,799 |
| Accrued interest payable | 2,505 | | | | 2,505 |
| Current portion of long-term obligations | 7,435 | 9,752 | | | 17,187 |
| Total current liabilities | <u>14,999</u> | <u>36,146</u> | <u>51,290</u> | <u>221,056</u> | <u>323,491</u> |
| Deposit liabilities: | | | | | |
| Tenant deposits held in trust | 100 | 5,581 | 4,624 | 3,266 | 13,571 |
| Noncurrent liabilities: | | | | | |
| Noncurrent portion of long-term obligations | 326,550 | 1,099,700 | 2,099,570 | 1,487,908 | 5,013,728 |
| Total liabilities | <u>341,649</u> | <u>1,141,427</u> | <u>2,155,484</u> | <u>1,712,230</u> | <u>5,350,790</u> |
| Net Assets | | | | | |
| Invested in capital assets, net of related debt | (137,004) | (204,738) | (214,053) | 164,310 | (391,485) |
| Restricted for: | | | | | |
| Asset replacement | 12,603 | 38,027 | 25,956 | 37,077 | 113,663 |
| Unrestricted net assets/(deficit) | 15,450 | 53,578 | (5,071) | (65,230) | (1,273) |
| Total net assets | <u>(108,951)</u> | <u>(113,133)</u> | <u>(193,168)</u> | <u>136,157</u> | <u>(279,095)</u> |
| Total liabilities and net assets | <u>\$ 232,698</u> | <u>\$ 1,028,294</u> | <u>\$ 1,962,316</u> | <u>\$ 1,848,387</u> | <u>\$ 5,071,695</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

| | Pasadena Cottages, Inc. May 31, 2009 | Pecan Village, Inc. August 31, 2009 | Villas at Bayou Park, Inc. August 31, 2009 | Pear Grove, Inc. August 31, 2009 | Total |
|---|---|--|---|---|---------------------|
| Assets | | | | | |
| Current assets: | | | | | |
| 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 |
| Total current assets | <u>24,431</u> | <u>52,039</u> | <u>46,577</u> | <u>42,839</u> | <u>165,886</u> |
| Noncurrent assets: | | | | | |
| 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 |
| Total noncurrent assets | <u>207,663</u> | <u>993,869</u> | <u>1,978,135</u> | <u>1,855,167</u> | <u>5,034,834</u> |
| Total assets | <u>\$ 232,094</u> | <u>\$ 1,045,908</u> | <u>\$ 2,024,712</u> | <u>\$ 1,898,006</u> | <u>\$ 5,200,720</u> |
| Liabilities | | | | | |
| Current liabilities: | | | | | |
| 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 |
| Total current liabilities | <u>46,570</u> | <u>40,042</u> | <u>66,471</u> | <u>221,019</u> | <u>374,102</u> |
| Deposit liabilities: | | | | | |
| Tenant deposits held in trust | 100 | 5,131 | 4,176 | 2,542 | 11,949 |
| Noncurrent liabilities: | | | | | |
| Noncurrent portion of long-term obligations | 333,986 | 1,099,700 | 2,099,554 | 1,487,908 | 5,021,148 |
| Total liabilities | <u>380,656</u> | <u>1,144,873</u> | <u>2,170,201</u> | <u>1,711,469</u> | <u>5,407,199</u> |
| Net Assets | | | | | |
| 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 |
| Total net assets | <u>(148,562)</u> | <u>(98,965)</u> | <u>(145,489)</u> | <u>186,537</u> | <u>(206,479)</u> |
| Total liabilities and net assets | <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 ACTIVITIES

COMPONENT UNITS

*For the Year Ended August 31, 2010 **

| | 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. | |
| Pasadena Cottages, Inc. | | | | | | | | | |
| HUD Section 811 program | \$ 92,133 | \$ 132,630 | \$ | \$ | \$ 40,497 | \$ | \$ | \$ | \$ 40,497 |
| Interest on long-term debt | 30,344 | | | | (30,344) | | | | (30,344) |
| Total - Pasadena Cottage, Inc. | <u>122,477</u> | <u>132,630</u> | | | <u>10,153</u> | | | | <u>10,153</u> |
| Pecan Village, Inc. | | | | | | | | | |
| HUD Section 811 program | 121,190 | 96,959 | | | | (24,231) | | | (24,231) |
| Villas at Bayou Park, Inc. | | | | | | | | | |
| HUD Section 811 program | 101,503 | 53,755 | | | | | (47,748) | | (47,748) |
| Pear Grove, Inc. | | | | | | | | | |
| HUD Section 811 program | 111,137 | 60,241 | | | | | (50,896) | | (50,896) |
| Total component units | <u>\$ 456,307</u> | <u>\$ 343,585</u> | <u>\$</u> | <u>\$</u> | | | | | <u>(112,722)</u> |
| General revenues: | | | | | | | | | |
| Investment earnings | | | | | 17 | 192 | 69 | 416 | 694 |
| Other income | | | | | | 9,871 | | 100 | 9,971 |
| Transfer to primary government | | | | | | | | | |
| Total general revenues and transfer | | | | | <u>17</u> | <u>10,063</u> | <u>69</u> | <u>516</u> | <u>10,665</u> |
| Change in net assets | | | | | 10,170 | (14,168) | (47,679) | (50,380) | (102,057) |
| Net assets - beginning | | | | | (148,562) | (98,965) | (145,489) | 186,537 | (206,479) |
| Prior period adjustment | | | | | 29,441 | | | | 29,441 |
| Net assets - ending | | | | | <u>\$ (108,951)</u> | <u>\$ (113,133)</u> | <u>\$ (193,168)</u> | <u>\$ 136,157</u> | <u>\$ (279,095)</u> |

* Pasadena Cottages, Inc. is reported for the year ended May 31, 2010.

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. | |
| Pasadena Cottages, Inc. | | | | | | | | | |
| HUD Section 811 program | \$ 70,268 | \$ 127,774 | \$ | \$ | \$ 57,506 | \$ | \$ | \$ | \$ 57,506 |
| Interest on long-term debt | 30,931 | | | | (30,931) | | | | (30,931) |
| Total -Pasadena Cottage, Inc. | <u>101,199</u> | <u>127,774</u> | | | <u>26,575</u> | | | | <u>26,575</u> |
| Pecan Village, Inc. | | | | | | | | | |
| HUD Section 811 program | 102,508 | 87,036 | | | | (15,472) | | | (15,472) |
| Villas at Bayou Park, Inc. | | | | | | | | | |
| HUD Section 811 program | 98,701 | 55,924 | | | | | (42,777) | | (42,777) |
| Pear Grove, Inc. | | | | | | | | | |
| HUD Section 811 program | 102,391 | 29,590 | | 111,346 | | | | 38,545 | 38,545 |
| Total component units | <u>\$ 404,799</u> | <u>\$ 300,324</u> | <u>\$</u> | <u>\$ 111,346</u> | | | | | <u>6,871</u> |
| General revenues: | | | | | | | | | |
| Investment earnings | | | | | 60 | 340 | 71 | 497 | 968 |
| Other income | | | | | | 10 | | 333 | 343 |
| Transfer to primary government | | | | | | | | | |
| Total general revenues and transfer | | | | | <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 |
| Net assets - beginning | | | | | (175,197) | (83,843) | (103,568) | 147,162 | (215,446) |
| Prior period adjustment | | | | | | | 785 | | 785 |
| Net assets - ending | | | | | <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.

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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 individuals with intellectual and developmental disabilities (IDD). 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 illness 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 illness 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 illness 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 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 (assets equal liabilities) and do not involve measurement of results of operations.

Client Trust Fund - This fund is used to account for the receipts and distribution of the supplemental security income of eligible clients. As invoices are submitted for items such as clients' rent, utilities, and food, clients are reimbursed using the funds available for their account.

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 DSHS and DADS. All annual appropriations lapse at fiscal year end.

Contract/budget negotiations are scheduled by DSHS and DADS 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 DSHS and DADS. The final budget is approved by DSHS and DADS, 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 investments 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 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, 2010 and 2009, 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 2 - Summary of Significant Accounting Policies (continued)

Intangible Assets with Finite Lives

The Agency has adopted the provisions of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, for certain software development expenditures. This statement requires capitalizing costs that are deemed to be in “*Application Development Stage*”, or “*Post-Implementation/Operation Stage*”. Expenditures incurred prior to the current fiscal year were consistent with activities described as “preliminary project stage” in GASB Statement No. 51, and do not require restatement. Expenditures for design and development in the current year that were considered as “*Application Development Stage*”, and capitalized accordingly. See Note 15 – Topaz Software Development.

Fund Balance

The Agency has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes new categories for fund balance and definitions for fund-types. The categories are as follows:

- *Nonspendable fund balance* - amounts that are not in a spendable form (such as inventory or prepaid items)
- *Restricted fund balance* - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation
- *Committed fund balance* - amounts constrained to specific purposes by the Agency itself, approved by the board of trustees; to be reported as committed, amounts cannot be used for any other purpose unless the Agency takes the same highest-level action to remove or change the constraint
- *Assigned fund balance* - amounts the Agency intends to use for a specific purpose; intent can be expressed by the board of trustees, board committees or by the executive director
- *Unassigned fund balance* - amounts that are available for any purpose; these amounts are reported only in the general fund.

Beginning fund balances for the Agency’s governmental funds have been restated to reflect the above classifications.

MENTAL HEALTH AND MENTAL RETARDATION

AUTHORITY OF HARRIS COUNTY

Notes To The Basic Financial Statements (continued)

Note 3 – Reconciliation of Government-wide and Fund Financial Statements

Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation of Total Fund Balance of Governmental Fund and Net Assets of Governmental Activities as reported in the Statements of Net Assets – Governmental Fund. One element of that reconciliation explains, “Long-term liabilities, current and long-term, are not due and payable with current financial resources and therefore, are not reported in the fund.” The details of this \$7,684,454 difference are as follows:

| | |
|---|---------------------|
| Note payable | \$ 4,560,701 |
| Compensated absences | <u>3,123,753</u> |
| Net adjustment to reduce Total Fund Balance of Governmental Fund to arrive at Net Assets of Governmental Activities | <u>\$ 7,684,454</u> |

Explanation of Certain Differences between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between Net Changes in Fund Balances – Total Governmental Fund and Change in Net Assets of Governmental Activities as reported in the government-wide statement of activities. One element of that reconciliation explains, “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.” The details of this \$1,364,680 difference are as follows:

| | |
|---|---------------------|
| Capital outlay | \$ 2,691,961 |
| Depreciation expense | <u>(1,307,281)</u> |
| Net adjustment to increase Net Changes in Fund Balance - Total Governmental Funds to arrive at Changed in Net Assets of Governmental Activities | <u>\$ 1,384,680</u> |

Another element of that reconciliation states, “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.” The details of this \$(8,063) difference are as follows:

| | |
|---|-----------------------|
| Capital outlay | \$ 229,360 |
| Depreciation expense | <u>(1,358,092)</u> |
| Net adjustment to increase Net Changes in Fund Balance - Total Governmental Funds to arrive at Changed in Net Assets of Governmental Activities | <u>\$ (1,128,732)</u> |

MENTAL HEALTH AND MENTAL RETARDATION

AUTHORITY OF HARRIS COUNTY

Notes To The Basic Financial Statements (continued)

Note 4 - 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, 2010 and 2009, the Agency’s bank balances were \$8,733,235 and \$7,298,952. The custodial credit risk exposure at August 31, 2010 and 2009 were as follows:

| | <u>2010</u> | <u>2009</u> |
|--|---------------------|-------------------|
| Collateralized by securities held by the pledging financial institutions' trust department or agent but not in the Agency's name | <u>\$ 8,233,235</u> | <u>\$ 838,328</u> |

As of August 31, 2010, the Agency had the following investments:

| <u>Security</u> | <u>Average Maturity</u> | <u>Rating</u> | <u>Fair Value</u> |
|--|-------------------------|---------------|---------------------|
| U.S. Government Agency Securities | | | |
| Federal Home Loan Bank Bonds | 441 days | AAA | \$2,008,130 |
| Federal Home Loan Bank Bonds | 510 days | AAAe | 2,004,748 |
| Federal Home Loan Bank Bonds | 686 days | AAA | 3,002,745 |
| Federal Home Loan Bank Bonds | 1,713 days | AAAe | 5,026,450 |
| Federal Farm Credit Bank Bonds | 1,028 days | AAA | 2,002,140 |
| Local Government Investment Pools | | | |
| TexPool Investment Fund | 1 day | AAAm | <u>19,025,301</u> |
| | | | <u>\$33,069,514</u> |
| Portfolio weighted average maturity | 442.09 days | | |

Quoted market prices are the basis of the fair value for the U.S. Government Agency securities. The amount of increase or decrease in the fair value of investments during the current year is included in the Agency’s investment income as follows:

| | <u>Primary Government</u> | <u>Component Units</u> |
|---|---------------------------|------------------------|
| Interest Income | \$ 146,599 | 694 |
| Unrealized gain (loss) on temporary investments | 30,341 | |
| Investment Earnings | <u>\$ 176,940</u> | <u>\$ 694</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 \$5,608,782 and \$8,447,139 at year end were held by Bank of America’s and J.P. Morgan Chase’s trust departments, respectively, or agent 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 five years.

MENTAL HEALTH AND MENTAL RETARDATION

AUTHORITY OF HARRIS COUNTY

Notes To The Basic Financial Statements (continued)

Note 4 - Deposits and Investments (continued)

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, 2010, 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.

At August 31, 2010, investments of \$19,025,301 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, 2009, investments consisted of local government investment pools of \$31,759,214.

MENTAL HEALTH AND MENTAL RETARDATION

AUTHORITY OF HARRIS COUNTY

Notes To The Basic Financial Statements (continued)

Note 5 - Accounts Receivable

Accounts receivable are comprised of the following balances at August 31, 2010 and 2009 for the primary government:

| | <u>2010</u> | <u>2009</u> |
|---|-----------------------------|-----------------------------|
| Due from other governments | | |
| Harris County | \$ 6,955,609 | \$ 6,774,266 |
| State and Federal | 6,692,518 | 7,976,184 |
| 3rd Party billings (net of allowance for uncollectible amounts of \$1,121,538 and \$1,075,791 respectively) | 1,330,904 | 935,609 |
| Other receivables | 258,946 | 462,830 |
| Total receivables | <u><u>\$ 15,237,977</u></u> | <u><u>\$ 16,148,889</u></u> |

Note 6 - Capital Assets

A summary of changes in general capital asset balances for the year ended August 31, 2010, is as follows:

| | <u>Primary Government</u> | | | |
|--|-----------------------------|----------------------------|------------------------|-----------------------------|
| | <u>Balance as of</u> | | | <u>Balance as of</u> |
| | <u>September 1, 2009</u> | <u>Additions</u> | <u>Retirements</u> | <u>August 31, 2010</u> |
| Governmental activities | | | | |
| Land | \$ 3,219,943 | \$ 201,546 | \$ | \$ 3,421,489 |
| Buildings and improvements | 24,314,984 | 806,186 | | 25,121,170 |
| Furniture and Equipment | 6,719,313 | 278,531 | 107,640 | 6,890,204 |
| Vehicles | 1,262,909 | 39,964 | 186,106 | 1,116,767 |
| Intangible Assets - Software | | 1,365,734 | | 1,365,734 |
| Total at historical cost | <u>35,517,149</u> | <u>2,691,961</u> | <u>293,746</u> | <u>37,915,364</u> |
| Less accumulated depreciation for | | | | |
| Buildings and improvements | 11,217,293 | 918,086 | | 12,135,379 |
| Furniture and Equipment | 6,260,084 | 202,482 | 107,494 | 6,355,072 |
| Vehicles | 663,454 | 186,713 | 178,189 | 671,978 |
| Total accumulated depreciation | <u>18,140,831</u> | <u>1,307,281</u> | <u>285,683</u> | <u>19,162,429</u> |
| Governmental activities capital assets, net | <u><u>\$ 17,376,318</u></u> | <u><u>\$ 1,384,680</u></u> | <u><u>\$ 8,063</u></u> | <u><u>\$ 18,752,935</u></u> |

MENTAL HEALTH AND MENTAL RETARDATION

AUTHORITY OF HARRIS COUNTY

Notes To The Basic Financial Statements (continued)

Note 6 - Capital Assets (continued)

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

| | Primary Government | | | Balance as of August 31, 2009 |
|--|------------------------------------|----------------------|-------------------|----------------------------------|
| | Balance as of September 1, 2008 | Additions | Retirements | |
| Governmental activities | | | | |
| 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 | 451,193 | 121,360 | 3,894 | 568,659 |
| Vehicles held under capital leases | 742,804 | | 48,554 | 694,250 |
| Total at historical cost | <u>35,878,180</u> | <u>229,360</u> | <u>590,391</u> | <u>35,517,149</u> |
| Less accumulated depreciation for | | | | |
| 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 | 268,697 | 67,308 | 3,894 | 332,111 |
| Vehicles held under capital leases | 258,791 | 119,592 | 47,040 | 331,343 |
| Total accumulated depreciation | <u>17,098,142</u> | <u>1,358,092</u> | <u>315,403</u> | <u>18,140,831</u> |
| Governmental activities capital assets, net | <u>\$ 18,780,038</u> | <u>\$(1,128,732)</u> | <u>\$ 274,988</u> | <u>\$ 17,376,318</u> |

Depreciation expense for the years ended August 31, 2010 and 2009 are \$1,307,281 and \$1,358,092, respectively, and were charged to the following functions and activities:

| | <u>2010</u> | <u>2009</u> |
|--------------------------------------|---------------------|---------------------|
| Primary government | | |
| Governmental Activities: | | |
| General Administration | \$ 247,719 | \$ 269,599 |
| Adult Mental Health | 471,517 | 475,654 |
| Mental Retardation | 230,948 | 290,056 |
| Child and Adolescent | 89,019 | 120,806 |
| Crisis Center | 268,078 | 201,977 |
| Total governmental activities | <u>\$ 1,307,281</u> | <u>\$ 1,358,092</u> |

Note 7 - Accounts Payable

Accounts payable are comprised of the following balances at August 31, 2010 and 2009 for the primary government:

| | <u>2010</u> | <u>2009</u> |
|-----------------------|---------------------|---------------------|
| Vendors payable | \$ 4,566,492 | \$ 4,285,990 |
| Due to Medicaid | | 288,662 |
| Total Payables | <u>\$ 4,566,492</u> | <u>\$ 4,574,652</u> |

MENTAL HEALTH AND MENTAL RETARDATION

AUTHORITY OF HARRIS COUNTY

Notes To The Basic Financial Statements (continued)

Note 8 - Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2010 was as follows:

| | <u>Balance as of September 1, 2009</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance as of August 31, 2010</u> | <u>Amounts Due within One Year</u> |
|--|--|---------------------|-----------------------|--|--|
| Governmental Activities | | | | | |
| Notes and capital lease payable: | | | | | |
| Bank notes payable | \$ 5,269,921 | \$ | \$ (709,220) | \$ 4,560,701 | \$ 751,519 |
| Other liabilities: | | | | | |
| Compensated absences | <u>2,720,130</u> | <u>2,909,305</u> | <u>(2,505,682)</u> | <u>3,123,753</u> | <u>250,000</u> |
| Governmental activities long-term liabilities | <u>\$ 7,990,051</u> | <u>\$ 2,909,305</u> | <u>\$ (3,214,902)</u> | <u>\$ 7,684,454</u> | <u>\$ 1,001,519</u> |

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> |
|--|--|---------------------|-----------------------|--|--|
| Governmental Activities | | | | | |
| Notes and capital lease payable: | | | | | |
| Bank notes payable | \$ 5,940,236 | \$ | \$ (670,315) | \$ 5,269,921 | \$ 709,220 |
| Other liabilities: | | | | | |
| Compensated absences | <u>2,483,667</u> | <u>2,493,080</u> | <u>(2,256,617)</u> | <u>2,720,130</u> | <u>250,000</u> |
| Governmental activities long-term liabilities | <u>\$ 8,423,903</u> | <u>\$ 2,493,080</u> | <u>\$ (2,926,932)</u> | <u>\$ 7,990,051</u> | <u>\$ 959,220</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.

Debt service for notes payable as of August 31, 2010 is as follows:

| <u>Year ending August 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------|---------------------|-------------------|---------------------|
| 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 | 947,437 | 49,072 | 996,509 |
| 2016 | <u>328,093</u> | <u>3,998</u> | <u>332,091</u> |
| | <u>\$ 4,560,701</u> | <u>\$ 753,330</u> | <u>\$ 5,314,031</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.

MENTAL HEALTH AND MENTAL RETARDATION

AUTHORITY OF HARRIS COUNTY

Notes To The Basic Financial Statements (continued)

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 \$890,276 and \$789,372 in 2010 and 2009, respectively.

The future minimum rental payments required under non-cancelable operating leases having remaining terms in excess of one year as of August 31, 2010 are as follows:

| <u>Year ending August 31,</u> | |
|-------------------------------|-------------------|
| 2011 | \$ 425,356 |
| 2012 | 93,902 |
| 2013 | 49,193 |
| 2014 | 43,201 |
| 2015 | 43,201 |
| 2016 - 2020 | <u>216,005</u> |
| | <u>\$ 870,858</u> |

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 \$810,288 and \$709,531 for the years ended August 31, 2010 and 2009, 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, 2009 and 2008 are as follows:

**Statement of Fiduciary Net Assets
December 31, 2009 and 2008**

| | <u>2009</u> | <u>2008</u> |
|--|----------------------|----------------------|
| Assets | | |
| Investments, at fair market value | \$ 28,861,693 | \$ 21,405,376 |
| Total assets | <u>\$ 28,861,693</u> | <u>\$ 21,405,376</u> |
| Net Assets | | |
| Held in trust for pension benefits and other purposes | <u>\$ 28,861,693</u> | <u>\$ 21,405,376</u> |

MENTAL HEALTH AND MENTAL RETARDATION

AUTHORITY OF HARRIS COUNTY

Notes To The Basic Financial Statements (continued)

Note 11 - Pension Plan (continued)

**Statement of Changes in Fiduciary Net Assets
For the Years Ended December 31, 2009 and 2008**

| | <u>2009</u> | <u>2008</u> |
|--|----------------------|----------------------|
| Additions | | |
| Contributions: | | |
| Employer | \$ 4,093,888 | \$ 3,689,629 |
| Total contributions | <u>4,093,888</u> | <u>3,689,629</u> |
| Investment earnings: | | |
| Net increase/(decrease) in fair value of investments | 3,971,679 | (7,499,203) |
| Dividends/ Interest | <u>355,834</u> | <u>647,909</u> |
| Total investment earnings | <u>4,327,513</u> | <u>(6,851,294)</u> |
| Total additions | <u>8,421,401</u> | <u>(3,161,665)</u> |
| Deductions | | |
| Benefits | 812,432 | 1,164,679 |
| Others | <u>152,652</u> | <u>115,068</u> |
| Total deductions | <u>965,084</u> | <u>1,279,747</u> |
| Change in net assets | 7,456,317 | (4,441,412) |
| Net assets—beginning of the year | <u>21,405,376</u> | <u>25,846,788</u> |
| Net assets—end of the year | <u>\$ 28,861,693</u> | <u>\$ 21,405,376</u> |

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate at the next entry date as defined by the plan after working 1,560 hours and being employed on December 31 of the plan year. The plan requires that the Agency contribute an amount equal to 5% of the eligible employee's annual base salary. Employee contributions are not permitted. If a participant in the plan terminates employment, the non-vested account balance is forfeited. Effective plan year 2008, the Agency instituted an employee matching program. Eligible employees must open and participate in a 403(b) plan. The match is dollar for dollar up to 5% of the employee's annual base salary, with a minimum of 1%.

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 2009 and 2008 amounted to \$1,079,327 and \$115,068, respectively, of which \$1,079,327 and \$115,068, respectively, was used against the Agency's contributions for the year ended August 31, 2010 and 2009, 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 be 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.

MENTAL HEALTH AND MENTAL RETARDATION

AUTHORITY OF HARRIS COUNTY

Notes To The Basic Financial Statements (continued)

Note 11 - Pension Plan (continued)

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, 2010 and 2009 amounted to \$5,419,414 and \$4,569,513, respectively.

The Plan's investments as of December 31, 2009 and 2008 are as follows:

| | Fair Value | |
|---|----------------------|----------------------|
| | 2009 | 2008 |
| Wells Fargo Bank Investment Funds for Employee Benefit Trusts: | | |
| Advantage Asset Allocation Fund | \$ 6,880,717 | \$ 6,315,391 |
| Stable Return Fund | 6,515,424 | 5,246,708 |
| Advantage Index Fund | 3,768,544 | 2,846,852 |
| Bond Index Fund | 1,459,335 | 1,226,411 |
| Investment Partners Fund | 492,674 | 272,221 |
| Large Cap Value Fund | 344,535 | 201,300 |
| MFS Value | 5,042 | - |
| Growth Fund | 589,622 | 332,394 |
| Small Cap Fund | 240,719 | 149,456 |
| Research International | 429,251 | 221,455 |
| Advantage Dow Jones Target Today | 294,836 | 167,175 |
| Advantage Dow Jones Target 2010 | 919,550 | 561,406 |
| Advantage Dow Jones Target 2020 | 1,911,664 | 1,171,561 |
| Advantage Dow Jones Target 2030 | 2,045,556 | 1,136,392 |
| Advantage Dow Jones Target 2040 | 2,964,224 | 1,556,654 |
| Total | \$ 28,861,693 | \$ 21,405,376 |

The investments are valued at fair value by the Trustee based on published prices as of December 31, 2009 and 2008. These investments are held in trust in the name of the Plan by the bank's trust department.

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.

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 (continued)

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 assists its consumers in participating in a Patient Assistance Program (PAP) and Sample Drug Program where the Agency, on behalf of its 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, 2010 and 2009 were \$16,588,089 and \$11,862,338, respectively. The PAP and sample drugs received and provided to the consumers reduce the total drug expense that MHMRA would normally incur without the PAP.

MHMRA is deemed as the payor of last resort for the medications. The Agency recognizes the benefits of the PAP program to its consumers 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.

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.

MENTAL HEALTH AND MENTAL RETARDATION

AUTHORITY OF HARRIS COUNTY

Notes To The Basic Financial Statements (continued)

Note 15 – Topaz Software Development

MHMRA of Harris County entered into an Interlocal agreement with Mental Health Mental Retardation of Tarrant County (“MHMRTC”) to jointly develop a computer software to improve and enhance the management and delivery of mental health, intellectual and developmental disability, early childhood intervention, and addiction services to their respective communities.

MHMRA and MHMRTC will equally share the costs and any potential revenues associated with the development, implementation, integration, and marketing of software products and services that result from this joint venture.

In FY 2009, Phase I (Discovery) of this joint project was started. It dealt with documentation of the “as is” processes, performed a “gap analysis” between the Centers and documented the same, described the “to be” process which has been agreed upon by both Centers and documented a delivery mechanism for each business process. At this phase, the “to be” processes were formulated and alternatives were evaluated, and the final selection of the alternatives for the development of the software was made.

At the start of FY 2010, Phase II (Implementation) was launched to review and make decisions related to programmatic and technical issues which impact how the software system will be configured and used.

We had deemed Phase I to be the “preliminary project stage” as described in GASB 51- Accounting and Financial Reporting for Intangible Assets, and Phase II as the “application development stage.” Accordingly, and having met the other requisites under GASB 51, we capitalized the costs related to this project in FY 2010.

Note 15 - Subsequent Events

As of the date of this report, the 82nd Texas Legislature was convening to discuss the state’s current budget shortfall, which has been reported as being between \$11 billion and \$25 billion. The legislature is considering funding cuts that may affect the Agency’s overall level of service. As this discussion is preliminary, the Agency is uncertain as to what extent final legislation will impact their budget for FY 2012.

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, 2010

| | <u>Total</u> |
|--|--|
| Governmental Funds Capital Assets | |
| Land | \$ 3,421,489 |
| Buildings | 11,650,171 |
| Furniture and Equipment | 6,890,204 |
| Leasehold Improvements | 13,470,999 |
| Vehicles | 1,116,767 |
| Intangible Assets - Software | <u>1,365,734</u> |
| Total Governmental Fund Capital Assets | <u><u>\$ 37,915,364</u></u> |
| Investment in Governmental Funds Capital Assets by Source | |
| General Fund | <u>\$ 37,915,364</u> |
| Total Investment in Governmental Funds Capital Assets | <u><u>\$ 37,915,364</u></u> |

**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, 2010

| Function | Land | Buildings | Equipment and Furniture | Leasehold Improvements | Vehicles | Intangible Assets - Software | Total |
|---|---------------------|----------------------|--------------------------------|-------------------------------|---------------------|-------------------------------------|----------------------|
| Mental Health | \$ 1,895,148 | \$ 5,901,715 | \$ 2,171,348 | \$ 5,145,935 | \$ 129,551 | | \$ 15,243,697 |
| Mental Retardation | 916,080 | 2,895,662 | 1,453,030 | 2,067,396 | 394,576 | | 7,726,744 |
| Child and Adolescent | 174,011 | 1,274,669 | 705,833 | 1,362,674 | | | 3,517,187 |
| Crisis Center | | | 567,247 | 2,439,691 | 436,938 | | 3,443,876 |
| Administration | 436,250 | 1,578,125 | 1,992,746 | 2,455,303 | 155,702 | 1,365,734 | 7,983,860 |
| Total Governmental Fund Capital Assets | \$ 3,421,489 | \$ 11,650,171 | \$ 6,890,204 | \$ 13,470,999 | \$ 1,116,767 | \$ 1,365,734 | \$ 37,915,364 |

**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, 2010

| Function | Governmental Fund Capital Assets August 31, 2009 | Additions | Retirements | Adjustments | Governmental Fund Capital Assets August 31, 2010 |
|---|---|---------------------|--------------------|--------------------|---|
| Mental Health | \$ 14,486,785 | \$ 810,346 | \$ 53,434 | \$ | \$ 15,243,697 |
| Mental Retardation | 7,574,842 | 249,175 | 97,273 | | 7,726,744 |
| Child and Adolescent | 3,340,358 | 187,551 | 10,722 | | 3,517,187 |
| Crisis Center | 3,481,588 | 48,112 | 85,824 | | 3,443,876 |
| Administration | 6,633,576 | 1,396,777 | 46,493 | | 7,983,860 |
| Total Governmental Fund Capital Assets | \$ 35,517,149 | \$ 2,691,961 | \$ 293,746 | \$ | \$ 37,915,364 |

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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.

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 Ten Fiscal Years

(Accrual Basis of Accounting)

| | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Governmental activities | | | | | |
| Invested in capital assets, net of related debt | \$ 10,283,540 | \$ 9,508,315 | \$ 9,156,277 | \$ 10,093,384 | \$ 9,866,118 |
| Restricted for: | | | | | |
| Texas Medication Algorithm Project | | 362,374 | 132,843 | 27,217 | 26,733 |
| Texas Implementation of Medication Algorithm Project | | | | | 1,399,484 |
| Harris County Youth and Family Mental Health Services Collaborative | | | | | 442,420 |
| Unrestricted | <u>13,658,405</u> | <u>10,301,918</u> | <u>13,950,850</u> | <u>20,972,275</u> | <u>27,599,648</u> |
| Total governmental activities net assets | <u>\$ 23,941,945</u> | <u>\$ 20,172,607</u> | <u>\$ 23,239,970</u> | <u>\$ 31,092,876</u> | <u>\$ 39,334,403</u> |
| | | | | | |
| | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> |
| Governmental activities | | | | | |
| Invested in capital assets, net of related debt | \$ 13,545,214 | \$ 13,038,662 | \$ 12,839,801 | \$ 12,106,397 | \$ 14,192,234 |
| Restricted for: | | | | | |
| Texas Medication Algorithm Project | | | | | |
| Texas Implementation of Medication Algorithm Project | 268,665 | | | | |
| Harris County Youth and Family Mental Health Services Collaborative | | | | | |
| Unrestricted | <u>28,023,628</u> | <u>33,828,411</u> | <u>35,623,166</u> | <u>40,729,973</u> | <u>42,140,254</u> |
| Total governmental activities net assets | <u>\$ 41,837,507</u> | <u>\$ 46,867,073</u> | <u>\$ 48,462,967</u> | <u>\$ 52,836,370</u> | <u>\$ 56,332,488</u> |

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

CHANGES IN NET ASSETS (UNAUDITED)

*Last Nine Fiscal Years **

(Accrual Basis of Accounting)

| | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
|--|-----------------------|---------------------|---------------------|---------------------|---------------------|
| EXPENSES | | | | | |
| Governmental activities | | | | | |
| Adult Mental Health | \$ 52,666,458 | \$ 46,830,734 | \$ 41,517,706 | \$ 45,537,912 | \$ 45,750,962 |
| Mental Retardation | 36,245,621 | 36,271,310 | 29,359,185 | 26,013,270 | 28,887,707 |
| Child and Adolescent | 13,322,387 | 9,985,489 | 11,131,525 | 11,390,426 | 12,681,152 |
| Crisis Center | 11,484,239 | 14,644,399 | 15,523,661 | 14,015,296 | 17,578,366 |
| Community Hospital | 26,349,690 | 26,940,584 | 19,806,281 | 19,806,281 | 19,806,281 |
| Managed Care-BHO | 1,809,741 | | | | |
| Interest on long-term debt | | | | 574,554 | 542,928 |
| Total governmental activities expenses | <u>141,878,136</u> | <u>134,672,516</u> | <u>117,338,358</u> | <u>117,337,739</u> | <u>125,247,396</u> |
| PROGRAM REVENUES | | | | | |
| Governmental activities | | | | | |
| Charges for services | 21,143,078 | 21,260,347 | 21,782,423 | 20,646,580 | 24,945,392 |
| Operating grants and contributions | 99,602,570 | 96,502,766 | 80,831,969 | 82,456,093 | 79,565,247 |
| Capital grants and contributions | | | | | |
| Total governmental activities program revenue | <u>120,745,648</u> | <u>117,763,113</u> | <u>102,614,392</u> | <u>103,102,673</u> | <u>104,510,639</u> |
| NET (EXPENSE) REVENUE | | | | | |
| Governmental activities | (21,132,488) | (16,909,403) | (14,723,966) | (14,235,066) | (20,736,757) |
| GENERAL REVENUES AND OTHER | | | | | |
| CHANGES IN NET ASSETS | | | | | |
| Governmental activities | | | | | |
| Payment from Harris County | 16,642,788 | 18,048,022 | 21,466,385 | 22,094,322 | 22,271,825 |
| Grants and contributions not restricted to specific programs | 1,042,107 | | | 581,385 | |
| Investment earnings | 359,557 | 182,473 | 238,805 | 727,061 | 1,548,416 |
| Other income | 1,103,645 | 1,124,121 | 364,720 | 77,443 | 176,367 |
| Special items | | | | | |
| Net gain on disposal of assets | | 622,150 | 506,962 | 197,633 | 25,971 |
| Capital assets written off | (1,784,946) | | | (1,246,268) | (782,718) |
| Transfer | | | | 45,017 | |
| Total | <u>17,363,151</u> | <u>19,976,766</u> | <u>22,576,872</u> | <u>22,476,593</u> | <u>23,239,861</u> |
| CHANGE IN NET ASSETS | | | | | |
| Governmental activities | <u>\$ (3,769,337)</u> | <u>\$ 3,067,363</u> | <u>\$ 7,852,906</u> | <u>\$ 8,241,527</u> | <u>\$ 2,503,104</u> |

* Change in net assets information prior to FY 2002 not available.

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

CHANGES IN NET ASSETS (UNAUDITED) (continued)

*Last Nine Fiscal Years **

(Accrual Basis of Accounting)

| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> |
|--|---------------------|---------------------|---------------------|---------------------|
| EXPENSES | | | | |
| Governmental activities | | | | |
| Adult Mental Health | \$ 49,543,794 | \$ 48,746,402 | \$ 46,597,293 | \$ 51,522,382 |
| Mental Retardation | 31,535,408 | 33,169,433 | 37,666,929 | 42,441,157 |
| Child and Adolescent | 12,980,279 | 16,342,724 | 15,939,526 | 16,106,665 |
| Crisis Center | 19,067,856 | 20,060,634 | 27,250,245 | 31,573,042 |
| Community Hospital | 19,806,273 | 23,306,273 | 23,274,922 | 27,450,626 |
| Managed Care-BHO | | | | |
| Interest on long-term debt | 414,825 | 380,687 | 326,553 | 287,043 |
| Total governmental activities expenses | <u>133,348,435</u> | <u>142,006,153</u> | <u>151,055,468</u> | <u>169,380,915</u> |
| PROGRAM REVENUES | | | | |
| Governmental activities | | | | |
| Charges for services | 24,247,294 | 30,075,949 | 31,696,453 | 36,420,360 |
| Operating grants and contributions | 90,342,483 | 93,999,142 | 101,245,906 | 116,570,063 |
| Capital grants and contributions | 306,050 | 193,950 | | |
| Total governmental activities program revenue | <u>114,895,827</u> | <u>124,269,041</u> | <u>132,942,359</u> | <u>152,990,423</u> |
| NET (EXPENSE) REVENUE | | | | |
| Governmental activities | (18,452,608) | (17,737,112) | (18,113,109) | (16,390,492) |
| GENERAL REVENUES AND OTHER | | | | |
| CHANGES IN NET ASSETS | | | | |
| Governmental activities | | | | |
| Payment from Harris County | 20,502,849 | 17,736,332 | 20,402,681 | 18,814,978 |
| Grants and contributions not restricted to specific programs | | | 686,713 | 49,872 |
| Investment earnings | 1,935,931 | 1,228,325 | 320,117 | 176,940 |
| Other income | 528,721 | 362,001 | 2,459,743 | 821,177 |
| Special items | | | | |
| Net gain on disposal of assets | 544,077 | 26,370 | 73,818 | 23,642 |
| Capital assets written off | (29,404) | (20,022) | | |
| Transfer | | | | |
| Total | <u>23,482,174</u> | <u>19,333,006</u> | <u>23,943,072</u> | <u>19,886,610</u> |
| CHANGE IN NET ASSETS | | | | |
| Governmental activities | <u>\$ 5,029,566</u> | <u>\$ 1,595,894</u> | <u>\$ 5,829,963</u> | <u>\$ 3,496,118</u> |

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

| | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| General fund | | | | | |
| Reserved for: | | | | | |
| Inventories | \$ 638,934 | \$ 501,793 | \$ 386,863 | \$ 806,481 | \$ 468,269 |
| Prepaid | 441,410 | 167,529 | 358,255 | 199,917 | 654,066 |
| Encumbrances | 346,712 | | | | |
| Budget provision | 4,585,000 | | | | |
| Texas Medication Algorithm Project | | 362,374 | 132,843 | 27,217 | 26,733 |
| Texas Implementation of Medication Algorithm Project | | | | | 675,234 |
| Harris County Youth and Family Mental Health Services Collaborative | | | | | 442,420 |
| Unreserved: | | | | | |
| Designated funds: | | | | | |
| Capital asset replacement | 2,000,000 | | | | |
| Cash flow requirements | 4,323,113 | | | | |
| Infrastructure development | | | | 869,000 | 1,544,172 |
| Self insurance | | | | 1,000,000 | 1,000,000 |
| Debt repayment | | | | | |
| Compensated Absences | | | | | |
| Others | | 618,000 | 848,043 | 70,400 | 480,000 |
| General fund - undesignated | 3,123,300 | 8,869,596 | 12,357,689 | 18,026,477 | 22,953,141 |
| Nonspendable: | | | | | |
| Inventories | | | | | |
| Prepaid | | | | | |
| Assigned: | | | | | |
| Infrastructure development | | | | | |
| Self insurance | | | | | |
| Debt repayment | | | | | |
| Compensated absences | | | | | |
| Other purposes | | | | | |
| Unassigned: | | | | | |
| Total general fund | <u>\$ 15,458,469</u> | <u>\$ 10,519,292</u> | <u>\$ 14,083,693</u> | <u>\$ 20,999,492</u> | <u>\$ 28,244,035</u> |

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

| | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| General fund | | | | | |
| Reserved for: | | | | | |
| Inventories | \$ 230,625 | \$ 199,771 | \$ 272,749 | \$ 198,810 | \$ |
| Prepaid | 382,369 | 301,291 | 259,879 | 200,023 | |
| Encumbrances | | | | | |
| Budget provision | | | | | |
| Texas Medication Algorithm Project | | | | | |
| Texas Implementation of Medication Algorithm Project | 268,665 | | | | |
| Harris County Youth and Family Mental Health Services Collaborative | | | | | |
| Unreserved: | | | | | |
| Designated funds: | | | | | |
| Capital asset replacement | | | | | |
| Cash flow requirements | | | | | |
| Infrastructure development | 2,009,172 | 4,724,172 | 4,724,172 | 5,800,000 | |
| Self insurance | 1,000,000 | 1,500,000 | 2,000,000 | 2,000,000 | |
| Debt repayment | | | | 5,269,922 | |
| Compensated Absences | | | | 2,720,129 | |
| Others | 735,774 | 2,524,470 | 1,599,190 | 743,037 | |
| General fund - undesignated | 24,833,976 | 25,303,465 | 27,124,498 | 24,370,717 | |
| Nonspendable: | | | | | |
| Inventories | | | | | 182,569 |
| Prepaid | | | | | 333,053 |
| Assigned: | | | | | |
| Infrastructure development | | | | | 5,800,000 |
| Self insurance | | | | | 2,000,000 |
| Debt repayment | | | | | 4,560,702 |
| Compensated absences | | | | | 3,123,753 |
| Other purposes | | | | | 748,029 |
| Unassigned: | | | | | 26,364,127 |
| Total general fund | <u>\$ 29,460,581</u> | <u>\$ 34,553,169</u> | <u>\$ 35,980,488</u> | <u>\$ 41,302,638</u> | <u>\$ 43,112,233</u> |

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

| | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> |
|---|-----------------------|-----------------------|---------------------|---------------------|---------------------|
| Revenues | | | | | |
| Local | \$ 42,734,631 | \$ 41,722,282 | \$ 46,534,190 | \$ 48,414,839 | \$ 48,841,258 |
| State | 76,686,336 | 84,460,522 | 81,631,539 | 67,088,804 | 66,089,752 |
| Federal | 12,770,885 | 13,565,940 | 9,096,999 | 9,180,659 | 10,972,641 |
| Total revenues | <u>132,191,852</u> | <u>139,748,744</u> | <u>137,262,728</u> | <u>124,684,302</u> | <u>125,903,651</u> |
| Expenditures | | | | | |
| Salaries | 52,694,695 | 56,055,647 | 55,669,057 | 51,074,338 | 53,087,788 |
| Employee benefits | 9,815,476 | 10,089,785 | 10,944,926 | 10,603,131 | 9,727,365 |
| Professional and consultant services | 36,363,934 | 37,470,719 | 35,217,550 | 27,225,783 | 26,306,554 |
| Training and travel | 1,182,626 | 1,401,176 | 1,307,209 | 955,102 | 1,174,499 |
| Debt service | 2,578,526 | 2,820,589 | 2,685,550 | 9,655,974 | 2,453,789 |
| Capital outlay | 4,982,893 | 2,087,030 | 587,978 | 1,606,166 | 1,512,194 |
| Non-capitalized equipment | | | | | |
| Pharmaceutical expense | 15,457,545 | 14,442,114 | 11,033,558 | 9,619,583 | 11,317,525 |
| Other operating expense | 13,730,462 | 20,320,861 | 16,892,799 | 13,942,276 | 13,511,937 |
| Total expenditures | <u>136,806,157</u> | <u>144,687,921</u> | <u>134,338,627</u> | <u>124,682,353</u> | <u>119,091,651</u> |
| Excess of revenues over/(under expenditures) | (4,614,305) | (4,939,177) | 2,924,101 | 1,949 | 6,812,000 |
| Other financing sources (uses) | | | | | |
| Capital leases | | | | | 82,718 |
| Debt proceeds used to fund capital expenditures | (3,150,272) | | | | |
| Proceeds from sale of refunding bond and capital leases | | | | 3,571,752 | |
| Proceeds from sale of assets | | | 640,300 | 3,342,098 | 349,825 |
| Total other financing sources (uses) | <u>(3,150,272)</u> | <u>-</u> | <u>640,300</u> | <u>6,913,850</u> | <u>432,543</u> |
| Net change in fund balances | <u>\$ (7,764,577)</u> | <u>\$ (4,939,177)</u> | <u>\$ 3,564,401</u> | <u>\$ 6,915,799</u> | <u>\$ 7,244,543</u> |

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

| | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Revenues | | | | | |
| Local | \$ 53,649,455 | \$ 52,180,624 | \$ 53,333,683 | \$ 57,888,002 | \$ 59,426,076 |
| State | 64,255,040 | 71,348,608 | 76,936,456 | 83,161,961 | 95,527,987 |
| Federal | 11,314,939 | 14,275,329 | 13,270,045 | 15,740,531 | 17,895,020 |
| Total revenues | <u>129,219,434</u> | <u>137,804,561</u> | <u>143,540,184</u> | <u>156,790,494</u> | <u>172,849,083</u> |
| Expenditures | | | | | |
| Salaries | 60,762,975 | 66,637,986 | 71,521,224 | 78,101,016 | 87,604,734 |
| Employee benefits | 13,234,417 | 14,935,820 | 15,468,903 | 17,663,317 | 21,182,041 |
| Professional and consultant services | 7,030,810 | 7,460,872 | 7,207,549 | 7,714,718 | 10,233,262 |
| Training and travel | 1,700,441 | 1,767,429 | 2,002,900 | 2,493,567 | 2,635,039 |
| Debt service | 3,878,514 | 1,132,398 | 1,401,158 | 996,868 | 996,263 |
| Capital outlay | 1,527,533 | 1,050,503 | 462,607 | 229,360 | 2,691,961 |
| Non-capitalized equipment | 641,950 | 585,059 | 767,841 | 2,388,284 | 1,517,604 |
| Pharmaceutical expense | 8,099,015 | 6,999,820 | 7,261,937 | 3,733,380 | 1,732,486 |
| Other operating expense | 31,190,315 | 33,180,776 | 36,212,343 | 37,031,315 | 42,469,740 |
| Total expenditures | <u>128,065,970</u> | <u>133,750,663</u> | <u>142,306,462</u> | <u>150,351,825</u> | <u>171,063,130</u> |
| Excess of revenues over/(under expenditures) | 1,153,464 | 4,053,898 | 1,233,722 | 6,438,669 | 1,785,953 |
| Other financing sources (uses) | | | | | |
| Capital leases | 37,111 | 259,435 | 167,227 | | |
| Debt proceeds used to fund capital expenditures | | | | | |
| Proceeds from sale of refunding bond and capital leases | | | | | |
| Proceeds from sale of assets | 25,971 | 779,255 | 26,370 | 340,041 | 23,642 |
| Total other financing sources (uses) | <u>63,082</u> | <u>1,038,690</u> | <u>193,597</u> | <u>340,041</u> | <u>23,642</u> |
| Net change in fund balances | <u>\$ 1,216,546</u> | <u>\$ 5,092,588</u> | <u>\$ 1,427,319</u> | <u>\$ 6,778,710</u> | <u>\$ 1,809,595</u> |

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY
OF HARRIS COUNTY**
PRINCIPAL SOURCES OF REVENUES (UNAUDITED)
Last Ten Fiscal Years

| | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Local | | | | | |
| County government | \$ 20,802,899 | \$ 21,688,364 | \$ 23,894,617 | \$ 25,492,970 | \$ 26,331,144 |
| Medicaid/Medicare | 16,579,275 | 13,950,826 | 13,441,243 | 12,242,556 | 10,338,856 |
| Other | 5,352,457 | 6,083,092 | 9,198,330 | 10,679,313 | 12,171,258 |
| Total local revenue | <u>42,734,631</u> | <u>41,722,282</u> | <u>46,534,190</u> | <u>48,414,839</u> | <u>48,841,258</u> |
| State | | | | | |
| Texas Department of Mental Health and Mental Retardation | 72,439,586 | 77,828,910 | 76,055,161 | 61,231,339 | |
| Department of State Health Services - General Revenue | | | | | 49,605,680 |
| Department of Aging and Disability Services - General Revenue | | | | | 10,455,329 |
| Early Childhood Intervention | 2,500,376 | 2,140,258 | 2,393,579 | 2,061,410 | 2,426,552 |
| Texas Council on Offenders with Mental Impairments | 718,718 | 1,941,061 | 2,679,149 | 3,122,213 | 2,469,875 |
| Other state agencies | 1,027,656 | 2,550,293 | 503,650 | 673,842 | 1,132,316 |
| Total state revenues | <u>76,686,336</u> | <u>84,460,522</u> | <u>81,631,539</u> | <u>67,088,804</u> | <u>66,089,752</u> |
| Federal | | | | | |
| Mental Health Block Grant | 3,418,419 | 3,009,016 | 3,009,016 | 3,009,016 | 3,083,498 |
| Early Childhood Intervention | 3,013,992 | 3,130,059 | 3,366,552 | 3,624,789 | 3,615,656 |
| Other federal revenues | 6,338,474 | 7,426,865 | 2,721,431 | 2,546,854 | 4,273,487 |
| Total federal revenues | <u>12,770,885</u> | <u>13,565,940</u> | <u>9,096,999</u> | <u>9,180,659</u> | <u>10,972,641</u> |
| Total revenues | <u>\$ 132,191,852</u> | <u>\$ 139,748,744</u> | <u>\$ 137,262,728</u> | <u>\$ 124,684,302</u> | <u>\$ 125,903,651</u> |

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

PRINCIPAL SOURCES OF REVENUES (UNAUDITED) (continued)

Last Ten Fiscal Years

| | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Local | | | | | |
| County government | \$ 26,414,128 | \$ 26,306,400 | \$ 26,851,273 | \$ 30,366,731 | \$ 29,728,217 |
| Medicaid/Medicare | 14,536,914 | 12,460,818 | 12,496,212 | 12,503,786 | 15,323,885 |
| Other | 12,698,413 | 13,413,406 | 13,986,198 | 15,017,485 | 14,373,974 |
| Total local revenue | <u>53,649,455</u> | <u>52,180,624</u> | <u>53,333,683</u> | <u>57,888,002</u> | <u>59,426,076</u> |
| State | | | | | |
| Texas Department of Mental Health and Mental Retardation | | | | | |
| Department of State Health Services - General Revenue | 48,064,347 | 53,965,505 | 58,835,494 | 63,574,567 | 74,076,314 |
| Department of Aging and Disability Services - General Revenue | 11,207,304 | 11,942,518 | 11,898,169 | 12,150,341 | 14,979,825 |
| Early Childhood Intervention | 2,091,604 | 2,254,673 | 2,150,183 | 2,375,698 | 1,906,946 |
| Texas Council on Offenders with Mental Impairments | 2,406,650 | 2,739,912 | 3,385,933 | 3,598,828 | 3,394,902 |
| Other state agencies | 485,135 | 446,000 | 666,677 | 1,462,527 | 1,170,000 |
| Total state revenues | <u>64,255,040</u> | <u>71,348,608</u> | <u>76,936,456</u> | <u>83,161,961</u> | <u>95,527,987</u> |
| Federal | | | | | |
| Mental Health Block Grant | 3,049,016 | 3,081,806 | 3,081,806 | 3,081,806 | 3,081,806 |
| Early Childhood Intervention | 3,678,577 | 4,742,899 | 5,208,576 | 6,359,357 | 5,920,373 |
| Other federal revenues | 4,587,346 | 6,450,624 | 4,979,663 | 6,299,368 | 8,892,841 |
| Total federal revenues | <u>11,314,939</u> | <u>14,275,329</u> | <u>13,270,045</u> | <u>15,740,531</u> | <u>17,895,020</u> |
| Total revenues | <u>\$ 129,219,434</u> | <u>\$ 137,804,561</u> | <u>\$ 143,540,184</u> | <u>\$ 156,790,494</u> | <u>\$ 172,849,083</u> |

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY
OF HARRIS COUNTY**
SUMMARY SCHEDULE OF INDIRECT COSTS (UNAUDITED)
Year Ended August 31, 2010

| | <u>Total Costs</u> | <u>Non Allowable Costs</u> | <u>Depreciation</u> | <u>Total Adjusted Costs</u> | <u>Direct Costs</u> | <u>Indirect Costs</u> |
|--------------------------|-----------------------|--------------------------------|---------------------|---------------------------------|-----------------------|-----------------------|
| Salaries | \$ 87,604,735 | \$ | \$ | \$ 87,604,735 | \$ 77,214,110 | \$ 10,390,625 |
| Employee Benefits | 21,185,241 | | | 21,185,241 | 18,603,189 | 2,582,052 |
| Debt Service | 996,263 | (709,220) | | 287,043 | 233,239 | 53,804 |
| Capital Outlay | 2,878,292 | (2,691,961) | | 186,331 | 186,331 | |
| Pharmaceutical Expense | 1,732,487 | | | 1,732,487 | 1,732,487 | |
| Depreciation | | | 1,307,281 | 1,307,281 | 1,059,562 | 247,719 |
| Other Operating Expenses | 56,848,526 | (586,122) | | 56,262,404 | 52,783,013 | 3,479,391 |
| Total Expenses | <u>\$ 171,245,544</u> | <u>\$ (3,987,303)</u> | <u>\$ 1,307,281</u> | <u>\$ 168,565,522</u> | <u>\$ 151,811,931</u> | <u>\$ 16,753,591</u> |

| | |
|----------------|----------------|
| Indirect Costs | \$ 16,753,591 |
| Direct Costs | \$ 151,811,931 |

Indirect Cost Rate 11.04%

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY
OF HARRIS COUNTY, TEXAS
DETAIL SCHEDULE OF DIRECT AND INDIRECT COSTS (UNAUDITED)
Year Ended August 31, 2010**

| | <u>Total Costs</u> | <u>Adjustments/ Exclusions</u> | <u>Indirect Cost</u> | <u>Direct Cost</u> |
|---|-----------------------|------------------------------------|----------------------|-----------------------|
| EXPENDITURES: | | | | |
| Personal costs: | | | | |
| Salaries and wages | \$ 87,604,735 | \$ - | \$ 10,390,625 | \$ 77,214,110 |
| Fringe benefits | 21,185,241 | | 2,582,052 | 18,603,189 |
| Client Living Cost | 32,146 | | | 32,146 |
| Consultation and professional fees | 1,104,778 | (5,375) | 203,669 | 895,734 |
| Travel - board and staff | 2,635,039 | (1,184) | 87,825 | 2,546,030 |
| Consumable supplies: | | | | |
| Drugs | 1,732,487 | | | 1,732,487 |
| Food | 305,537 | (85,712) | 424 | 219,401 |
| Other | 1,307,814 | (2,336) | 327,743 | 977,735 |
| Furniture and equipment: | | | | |
| Capital expenditures | 1,644,265 | (1,644,265) | | |
| Rental | 166,649 | | 52,829 | 113,820 |
| Repair and maintenance | 1,015,723 | | (133,777) | 1,149,500 |
| Building: | | | | |
| Capital expenditures from general operation | 1,194,063 | (1,007,732) | | 186,331 |
| Rental | 981,450 | | 66,018 | 915,432 |
| Repair and maintenance | 3,308,260 | (3,729) | 522,033 | 2,782,498 |
| Vehicles: | | | | |
| Capital expenditures | 39,963 | (39,963) | | |
| Rental | 8,407 | | 8,407 | |
| Repair and maintenance | 234,529 | | 31,722 | 202,807 |
| Contract with service agencies | 36,579,110 | (20,000) | 76,735 | 36,482,375 |
| Other: | | | | |
| Utilities, postage and telephone | 2,130,233 | (22) | 550,417 | 1,579,794 |
| Client transportation | 34,274 | | 29 | 34,245 |
| Audit and legal fees | 194,667 | | 194,667 | |
| Insurance | 513,719 | | 148,087 | 365,632 |
| Meetings | 702 | | 702 | |
| Transfer and storage | 56,880 | | 13,960 | 42,920 |
| Dues and subscriptions | 189,889 | (126,345) | 38,134 | 25,410 |
| Payment on note principal | 709,220 | (709,220) | | |
| Interest charges | 287,043 | | 53,804 | 233,239 |
| Client expenses - House Bill 1154 | 1,295,719 | | | 1,295,719 |
| Laboratory expenses | 305,057 | | | 305,057 |
| Security expense | 1,044,536 | | 132,129 | 912,407 |
| Miscellaneous | 3,403,409 | (341,420) | 1,157,638 | 1,904,351 |
| Amortization expense | | | | |
| Total expenditures | \$ 171,245,544 | \$ (3,987,303) | \$ 16,505,872 | \$ 150,752,369 |
| Equipment and vehicle depreciation | \$ 389,195 | | \$ 89,883 | \$ 299,312 |
| Buildings and improvements depreciation | 918,086 | | 157,836 | 760,250 |
| Total | \$ 172,552,825 | \$ (3,987,303) | \$ 16,753,591 | \$ 151,811,931 |
| Indirect costs | | | \$ 16,753,591 | |
| Direct costs | | | \$ 151,811,931 | 11.04% |

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

LOCAL SERVICE AREA POPULATION (UNAUDITED)

August 31, 2010

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, Projected FY 2011):

| <u>Center</u> | <u>Mental Health Population</u> | <u>Mental Retardation Population</u> |
|---------------------------------|-------------------------------------|--|
| ACCESS | 108,440 | 108,440 |
| Andrews Center | 404,129 | 404,129 |
| Austin-Travis County | 1,011,063 | 1,011,063 |
| Betty Hardwick (Abilene) | 180,909 | 180,909 |
| Bluebonnet Trails | 829,633 | 829,633 |
| Border Region | 353,851 | 353,851 |
| Brazos Valley | 306,113 | 306,113 |
| Burke Center | 390,122 | 390,122 |
| Camino Real | 214,155 | 214,155 |
| Center for Health Care Services | 1,660,689 | 1,660,689 |
| Center for Life Resources | 102,857 | 102,857 |
| Central Counties | 437,175 | 437,175 |
| Central Plains | 94,940 | 94,940 |
| Coastal Plains Center | 240,607 | 240,607 |
| Concho Valley | 122,417 | 122,417 |
| Dallas Metro Care Services | | 2,460,277 |
| Denton County | 737,854 | 737,854 |
| El Paso | 782,541 | 782,541 |
| Gulf Bend | 183,594 | 183,594 |
| Gulf Coast Center | 626,554 | 626,554 |
| Harris County | 4,176,561 | 4,176,561 |
| Heart of Texas | 354,507 | 354,507 |
| Helen Farabee Center | 311,310 | 311,310 |
| Hill Country | 612,780 | 612,780 |
| Lakes Regional Center | 161,327 | 673,070 |
| LifePath Systems | | 884,317 |
| Lubbock | 309,368 | 309,368 |
| NorthStar | 3,856,337 | |
| Nueces County | 324,915 | 324,915 |
| Pecan Valley | 431,378 | 431,378 |
| Permian Basin | 311,120 | 311,120 |
| Sabine Valley | 454,995 | 454,995 |
| Spindletop | 416,460 | 416,460 |
| Tarrant County | 1,872,095 | 1,872,095 |
| Texana | 782,544 | 782,544 |
| Texas Panhandle | 404,153 | 404,153 |
| Texoma | 198,387 | 198,387 |
| Tri-County | 646,846 | 646,846 |
| Tropical Texas | 1,265,293 | 1,265,293 |
| West Texas | 205,980 | 205,980 |
| Total | <u>25,883,999</u> | <u>25,883,999</u> |

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

DEMOGRAPHIC STATISTICS (UNAUDITED)

Last Ten Calendar Years

| <u>Calendar Year</u> | <u>Population (A)</u> | <u>Total Personal Income (A)</u> | <u>Per Capita Personal Income (A)</u> | <u>Public School Enrollment (B)</u> |
|----------------------|-----------------------|----------------------------------|---------------------------------------|-------------------------------------|
| 2000 | 3,400,578 | \$ 121,592,842,000 | \$ 35,757 | 663,713 |
| 2001 | 3,483,800 | \$ 129,728,437,000 | \$ 37,238 | 681,963 |
| 2002 | 3,558,978 | \$ 128,298,585,000 | \$ 36,049 | 700,090 |
| 2003 | 3,616,850 | \$ 133,463,543,000 | \$ 36,900 | 713,461 |
| 2004 | 3,672,691 | \$ 146,158,087,000 | \$ 39,796 | 725,855 |
| 2005 | 3,735,075 | \$ 160,710,955,000 | \$ 43,028 | 755,290 |
| 2006 | 3,858,432 | \$ 177,998,800,000 | \$ 46,132 | 762,284 |
| 2007 | 3,912,196 | \$ 194,177,877,000 | \$ 49,634 | 774,068 |
| 2008 | 3,984,349 | \$ 190,226,395,000 | \$ 47,743 | 790,874 |
| 2009 | 4,070,989 | not available | not available | 811,198 |

(A) Source: Texas Workforce Commission

(B) Source: Texas Education Agency

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

RATIO OF OUTSTANDING DEBT (UNAUDITED)

Last Ten Fiscal Years

| Fiscal Year | Bonds Payable | Notes Payable | Capital Leases | Other Liabilities | Total Debt | Personal Income | Percentage of Personal Income | Debt per Capita |
|--------------------|----------------------|----------------------|-----------------------|--------------------------|-------------------|------------------------|--------------------------------------|------------------------|
| 2001 | \$ 8,948,750 | \$ 11,259,166 | \$ 194,023 | \$ 1,800,066 | \$ 22,202,005 | \$ 121,592,842,000 | 0.0183% | \$ 6.53 |
| 2002 | 8,203,750 | 10,530,176 | | 1,950,822 | 20,684,748 | 129,728,437,000 | 0.0159% | 5.94 |
| 2003 | 7,415,000 | 9,700,797 | | 1,961,779 | 19,077,576 | 128,298,585,000 | 0.0149% | 5.36 |
| 2004 | 3,165,000 | 8,981,917 | 199,695 | 1,973,280 | 14,319,892 | 133,463,543,000 | 0.0107% | 3.96 |
| 2005 | 2,665,000 | 7,729,929 | 155,166 | 2,024,402 | 12,574,497 | 146,158,087,000 | 0.0086% | 3.42 |
| 2006 | | 7,167,231 | 84,388 | 2,180,351 | 9,431,970 | 160,710,955,000 | 0.0059% | 2.53 |
| 2007 | | 6,571,016 | 222,465 | 2,295,587 | 9,089,068 | 177,998,800,000 | 0.0051% | 2.36 |
| 2008 | | 5,940,236 | | 2,483,667 | 8,423,903 | 194,177,877,000 | 0.0043% | 2.15 |
| 2009 | | 5,269,921 | | 2,720,130 | 7,990,051 | 190,226,395,000 | 0.0042% | 2.01 |
| 2010 | | 4,560,701 | | 3,123,753 | 7,684,454 | | not available | 1.89 |

Note: Details regarding the Agency's outstanding debt can be found in the notes to the financial statements. See Demographic Statistics schedule for personal income and population data. These ratios are calculated using the personal income and population for the prior year calendar year.

**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>2009</u> | | | <u>2000</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> |
| Continental Airlines (merger pending w/ United Airline | 14,651 | 1 | 0.54% | 16,779 | 1 | 0.74% |
| Exxon Mobil | 13,353 | 2 | 0.49% | | | |
| Shell Oil Company | 11,855 | 3 | 0.44% | 7,425 | 10 | 0.33% |
| Chevron Companies | 7,000 | 4 | 0.26% | | | |
| JP Morgan Chase | 6,500 | 5 | 0.24% | | | |
| AT&T, Inc. (former Southwestern Bell) | 6,047 | 6 | 0.22% | | | |
| Baker Hughes Incorporated | 5,369 | 7 | 0.20% | | | |
| KBR Inc. (spun off from Halliburton) | 5,089 | 8 | 0.19% | 15,550 | 3 | 0.68% |
| CenterPoint Energy (spun off from Reliant Energy) | 4,750 | 9 | 0.17% | | | |
| Aramark | 4,500 | 10 | 0.17% | | | |
| Halliburton Company | 4,500 | 10 | 0.17% | | | |
| Administaff | | | | 16,458 | 2 | 0.72% |
| Enron | | | | 13,669 | 4 | 0.60% |
| Compaq Computer | | | | 13,400 | 5 | 0.59% |
| Wal-Mart | | | | 9,560 | 6 | 0.42% |
| Kroger Food Stores | | | | 9,100 | 7 | 0.40% |
| Southwestern Bell/SWB | | | | 7,800 | 8 | 0.34% |
| Reliant Energy Inc/Center Point Energy | | | | 7,670 | 9 | 0.34% |
| | <u>83,614</u> | | | <u>117,411</u> | | |

* Based on calendar year.

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

Note: Total County employment for 2009 was approximately 2,715,000 and for 1999 was 2,278,600.

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

| Function/Program | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|-------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Adult Mental Health | 504.38 | 446.90 | 353.30 | 453.99 | 554.22 | 515.05 | 474.61 | 534.16 | 482.22 |
| Mental Retardation | 487.94 | 470.65 | 368.60 | 377.67 | 417.83 | 422.90 | 441.08 | 471.16 | 520.33 |
| Child and Adolescent | 129.81 | 90.50 | 141.80 | 111.14 | 154.61 | 179.95 | 189.87 | 192.47 | 248.54 |
| Crisis Center | 126.02 | 154.65 | 187.15 | 203.20 | 198.74 | 201.90 | 240.93 | 277.05 | 283.50 |
| Administration | 278.91 | 227.10 | 202.00 | 169.75 | 174.35 | 185.75 | 194.36 | 202.86 | 146.17 |
| Total | 1,527.06 | 1,389.80 | 1,252.85 | 1,315.75 | 1,499.75 | 1,505.55 | 1,540.85 | 1,677.70 | 1,680.76 |

* 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>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> |
|-------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Admissions: | | | | | |
| Mental Health | 12,006 | 13,973 | 14,014 | 15,241 | 16,709 |
| Mental Retardation | <u>1,931</u> | <u>2,784</u> | <u>4,011</u> | <u>5,191</u> | <u>5,026</u> |
| Total admissions | <u><u>13,937</u></u> | <u><u>16,757</u></u> | <u><u>18,025</u></u> | <u><u>20,432</u></u> | <u><u>21,735</u></u> |

| | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total clients served (unduplicated): | | | | | |
| Mental Health | 28,993 | 25,595 | 27,448 | 28,176 | 29,212 |
| Mental Retardation | <u>5,623</u> | <u>7,532</u> | <u>8,786</u> | <u>8,761</u> | <u>8,579</u> |
| Total clients served | <u><u>34,616</u></u> | <u><u>33,127</u></u> | <u><u>36,234</u></u> | <u><u>36,937</u></u> | <u><u>37,791</u></u> |

| | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> |
|-------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Admissions: | | | | | |
| Mental Health | 17,560 | 14,735 | 21,696 | 13,773 | 18,114 |
| Mental Retardation | <u>5,308</u> | <u>5,956</u> | <u>6,626</u> | <u>9,777</u> | <u>14,116</u> |
| Total admissions | <u><u>22,868</u></u> | <u><u>20,691</u></u> | <u><u>28,322</u></u> | <u><u>23,550</u></u> | <u><u>32,230</u></u> |

| | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total clients served (unduplicated): | | | | | |
| Mental Health | 32,244 | 34,023 | 28,233 | 30,672 | 30,290 |
| Mental Retardation | <u>9,341</u> | <u>9,870</u> | <u>11,973</u> | <u>14,348</u> | <u>17,836</u> |
| Total clients served | <u><u>41,585</u></u> | <u><u>43,893</u></u> | <u><u>40,206</u></u> | <u><u>45,020</u></u> | <u><u>48,126</u></u> |

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

GENERAL FUND REVENUE BY SOURCE OF FUNDS (UNAUDITED)

Last Ten Fiscal Years

| Fiscal Year | Local Funds | State Funds | Federal Funds | Total |
|--------------------|--------------------|--------------------|----------------------|----------------|
| 2001 | \$ 42,734,631 | \$ 76,686,336 | \$ 12,770,885 | \$ 132,191,852 |
| 2002 | 41,722,282 | 84,460,522 | 13,565,940 | 139,748,744 |
| 2003 | 46,534,190 | 81,631,539 | 9,096,999 | 137,262,728 |
| 2004 | 48,414,839 | 67,088,804 | 9,180,659 | 124,684,302 |
| 2005 | 48,841,258 | 66,089,752 | 10,972,641 | 125,903,651 |
| 2006 | 53,649,455 | 64,255,040 | 11,314,939 | 129,219,434 |
| 2007 | 52,180,624 | 71,348,608 | 14,275,329 | 137,804,561 |
| 2008 | 53,333,683 | 76,936,456 | 13,270,045 | 143,540,184 |
| 2009 | 57,888,002 | 83,161,961 | 15,740,531 | 156,790,494 |
| 2010 | 59,426,076 | 95,527,987 | 17,895,020 | 172,849,083 |

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

GENERAL FUND EXPENDITURES BY CATEGORY (UNAUDITED)

Last Ten Fiscal Years

| Fiscal Year | Mental Health | Mental Retardation | Administration | Total |
|------------------------|----------------------|-------------------------------|-----------------------|----------------|
| 2001 | \$ 90,390,501 | \$ 29,337,791 | \$ 17,077,865 | \$ 136,806,157 |
| 2002 | 96,012,949 | 30,750,850 | 17,924,122 | 144,687,921 |
| 2003 | 83,421,687 | 30,093,120 | 20,823,820 | 134,338,627 |
| 2004 | 81,169,594 | 25,829,964 | 17,682,795 | 124,682,353 |
| 2005 | 82,582,767 | 23,717,899 | 12,790,985 | 119,091,651 |
| 2006 | 88,575,211 | 25,802,648 | 13,688,111 | 128,065,970 |
| 2007 | 92,448,978 | 27,600,507 | 13,701,178 | 133,750,663 |
| 2008 | 100,027,256 | 29,888,424 | 12,390,782 | 142,306,462 |
| 2009 | 100,759,324 | 32,486,993 | 17,105,508 | 150,351,825 |
| 2010 | 114,793,836 | 37,292,849 | 18,976,445 | 171,063,130 |

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

| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Adult Mental Health | | | | | |
| Land | \$ 1,874,313 | \$ 1,874,313 | \$ 1,874,313 | \$ 1,874,313 | \$ 1,774,221 |
| Buildings and improvements | 10,012,399 | 10,035,034 | 10,684,764 | 10,678,064 | 10,563,939 |
| Equipment and furniture | 3,400,075 | 3,065,496 | 2,058,098 | 2,006,922 | 1,990,410 |
| Vehicles | 337,726 | 508,027 | 446,350 | 397,904 | 272,914 |
| Total capital assets for Adult Mental Health | <u>15,624,513</u> | <u>15,482,870</u> | <u>15,063,525</u> | <u>14,957,203</u> | <u>14,601,484</u> |
| Mental Retardation | | | | | |
| Land | 1,768,814 | 1,022,964 | 870,772 | 870,772 | 870,772 |
| Buildings and improvements | 7,934,030 | 6,061,122 | 4,754,955 | 4,781,827 | 4,781,827 |
| Equipment and furniture | 2,067,094 | 1,787,583 | 1,497,674 | 1,460,434 | 1,448,419 |
| Vehicles | 242,924 | 493,445 | 510,083 | 468,225 | 461,996 |
| Total capital assets for Mental Retardation | <u>12,012,862</u> | <u>9,365,114</u> | <u>7,633,484</u> | <u>7,581,258</u> | <u>7,563,014</u> |
| Child and Adolescent | | | | | |
| Land | 138,700 | 138,700 | 138,700 | 138,700 | 138,700 |
| Buildings and improvements | 2,310,376 | 2,332,392 | 2,479,474 | 2,496,099 | 2,496,099 |
| Equipment and furniture | 1,397,274 | 1,294,880 | 727,520 | 709,430 | 703,594 |
| Total capital assets for Child and Adolescent | <u>3,967,709</u> | <u>3,765,972</u> | <u>3,345,694</u> | <u>3,344,229</u> | <u>3,338,393</u> |
| Crisis Center | | | | | |
| Buildings and improvements | 2,442,010 | 2,442,010 | 2,442,010 | 2,439,691 | 2,439,691 |
| Equipment and furniture | 716,751 | 613,256 | 539,108 | 525,703 | 521,378 |
| Vehicles | 87,414 | 133,632 | 235,001 | 186,867 | 258,863 |
| Total capital assets for Crisis Center | <u>3,246,175</u> | <u>3,188,898</u> | <u>3,216,119</u> | <u>3,152,261</u> | <u>3,219,932</u> |
| Administration | | | | | |
| Land | 1,219,809 | 531,068 | 531,068 | 531,068 | 531,068 |
| Buildings and improvements | 4,401,281 | 4,801,658 | 4,387,139 | 4,390,552 | 4,390,552 |
| Equipment and furniture | 1,964,715 | 1,483,431 | 2,053,972 | 2,002,900 | 1,986,422 |
| Vehicles | 336,301 | 38,172 | 38,172 | 54,395 | 54,395 |
| Intangible Assets - Software | | | | | |
| Total capital assets for Administration | <u>7,922,106</u> | <u>6,854,329</u> | <u>7,010,351</u> | <u>6,978,915</u> | <u>6,962,437</u> |
| Total capital assets | <u>\$ 42,773,365</u> | <u>\$ 38,657,183</u> | <u>\$ 36,269,173</u> | <u>\$ 36,013,866</u> | <u>\$ 35,685,260</u> |

* Capital assets detail by governmental activity prior to FY 2003 not available.

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

| | <u>2008</u> | <u>2009</u> | <u>2010</u> |
|--|----------------------|----------------------|----------------------|
| Adult Mental Health | | | |
| Land | \$ 1,774,221 | \$ 1,774,221 | \$ 1,895,148 |
| Buildings and improvements | 10,563,939 | 10,563,939 | 11,047,650 |
| Equipment and furniture | 1,996,762 | 1,995,971 | 2,171,348 |
| Vehicles | 152,654 | 152,654 | 129,551 |
| Total capital assets for Adult Mental Health | <u>14,487,576</u> | <u>14,486,785</u> | <u>15,243,697</u> |
| Mental Retardation | | | |
| Land | 870,772 | 870,772 | 916,080 |
| Buildings and improvements | 4,781,827 | 4,781,827 | 4,963,058 |
| Equipment and furniture | 1,453,042 | 1,452,466 | 1,453,030 |
| Vehicles | 469,777 | 469,777 | 394,576 |
| Total capital assets for Mental Retardation | <u>7,575,418</u> | <u>7,574,842</u> | <u>7,726,744</u> |
| Child and Adolescent | | | |
| Land | 138,700 | 138,700 | 174,011 |
| Buildings and improvements | 2,496,099 | 2,496,099 | 2,637,343 |
| Equipment and furniture | 705,839 | 705,559 | 705,833 |
| Total capital assets for Child and Adolescent | <u>3,340,638</u> | <u>3,340,358</u> | <u>3,517,187</u> |
| Crisis Center | | | |
| Buildings and improvements | 2,439,691 | 2,439,691 | 2,439,691 |
| Equipment and furniture | 548,908 | 573,344 | 567,247 |
| Vehicles | 395,747 | 468,553 | 436,938 |
| Total capital assets for Crisis Center | <u>3,384,346</u> | <u>3,481,588</u> | <u>3,443,876</u> |
| Administration | | | |
| Land | 531,068 | 436,250 | 436,250 |
| Buildings and improvements | 4,390,552 | 4,033,428 | 4,033,428 |
| Equipment and furniture | 1,992,763 | 1,991,973 | 1,992,746 |
| Vehicles | 175,819 | 171,925 | 155,702 |
| Intangible Assets - Software | | | 1,365,734 |
| Total capital assets for Administration | <u>7,090,202</u> | <u>6,633,576</u> | <u>7,983,860</u> |
| Total capital assets | <u>\$ 35,878,180</u> | <u>\$ 35,517,149</u> | <u>\$ 37,915,364</u> |

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY
OF HARRIS COUNTY**
RECONCILIATION OF TOTAL REVENUES TO FOURTH QUARTER FINANCIAL REPORT (UNAUDITED)
Year Ended August 31, 2010

| | Revenues | | | | | |
|---|---|----------------------|----------------|----------------------|------------|---|
| | Per Center CARE Report III | Additions | | Deletions | | Per Audited Financial Statements |
| Local Revenues | | | | | | |
| Harris County | \$ 29,598,932 | \$ 129,285 | (a) | \$ 255,693 | (b),(c) | \$ 29,728,217 |
| Patient Fees and Private Insurance | 1,143,506 | 2 | (a) | | | 887,815 |
| Medicare | 592,743 | | | | | 592,743 |
| Medicaid | 14,668,356 | 4,126,235 | (a),(b) | 4,063,449 | (a),(b) | 14,731,142 |
| ICF/MR, HCS, and Texas Home Living | 6,562,521 | | | 1 | (c) | 6,562,520 |
| Administrative Claiming | 4,645,501 | | | | | 4,645,501 |
| Interest on investments | 173,159 | 3,781 | (a) | 4,313 | (a) | 172,627 |
| Miscellaneous | 21,847,737 | 554,169 | (a),(b),(c) | 20,296,395 | (a),(b) | 2,105,511 |
| Total Local Sources | 79,232,455 | 4,813,472 | | 24,619,851 | | 59,426,076 |
| State General Revenue | 87,704,412 | 1,397,660 | (a),(b) | 45,933 | (a) | 89,056,139 |
| Other State Sources: | | | | | | |
| Early Childhood Intervention | 7,827,319 | | | 5,920,373 | (b) | 1,906,946 |
| Department of Assistive and Rehabilitative Services-Rehab | 724,000 | | | | | 724,000 |
| Texas Council on Offenders with Mental Impairments | 3,394,903 | | | 1 | (c) | 3,394,902 |
| Texas Department of Criminal Justice | 446,000 | | | | | 446,000 |
| Texas Department of State Health Services - Substance Abuse | 121,837 | | | 121,837 | (b) | - |
| Total Other State Sources | 12,514,059 | - | | 6,042,211 | | 6,471,848 |
| Total State Revenue | 100,218,471 | 1,397,660 | | 6,088,144 | | 95,527,987 |
| Federal Sources: | | | | | | |
| Mental Health Block Grant | 3,081,806 | | | | | 3,081,806 |
| Social Services Block Grant - Title XX | 269,679 | | | | | 269,679 |
| MH Block Path | | 880,466 | (a) | | | 880,466 |
| Early Childhood Intervention | | 5,920,373 | (b) | | | 5,920,373 |
| Social Services Block Grant - Inpatient Competency Restoration | 1,139,973 | | | | | 1,139,973 |
| Social Services Block Grant - SA Treatment Adult | | 58,862 | (b) | | | 58,862 |
| Social Services Block Grant - SA Treatment Cost Reimbursement | | 62,975 | (b) | | | 62,975 |
| Social Services Block Grant - Hurricane Ike Recovery Assistance | 4,459,275 | | | | | 4,459,275 |
| SAMHSA - Partners at Independence Heights | 49,872 | | | | | 49,872 |
| Mental Health/Disaster Services-Crisis Counseling | 1,085,398 | | | | | 1,085,398 |
| Transitional Housing Program - Safe Havens | 384,620 | | | | | 384,620 |
| Community Development Block Grant-Project H.E.L.P. | 155,075 | | | | | 155,075 |
| Community Development Block Grant-Katrina/Rita | 346,646 | | | | | 346,646 |
| Total Federal Sources | 10,972,344 | 6,922,676 | | - | | 17,895,020 |
| Total Revenue | \$ 190,423,270 | \$ 13,133,808 | | \$ 30,707,995 | | \$ 172,849,083 |

- (a) Audit adjustment
(b) Revenue reclassification
(c) 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, 2010

| Object of Expenditure | Expenditures | | | | Per Audited Financial Statements |
|--|----------------------------------|---------------------|-------------|----------------------|--|
| | Per Center CARE Report III | Additions | | Deletions | |
| Salaries | \$ 87,101,526 | \$ 693,196 | (a) | \$ 189,988 | (b),(c) \$ 87,604,734 |
| Employee Benefits | 21,454,030 | 169,449 | (a) | 441,438 | (a),(b) 21,182,041 |
| Professional and Consultant Services | 11,109,792 | 575 | (a) | 877,105 | (b) 10,233,262 |
| Training and Travel | 2,657,733 | 4,864 | (a),(c) | 27,558 | (b) 2,635,039 |
| Debt Service | 996,263 | | | | 996,263 |
| Capital Outlay | 1,984,640 | 1,365,734 | (b) | 658,413 | (b) 2,691,961 |
| Non-Capitalized Equipment | 1,517,550 | 54 | (a) | | 1,517,604 |
| Pharmaceutical Expense (medication and script process) | 1,648,114 | 172,401 | (a) | 88,029 | (b),(c) 1,732,486 |
| Pharmaceutical Expense (PAP only) | 16,369,221 | 218,868 | (a),(b) | 16,588,089 | (a) 16,369,221 |
| Other Operating Expense | 41,405,768 | 1,262,903 | (a),(b),(c) | 198,931 | (a),(b) 42,469,740 |
| Total Expenditures | \$ 186,244,637 | \$ 3,888,044 | | \$ 19,069,551 | \$ 171,063,130 |

(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, 2010

| Service Categories (by Funding Source) | Mental Health Adult | Mental Health Children | Mental Retardation | Total | Approved Budget | Variance |
|---|--------------------------------|-----------------------------------|-------------------------------|-----------------------|----------------------------|---------------------|
| General Revenue - Mental Health | \$ 34,611,709 | \$ 8,691,138 | \$ | \$ 43,302,847 | \$ 42,740,369 | \$ (562,478) |
| General Revenue - Mental Retardation | | | 13,574,003 | 13,574,003 | 13,574,003 | |
| General Revenue - Permanency Planning | | | 110,329 | 110,329 | 110,329 | |
| In Home and Family Support - MR | | | 1,295,493 | 1,295,493 | 1,341,426 | 45,933 |
| New Generation Medications | 7,205,595 | 38,175 | | 7,243,770 | 7,243,770 | |
| Community Hospitals | 23,529,696 | | | 23,529,696 | 23,529,696 | |
| HCS | | | 4,634,363 | 4,634,363 | 4,762,960 | 128,597 |
| ICF-MR | | | 1,807,667 | 1,807,667 | 1,884,214 | 76,547 |
| Texas Home Living Waiver | | | 120,490 | 120,490 | 218,534 | 98,044 |
| PATH | 880,466 | | | 880,466 | 880,466 | |
| 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 | 5,829,610 | 3,203,855 | 4,889,946 | 13,923,411 | 12,405,361 | (1,518,050) |
| Medicaid Administrative Claiming | 2,705,196 | 291,353 | 1,648,952 | 4,645,501 | 3,079,751 | (1,565,750) |
| HUD - Transitional Housing - Safe Haven | 384,620 | | | 384,620 | 332,000 | (52,620) |
| SSBG - Inpatient Competency Restoration | 1,139,973 | | | 1,139,973 | 989,973 | (150,000) |
| SSBG - SA Treatment Adult | 58,862 | | | 58,862 | | (58,862) |
| SSBG - SA Treatment Cost Reimbursement | 62,975 | | | 62,975 | | (62,975) |
| SSBG - Hurricane Ike Recovery Assistance | 4,459,275 | | | 4,459,275 | 5,986,953 | 1,527,678 |
| SAMHSA - Partners at Independence Heights | 49,872 | | | 49,872 | | (49,872) |
| Community Development Block Grant-Project H.E.L.P. | 155,075 | | | 155,075 | 191,670 | 36,595 |
| Community Development Block Grant-Katrina/Rita Counseling | 346,646 | | | 346,646 | 468,303 | 121,657 |
| Mental Health/Disaster Services-Crisis Counseling | 1,085,397 | | | 1,085,397 | 2,192,027 | 1,106,630 |
| Texas Department of Criminal Justice | 446,000 | | | 446,000 | 446,000 | |
| DARS-Autism | | | 724,000 | 724,000 | 725,398 | 1,398 |
| Early Childhood Intervention | | | 7,827,319 | 7,827,319 | 9,178,864 | 1,351,545 |
| Texas Council on Offenders with Mental Impairments | 2,510,654 | 884,248 | | 3,394,902 | 3,568,403 | 173,501 |
| Required Local Match | 5,108,912 | 916,359 | 1,546,157 | 7,571,428 | 7,318,441 | (252,987) |
| Additional Local Funds | 16,860,754 | 3,696,938 | 4,379,573 | 24,937,265 | 29,982,042 | 5,044,777 |
| Total Expended Sources | \$ 109,696,428 | \$ 18,808,410 | \$ 42,558,292 | \$ 171,063,130 | \$ 176,502,438 | \$ 5,439,308 |

**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, 2010*

| Fund Source | Total Revenue | Total Mental Health Adult Expenditures | Total Mental Health Children Expenditures | Total Mental Retardation Expenditures | Total Center Expenditures | Excess Revenues Over Expenditures |
|---|-----------------------|---|--|--|--------------------------------------|--|
| Objects of Expense: | | | | | | |
| Salaries | \$ 87,604,734 | \$ 51,068,569 | \$ 12,948,053 | \$ 23,588,112 | \$ 87,604,734 | |
| Employee Benefits | 21,182,041 | 11,688,609 | 3,119,735 | 6,373,697 | 21,182,041 | |
| Professional and Consultant Fees | 10,233,262 | 4,912,492 | 271,016 | 5,049,754 | 10,233,262 | |
| Training and Travel | 2,635,039 | 1,578,600 | 349,312 | 707,127 | 2,635,039 | |
| Debt Service | 996,263 | 568,136 | 133,384 | 294,743 | 996,263 | |
| Capital Outlay | 2,691,961 | 1,754,159 | 341,127 | 596,675 | 2,691,961 | |
| Non-capitalized Equipment | 1,517,604 | 902,590 | 179,050 | 435,964 | 1,517,604 | |
| Pharmaceutical Expense (medication and script process) | 1,732,486 | 1,432,866 | 181,688 | 117,932 | 1,732,486 | |
| Other Operating Expense | 42,469,740 | 35,790,407 | 1,285,045 | 5,394,288 | 42,469,740 | |
| Total Expenditures | \$ 171,063,130 | \$ 109,696,428 | \$ 18,808,410 | \$ 42,558,292 | \$ 171,063,130 | |
| Method of Finance: | | | | | | |
| General Revenue - Mental Health | \$ 43,393,091 | \$ 34,611,709 | \$ 8,691,138 | \$ | \$ 43,302,847 | \$ 90,244 |
| General Revenue - Mental Retardation | 13,574,003 | | | 13,574,003 | 13,574,003 | |
| General Revenue - Permanency Planning | 110,329 | | | 110,329 | 110,329 | |
| In Home and Family Support - MR | 1,341,426 | | | 1,295,493 | 1,295,493 | 45,933 |
| New Generation Medications | 7,243,770 | 7,205,595 | 38,175 | | 7,243,770 | |
| Community Hospitals | 23,529,696 | 23,529,696 | | | 23,529,696 | |
| HCS | 4,634,363 | | | 4,634,363 | 4,634,363 | |
| ICF-MR | 1,807,667 | | | 1,807,667 | 1,807,667 | |
| Texas Home Living Waiver | 120,490 | | | 120,490 | 120,490 | |
| PATH | 880,466 | 880,466 | | | 880,466 | |
| 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 | 14,731,142 | 5,829,610 | 3,203,855 | 4,889,946 | 13,923,411 | 807,731 |
| Medicaid Administrative Claiming | 4,645,501 | 2,705,196 | 291,353 | 1,648,952 | 4,645,501 | |
| HUD - Transitional Housing - Safe Haven | 384,620 | 384,620 | | | 384,620 | |
| SSBG - Inpatient Competency Restoration | 1,139,973 | 1,139,973 | | | 1,139,973 | |
| SSBG - SA Treatment Adult | 58,862 | 58,862 | | | 58,862 | |
| SSBG - SA Treatment Cost Reimbursement | 62,975 | 62,975 | | | 62,975 | |
| SSBG - Hurricane Ike Recovery Assistance | 4,459,275 | 4,459,275 | | | 4,459,275 | |
| SAMHSA - Partners at Independence Heights | 49,872 | 49,872 | | | 49,872 | |
| Community Development Block Grant-Project H.E.L.P. | 155,075 | 155,075 | | | 155,075 | |
| Community Development Block Grant-Katrina/Rita Counseling | 346,646 | 346,646 | | | 346,646 | |
| Mental Health/Disaster Services-Crisis Counseling | 1,085,397 | 1,085,397 | | | 1,085,397 | |
| Texas Department of Criminal Justice | 446,000 | 446,000 | | | 446,000 | |
| DARS-Autism | 724,000 | | | 724,000 | 724,000 | |
| Early Childhood Intervention | 7,827,319 | | | 7,827,319 | 7,827,319 | |
| Texas Council on Offenders with Mental Impairments | 3,394,902 | 2,510,654 | 884,248 | | 3,394,902 | |
| Required Local Match | 7,571,428 | 5,108,912 | 916,359 | 1,546,157 | 7,571,428 | |
| Additional Local Funds | 25,915,482 | 16,860,754 | 3,696,938 | 4,379,573 | 24,937,265 | 978,217 |
| Total Expended Sources | \$ 172,985,255 | \$ 109,696,428 | \$ 18,808,410 | \$ 42,558,292 | \$ 171,063,130 | \$ 1,922,125 |

**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, 2010

| 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 | | | \$ 85,294 | \$ 11,317,151 | \$ 2,510,169 | | \$ 4,341,132 | | \$ 1,540,955 | \$ 60,037 | | \$ 3,302,881 | \$ 9,453,661 | \$ 548,143 | \$ 1,452,286 | | | \$ 34,611,709 |
| New Generation Medications | 1,156,210 | | | 6,049,385 | | | | | | | | | | | | | | 7,205,595 |
| Community Hospitals | | | | | | | | | | | | | | | | 23,529,696 | | 23,529,696 |
| PATH | | | | | | | 880,466 | | | | | | | | | | | 880,466 |
| Mental Health Block Grant | | | | 2,265,141 | | | | | | | | | | | | | | 2,265,141 |
| Medicaid | | | 9,078 | 5,237,827 | 91,121 | 6,902 | 3,287 | | 374,419 | 106,976 | | | | | | | | 5,829,610 |
| Medicaid Administrative Claiming | | | 1,290 | 2,031,239 | 12,895 | 1,290 | | 16,859 | 380,513 | 223,228 | | | | 17,219 | 20,663 | | | 2,705,196 |
| HUD - Transitional Housing - Safe Haven | | | | 384,620 | | | | | | | | | | | | | | 384,620 |
| SSBG - Inpatient Competency Resotration | | | | 1,139,973 | | | | | | | | | | | | | | 1,139,973 |
| SSBG - SA Treatment Adult | | | | 58,862 | | | | | | | | | | | | | | 58,862 |
| SSBG - SA Treatment Cost Reimbursement | | | | 62,975 | | | | | | | | | | | | | | 62,975 |
| SSBG - Hurricane Ike Recovery Assistance | | | | | | | | | | | | | | | | | 4,459,275 | 4,459,275 |
| SAMHSA - Partners at Independence Heights | | | | | | | | | | | | | | | | | | 49,872 |
| Community Development Block Grant-Project H.E.L.P. | | | | | | | 155,075 | | | | | | | | | | | 155,075 |
| Community Development Block Grant-Katrina/Rita Counseling | | | | | | | | | | | | | | | | | | 346,646 |
| Mental Health/Disaster Services-Crisis Counseling | | | | | | | | | | | | | | | | | | 1,085,397 |
| Texas Department of Criminal Justice | | | | 392,480 | 44,600 | 8,920 | | | | | | | | | | | | 446,000 |
| Texas Council on Offenders | | | | | | | | | | | | | | | | | | |
| with Mental Impairments | 31,166 | 38,461 | | 2,148,104 | 268,513 | 24,410 | | | | | | | | | | | | 2,510,654 |
| Required Local Match | | | | 2,035,000 | | | | 745,924 | 2,327,988 | | | | | | | | | 5,108,912 |
| Additional Local Funds | - | 240,590 | 813 | 632,052 | 43,226 | | 3,169,031 | 3,198,925 | 4,187,574 | 1,004,300 | 60,855 | | | | | 3,920,930 | 402,458 | 16,860,754 |
| Total Expended Sources | \$ 1,187,376 | \$ 279,051 | \$ 96,475 | \$ 33,754,809 | \$ 2,970,524 | \$ 41,522 | \$ 8,548,991 | \$ 3,961,708 | \$ 8,811,449 | \$ 1,394,541 | ##### | \$ 3,302,881 | \$ 9,453,661 | \$ 565,362 | \$ 1,472,949 | \$ 27,450,626 | \$ 6,343,648 | \$ 109,696,428 |

**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, 2010**

| 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 | | | \$ 7,323,180 | | \$ 300,000 | \$ 559,800 | \$ 51,673 | | \$ 456,485 | | \$ 8,691,138 |
| New Generation Medications | 21,837 | | 16,338 | | | | | | | | 38,175 |
| Title XX Social Services Block Grant | | | 269,679 | | | | | | | | 269,679 |
| Mental Health Block Grant | | | 816,665 | | | | | | | | 816,665 |
| Medicaid | | | 3,056,365 | | | 117,991 | 29,499 | | | | 3,203,855 |
| Medicaid Administrative Claiming | | | 222,014 | | | 28,990 | 23,130 | 17,219 | | | 291,353 |
| Texas Council on Offenders with Mental Impairments | | | 884,248 | | | | | | | | 884,248 |
| Required Local Match | | | 348,000 | | 359,400 | 208,959 | | | | | 916,359 |
| Additional Local Funds | - | 159,851 | 1,879,538 | 137,382 | 1,118,506 | 159,460 | 153,541 | 85,764 | | 2,896 | 3,696,938 |
| Total Expended Sources | \$ 21,837 | \$ 159,851 | \$ 14,816,027 | \$ 137,382 | \$ 1,777,906 | \$ 1,075,200 | \$ 257,843 | \$ 102,983 | \$ 456,485 | \$ 2,896 | \$ 18,808,410 |

**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, 2010

| 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 | \$ 2,384,278 | \$ 3,087,144 | \$ 861,513 | \$ 1,287,569 | \$ 1,660,929 | \$ 366,118 | \$ 1,300,356 | \$ 2,528,490 | \$ 97,606 | \$ | \$ | \$ | \$ | \$ | \$ 13,574,003 |
| General Revenue - Permanency Planning | | 110,329 | | | | | | | | | | | | | \$ 110,329 |
| In Home and Family Support - MR | | | | | | | | | | 1,295,493 | | | | | 1,295,493 |
| HCS | | | | | | | | | | | 4,634,363 | | | | 4,634,363 |
| ICF-MR | | | | | | | | | | | | | 1,807,667 | | 1,807,667 |
| Texas Home Living Waiver | | | | | | | | | | | | 120,490 | | | 120,490 |
| Medicaid | 10,920 | 2,429,314 | 10,920 | 10,920 | 10,920 | 10,920 | 11,867 | 95,970 | | | | | | 2,298,195 | 4,889,946 |
| Medicaid Administrative Claiming | 579,269 | 174,429 | | | | | | | | | | | | 895,254 | 1,648,952 |
| DARS-Autism | | | 72,400 | | | | 325,800 | 325,800 | | | | | | | 724,000 |
| Early Childhood Intervention | | | | | | | | | | | | | | 7,827,319 | 7,827,319 |
| Required Local Match | 21,469 | | 474,979 | | 9,500 | | 71,718 | 749,983 | | 218,508 | | | | | 1,546,157 |
| Additional Local Funds | | 698,974 | 17,043 | 179,701 | 62,100 | 5,508 | 24,068 | | 27,859 | 157,556 | 893,187 | 24,725 | 605,254 | 1,683,598 | 4,379,573 |
| Total Expended Sources | \$ 2,995,936 | \$ 6,500,190 | \$ 1,436,855 | \$ 1,478,190 | \$ 1,743,449 | \$ 382,546 | \$ 1,733,809 | \$ 3,700,243 | \$ 125,465 | \$ 1,671,557 | \$ 5,527,550 | \$ 145,215 | \$ 2,412,921 | \$ 12,704,366 | \$ 42,558,292 |

MENTAL HEALTH MENTAL RETARDATION AUTHORITY

OF HARRIS COUNTY

SCHEDULE OF LEASES IN EFFECT (UNAUDITED)

Year Ended August 31, 2010

| Lessor | Address | Monthly Amount 2009 | Beginning Date | Termination Date |
|-------------------------------------|--|------------------------------------|-----------------------|-----------------------------|
| City of Houston, Multiservice | 4014 Market - Houston, TX | \$370 | 8/26/2010 | 5/26/2011 |
| Bernstein-Perwien Properties | 7062B Lakeview Haven Dr, Ste 114 - Houston, TX | \$280 | 9/1/2009 | 8/31/2010 |
| MH Forensic, Jail-Ampco Systems | Franklin at LaBranch - Houston, TX | \$3,750 | 8/1/2010 | 7/31/2011 |
| Harris County Facilities & Property | 5518 Jackson St.- Houston, TX | \$50/yr | Annually | 4/30/2010 |
| NCI Tsanoff-Ripley | 340 N Sidney - Houston, TX | \$18,482 | 4/1/1992 | 12/31/2010 |
| Plazer Properties, Ltd. | 3600 S. Gessner, Suite 110 - Houston, TX | \$22,127 | 6/1/2006 | 11/10/2011 |
| 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 |
| Gar Associates XIII, LLC | 6200 Savoy - Houston, TX | \$5,412 | 12/1/2009 | 9/30/2010 |
| The Gathering Place | 5310 South Willow - Houston, TX | \$2,104 | 4/1/2010 | 10/31/2011 |
| Pasadena Cottages | 2212 Wichita - Pasadena, TX | \$1,830 | Month to month | Month to month |
| Harris County Hospital District | 1502 Taub Loop - Houston, TX | \$1/year | PP for 25 Year | 2024 |
| Harris County Jail | 3540 West Dallas - Houston, TX | Free | | |

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY
OF HARRIS COUNTY
SCHEDULE OF LAND, BUILDINGS AND EQUIPMENT (UNAUDITED)
Year Ended August 31, 2010**

| | Assets | | | |
|------------------------------|------------------------------|---------------------|--------------------|----------------------------|
| | September 1, 2009 | Additions | Retirements | August 31, 2010 |
| Land | \$ 3,219,943 | \$ 201,546.00 | | \$ 3,421,489 |
| Buildings and improvements | 24,314,984 | 806,186 | | 25,121,170 |
| Furniture and equipment | 6,719,313 | 278,531 | 107,640 | 6,890,204 |
| Vehicles | 1,262,909 | 39,964 | 186,106 | 1,116,767 |
| Intangible Assets - Software | | 1,365,734 | | 1,365,734 |
| | <u>\$ 35,517,149</u> | <u>\$ 2,691,961</u> | <u>\$ 293,746</u> | <u>\$ 37,915,364</u> |

| | Accumulated Depreciation | | | |
|------------------------------|---------------------------------|---------------------|--------------------|----------------------------|
| | September 1, 2009 | Additions | Retirements | August 31, 2010 |
| Land | \$ | \$ | \$ | \$ |
| Buildings and improvements | 11,217,293 | 918,086 | | 12,135,379 |
| Furniture and equipment | 6,260,084 | 202,482 | 107,494 | 6,355,072 |
| Vehicles | 663,454 | 186,713 | 178,189 | 671,978 |
| Intangible Assets - Software | | | | |
| | <u>\$ 18,140,831</u> | <u>\$ 1,307,281</u> | <u>\$ 285,683</u> | <u>\$ 19,162,429</u> |

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY
OF HARRIS COUNTY**
SCHEDULE OF INSURANCE COVERAGE (UNAUDITED)
Year Ended August 31, 2010

Property Insurance

Insurer: Texas Council Risk Management Fund

| Locations: | Policy Period | Insurance Amount | | |
|----------------------------|----------------------|-------------------------|-----------------|--------------|
| | | Building | Contents | Total |
| 2001 Cedar Bayou | 9/1/2009-9/1/2010 | \$ 503,866 | \$ | \$ 503,866 |
| 6125 Hillcroft | 9/1/2009-9/1/2010 | 1,075,927 | 69,581 | 1,145,508 |
| 7200 N. Loop East | 9/1/2009-9/1/2010 | 1,856,996 | 57,702 | 1,914,698 |
| 3737 Dacoma | 9/1/2009-9/1/2010 | 3,696,252 | 317,147 | 4,013,399 |
| 11151 Bob White | 9/1/2009-9/1/2010 | 168,313 | 134,798 | 303,111 |
| 526 Applewhite | 9/1/2009-9/1/2010 | 148,687 | 20,309 | 168,996 |
| 2627 Caroline | 9/1/2009-9/1/2010 | 2,322,830 | 372,196 | 2,695,026 |
| 1313 Dennis | 9/1/2009-9/1/2010 | 94,625 | 5,771 | 100,396 |
| 3630 West Dallas | 9/1/2009-9/1/2010 | 4,099,335 | 247,952 | 4,347,287 |
| 1215 Dennis | 9/1/2009-9/1/2010 | 922,213 | 10,664 | 932,877 |
| 1502 Ben Taub Loop | 9/1/2009-9/1/2010 | 5,500 | 291,028 | 296,528 |
| 7011 Southwest Fwy. | 9/1/2009-9/1/2010 | 13,039,882 | 2,354,060 | 15,393,942 |
| 7033 Southwest Fwy. | 9/1/2009-9/1/2010 | 971,132 | 176,741 | 1,147,873 |
| 4414 Navigation | 9/1/2009-9/1/2010 | | 376,588 | 376,588 |
| 612A-E Branard | 9/1/2009-9/1/2010 | 523,620 | 3,973 | 527,593 |
| 6607 Stonechase | 9/1/2009-9/1/2010 | 139,545 | | 139,545 |
| 6032 Airline Dr. | 9/1/2009-9/1/2010 | 1,033,027 | 133,409 | 1,166,436 |
| 5518 Jackson | 9/1/2009-9/1/2010 | 330,929 | 11,949 | 342,878 |
| 3540 West Dallas | 9/1/2009-9/1/2010 | | 5,886 | 5,886 |
| 2800 S. McGregor | 9/1/2009-9/1/2010 | | 46,774 | 46,774 |
| 6603 Barbarella | 9/1/2009-9/1/2010 | 180,057 | 22,533 | 202,590 |
| 5901 Long Dr. | 9/1/2009-9/1/2010 | 4,490,123 | 626,547 | 5,116,670 |
| 5705 Warm Springs | 9/1/2009-9/1/2010 | 216,515 | 15,103 | 231,618 |
| 6805 Oak Village Dr. | 9/1/2009-9/1/2010 | 636,865 | 57,702 | 694,567 |
| 5959-G Long Drive | 9/1/2009-9/1/2010 | | 5,543 | 5,543 |
| 1200 Baker Street | 9/1/2009-9/1/2010 | | 66,798 | 66,798 |
| 2208A-D Cedar Bayou | 9/1/2009-9/1/2010 | 919,970 | 28,852 | 948,822 |
| 9610 Long Point, Suite 351 | 9/1/2009-9/1/2010 | | 2,678 | 2,678 |
| 2909 Hillcroft, Suite 120 | 9/1/2009-9/1/2010 | | 25,709 | 25,709 |

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY
OF HARRIS COUNTY**
SCHEDULE OF INSURANCE COVERAGE (UNAUDITED) (continued)
Year Ended August 31, 2010

Flood Insurance

Insurer: Travelers Insurance

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

Property

| | | | |
|----------------|--|----------------------------|-------------|
| Insurer: | Texas Council Risk Management Fund | | |
| Policy Period: | 09/01/09 - 09/01/10 | | |
| | Blanket Limit | \$ | 50,481,253 |
| | Building Limit | \$ | 37,376,211 |
| | BPP Limit | \$ | 5,487,995 |
| | EDP Limit | \$ | 7,570,885 |
| | Boiler/Machinery Limit | \$ | 50,481,253 |
| | Business Income | \$ | 1,000,000 |
| | Sublimit | \$ | 1,000,000 |
| | Deductible except Wind | \$ | 1,000 |
| | Wind Deductibles (TIV = Bldg + BPP) | | Named Storm |
| | Tier 1 Per Occ Per Location T/V | \$ | 4,000,000 |
| | Harris County Per Occ Per Location T/V | 2% TIV or \$75,000 minimum | |
| | Tier 2 Per Location Deductible | \$ | 1,000 |
| | Flood - Aggregate Limit | \$ | 10,000,000 |
| | High Risk Zone | | No Coverage |
| | Zone B - \$1000,000 Deductible | \$ | 5,000,000 |
| | 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 | | |
| | Combined Single Limit Per Occurrence | \$ | 1,000,000 |
| | Deductible | \$ | 1,000 |

Public Officials Errors and Omissions

| | | | |
|----------------|------------------------------------|----|-----------|
| Insurer: | Texas Council Risk Management Fund | | |
| Policy Period: | 09/01/09 - 09/01/10 | | |
| | Claims Made | | |
| | Limit per Claim | \$ | 1,000,000 |
| | Annual Aggregate | \$ | 3,000,000 |
| | Deductible | \$ | 10,000 |
| | Retro Date 08/31/96 | | |

Employment Practices Liability

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

**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY
OF HARRIS COUNTY**
SCHEDULE OF INSURANCE COVERAGE (UNAUDITED) (continued)
Year Ended August 31, 2010

Sexual Misconduct

| | | | |
|----------------|------------------------------------|----|---------|
| Insurer: | Texas Council Risk Management Fund | | |
| Policy Period: | 09/01/09 - 09/01/10 | | |
| | Sublimit per Claim | \$ | 100,000 |
| | Annual Aggregate | \$ | 300,000 |
| | Retro Date 08/28/89 | | |

Auto Liability

| | | | |
|----------------|------------------------------------|----|-----------|
| Insurer: | Texas Council Risk Management Fund | | |
| Policy Period: | 09/01/09 - 09/01/10 | | |
| | 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: | 09/01/09 - 09/01/10 | | |
| | 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: | 09/01/09 - 09/01/10 | | |
| | 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, 2010

Workers Compensation

| | | | |
|----------------|------------------------------------|----|-----------|
| Insurer: | Texas Council Risk Management Fund | | |
| Policy Period: | 09/01/09 - 09/01/10 | | |
| | 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 |

Fiduciary Liability

| | | | |
|----------------|---------------------------------------|----|-----------|
| Insurer: | Executive Risk Indemnity, Inc. | | |
| Policy Period: | 09/01/09 - 09/01/10 | | |
| | 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, 2010**

| <u>Surety Company</u> | <u>Scope of Coverage</u> | <u>Amount</u> |
|--|--------------------------------------|---------------|
| Travelers Commercial 9/18/09 - 9/1/10 | Commercial Crime Policy | |
| | Public Employee Dishonesty Per Loss | \$ 200,000 |
| | 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 11/18/09 - 11/18/10 | 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, 2010

| NAME | CITY | TYPE OF SERVICE | AMOUNT |
|--|---------------|--|----------|
| Aguirre, Laura | Houston, TX | Respite Services | \$ 4,613 |
| All Day Dental | Houston, TX | Dental Services | 17,302 |
| All the Little Things Country | LaPorte, TX | Day Habilitation | 5,059 |
| Allbrite Dental Associates | Houston, TX | Dental Services | 1,126 |
| Anderson, Enedina | Houston, TX | Foster/Companion Care | 4,642 |
| Angelo, Charlotte | Houston, TX | Foster/Companion Care | 16,911 |
| ARC of Greater Houston | Houston, TX | Vocational and Employment Training | 177,878 |
| Archer, Paula | Houston, TX | Foster/Companion Care | 9,776 |
| Arellano, Juan | Houston, TX | Foster/Companion Care | 24,771 |
| Asui Healthcare Learning | Houston, TX | Day Habilitation | 8,628 |
| Baig, Mahera F. | Houston, TX | Foster/Companion Care | 18,219 |
| Bairfield, Doris | Houston, TX | Foster/Companion Care | 18,219 |
| Baldwin, Johnnie L. | Houston, TX | Foster/Companion Care | 50,712 |
| Bautista, Kathy | Houston, TX | Foster/Companion Care | 9,745 |
| Bay Area Recovery Center | Dickinson, TX | Substance Abuse Treatment | 126,874 |
| Bay Area Rehabilitation Center | Baytown, TX | Day Habilitation and Vocational Services | 40,239 |
| Baylor College of Medicine | Houston, TX | Residency Program Training | 8,881 |
| Baylor College of Medicine/Family Community Medi | Houston, TX | Medical Consultations/EKG Services | 159,039 |
| Behavioral Hospital of Bellaire | Houston, TX | Psychiatric Bed Services | 46,265 |
| Berg, Sherry | Spring, TX | Foster/Companion Care | 14,280 |
| Bolden, Sandra | Houston, TX | Foster/Companion Care | 18,219 |
| Broussard, Gwendolyn | Houston, TX | Foster/Companion Care | 18,219 |
| Brown, Barbara Jean | Houston, TX | Respite Services | 2,783 |
| Brown, Glenda Lee | Houston, TX | Foster/Companion Care | 16,911 |
| Brown, Jerome B. | Bellaire, TX | Psychologist | 6,250 |
| Burns-Watts, Vanessa | Houston, TX | Foster/Companion Care | 18,219 |
| Button's Inventory Service, Inc. | Houston, TX | Pharmacy Inventory Services | 19,098 |
| Cantu, Rita Garza | Houston, TX | Foster/Companion Care | 12,087 |
| Caro Healthcare Services | Houston, TX | Respite Services | 1,550 |
| Carr, Charletha | Pearland, TX | Speech Therapy | 1,635 |
| Case, Sheran | Katy, TX | Foster/Companion Care | 3,935 |
| CCI Enterprises, Inc. | Houston, TX | Respite Services | 13,916 |
| Chapa, Celia | Houston, TX | Foster/Companion Care | 8,376 |
| Chen, Chun-Lie | Houston, TX | Foster/Companion Care | 16,911 |
| Cheyenne Center | Houston, TX | Housing/Transition Services | 203,932 |
| Chuca, Apolinar | Houston, TX | Graphic Art & Design Service | 6,200 |
| Clarewood Work Training | Bellaire, TX | Day Habilitation | 52,068 |
| Cloud, Adrienne Valencia | Houston, TX | Respite Services | 1,058 |
| Coalition for the Homeless | Houston, TX | Advocacy | 20,000 |
| Coleman, Billie | Houston, TX | Foster/Companion Care | 16,911 |
| Communication Axxess Ability Group | Houston, TX | Interpreting Services | 22,345 |
| Community for Human Resources Development, Inc. | Houston, TX | Day Habilitation | 6,195 |
| Cook, Karen | Baytown, TX | Foster/Companion Care | 13,473 |
| Data Shredding Services of Texas | Houston, TX | Document Destruction | 21,661 |
| Davis, Latonia | Houston, TX | Foster/Companion Care | 16,911 |
| Dean's Professional Services | Houston, TX | Temporary Staffing - Nursing | 29,445 |
| Dekonor, Christine | Houston, TX | Foster/Companion Care | 6,613 |
| Denyes, David | Humble, TX | Foster/Companion Care | 1,896 |
| Developmental Day Habilitation | Houston, TX | Day Habilitation | 29,738 |
| Directions of Recovery, Inc. | Houston, TX | Co-Occurring Disorders Services | 547,233 |

**MENTAL HEALTH MENTAL RETARDATION AUTHORITY
OF HARRIS COUNTY**
**SCHEDULE OF PROFESSIONAL AND CONSULTING FEES AND
CONTRACTED PROVIDER SERVICES (UNAUDITED)**
Year Ended August 31, 2010

| NAME | CITY | TYPE OF SERVICE | AMOUNT |
|---------------------------------------|-----------------|--|-----------|
| Diversity Healthcare | Houston, TX | Respite Services, Day Habilitation and Vocational Training | 219,278 |
| Dyer-Lewis, Evia Michelle | Houston, TX | Foster/Companion Care | 16,864 |
| Eichelberger, Miriam L. | Houston, TX | Foster/Companion Care | 18,219 |
| Elite Personnel Consultants | Houston, TX | Temporary Staffing | 401,726 |
| Elliot, Saddle | Houston, TX | Foster/Companion Care | 18,219 |
| Farzam, F. H., D.D.S. | Houston, TX | Dental Services | 2,880 |
| Flores, Linda | Houston, TX | Foster/Companion Care | 12,087 |
| Flores, Luis Roberto | Humble, TX | Interpreting Services | 10,811 |
| Flores, Marilu | Humble, TX | Interpreting Services | 4,529 |
| Foote, Alexandria | Houston, TX | Consumer Advisor | 5,344 |
| Forward Edge, Inc. | Pasadena, TX | Pre-employment Testing | 30,885 |
| Fuentes, Ana | Houston, TX | Foster/Companion Care | 5,399 |
| Gallardo, Cheyenne Marisol | Houston, TX | Respite Services | 1,159 |
| Garcia, Alicia A. | Houston, TX | Foster/Companion Care | 18,219 |
| Gathering Place | Houston, TX | Day Habilitation | 21,800 |
| Goodman Technology Associates, Inc. | Humble, TX | Technology Support Services | 1,750 |
| Gordon, Victor Lavaurn | Houston, TX | Consumer Advisor | 5,400 |
| Guerra, Jose Luis | Houston, TX | Respite Services | 2,115 |
| Guidry, Frances | Houston, TX | Foster/Companion Care | 7,875 |
| Haggerty, Jennifer | Baytown, TX | Foster/Companion Care | 14,016 |
| Haggerty, Sedalia | Baytown, TX | Foster/Companion Care | 19,801 |
| Harris County Department of Education | Houston, TX | Speech Therapy | 641,175 |
| Harris, Sandra Inez | Houston, TX | Respite Services | 5,273 |
| Harvest Life Foundation | Houston, TX | Housing/Transition Services | 70,200 |
| Harvey, Betty H. | Houston, TX | Consumer Advisor | 5,400 |
| Healthcare for the Homeless | Houston, TX | Crisis/Peer Support Services | 50,000 |
| Henry, Carolyn D. | Houston, TX | Foster/Companion Care | 33,944 |
| Hernandez, Kelli | Houston, TX | Foster/Companion Care | 24,770 |
| Hernandez, Maria Luisa | Houston, TX | Foster/Companion Care | 12,769 |
| Herrera, Gloria | Houston, TX | Foster/Companion Care | 18,219 |
| Hiebeler, Patricia | Houston, TX | Consumer Advisor | 1,309 |
| Hillsman, Candace | Houston, TX | Foster/Companion Care | 24,771 |
| Hope Village | Houston, TX | Day Habilitation | 3,094 |
| Houston Education Consult | Houston, TX | Psychological Evaluations | 109,950 |
| Iacono, Carmine U., Ph.D. | League City, TX | Psychologist | 7,106 |
| Intracare Behavioral Health | Houston, TX | Psychiatric Bed Services | 1,269,560 |
| Intracare Medical Center Hospital | Houston, TX | Psychiatric Bed Services | 22,889 |
| Jackson Hinds Gardens | Houston, TX | Housing/Transition Services | 8,082 |
| Jackson, Rosealie | Houston, TX | Foster/Companion Care | 8,619 |
| James, Lloyd, D.D.S. | Houston, TX | Dental Services | 1,165 |
| James, Roy | Tomball, TX | Foster/Companion Care | 1,917 |
| Johnson, Royce M. | Houston, TX | Foster/Companion Care | 23,947 |
| Jones, Norma | Houston, TX | Foster/Companion Care | 15,176 |
| JSA Health Texas | Houston, TX | Tele-Medicine Services | 2,509 |
| K & K Best Care EMS | Bellaire, TX | EMS Transportation | 4,464 |
| Kahn, K. Pica | Kemah, TX | Marketing/Media Consulting | 5,928 |
| Kantor, Michele | Houston, TX | Foster/Companion Care | 18,219 |
| Kathuria, Aruna | Spring, TX | Foster/Companion Care | 16,911 |

**MENTAL HEALTH MENTAL RETARDATION AUTHORITY
OF HARRIS COUNTY**
**SCHEDULE OF PROFESSIONAL AND CONSULTING FEES AND
CONTRACTED PROVIDER SERVICES (UNAUDITED)**
Year Ended August 31, 2010

| NAME | CITY | TYPE OF SERVICE | AMOUNT |
|-------------------------------------|---------------|--|---------|
| Kent, Loretta | Katy, TX | Foster/Companion Care | 24,771 |
| Knight, Felecia | Houston, TX | Foster/Companion Care | 16,911 |
| Krum, Ella Mae | Crosby, TX | Foster/Companion Care | 6,106 |
| Lac Hong Adult Day Care Center | Houston, TX | Day Habilitation | 3,728 |
| Landrum, Connie | Houston, TX | Foster/Companion Care | 11,197 |
| Language Line Services | Monterrey, CA | Interpreting services | 26,249 |
| Laureles, Eusebio, Jr. | Houston, TX | Foster/Companion Care | 14,755 |
| Laval, Ramon, Ph.D. | Houston, TX | Psychologist | 108,575 |
| Lawrence, Frank A. | Cypress, TX | Executive Coaching | 1,807 |
| Lewis & Associates, D.D.S., P.C. | Houston, TX | Dental Services | 1,006 |
| Lima, Guadalupe | Houston, TX | Foster/Companion Care | 16,064 |
| Lomonte, Drew, D.D.S. | Houston, TX | Dental Services | 2,185 |
| Longoria, Jose | Houston, TX | Foster/Companion Care | 18,219 |
| Luco, Glenda S. | Houston, TX | Consumer Advisor | 3,090 |
| Malbrough, Lela | Houston, TX | Foster/Companion Care | 16,911 |
| Mann, Thomas H., Ph.D. | Richmond, TX | Psychologist | 15,162 |
| Manning, Tony | Houston, TX | Consumer Advisor | 5,600 |
| Martinez, Felix | Houston, TX | Consumer Advisor | 6,328 |
| Martinez, Manuela | Houston, TX | Foster/Companion Care | 12,769 |
| Martinez, Rosibel | Houston, TX | Foster/Companion Care | 16,528 |
| Mary's Miracles Outreach, Inc. | Houston, TX | Housing/Transition Services | 7,823 |
| Masterword Services, Inc. | Houston, TX | Interpreting Services | 192,405 |
| Maxim Healthcare Services, Inc. | Houston, TX | Temporary Staffing - Nursing | 5,824 |
| Mayberry, Christine | Houston, TX | Foster/Companion Care | 16,911 |
| Mayberry, Mable Austin | Houston, TX | Foster/Companion Care | 16,911 |
| McClure, Glen E. | Sugarland, TX | Psychologist | 5,625 |
| Memorial Hermann Hospital System | Houston, TX | Emergency Response Diversion | 30,525 |
| Midtown Terrace Suites | Houston, TX | Housing/Transition Services | 108,120 |
| Montemayor, Noemi | Crosby, TX | Foster/Companion Care | 16,911 |
| Moore, Betty | Houston, TX | Foster/Companion Care | 16,911 |
| Morales, Laura R., M.A. | Houston, TX | Speech/Language Pathologist | 53,790 |
| Morgan & Associates Dental | Houston, TX | Dental Services | 16,295 |
| Muhammad, Sherriel Ann | Houston, TX | Foster/Companion Care | 3,937 |
| NAMI Metropolitan Houston | Houston, TX | Consumer/Staff Training | 4,121 |
| Nightingale Adult Day Center | Houston, TX | Interpreting Services | 31,711 |
| Nightingale Vocational Rehab Center | Houston, TX | Day Habilitation and Vocational Services | 39,764 |
| Nixon Adult Day Center | Houston, TX | Day Habilitation | 4,978 |
| Null-Lairson, P.C. | Houston, TX | Audit Services | 136,000 |
| Ochoa, Juanita | Houston, TX | Foster/Companion Care | 12,564 |
| Ochoa, Karla G. | Houston, TX | Respite Services | 4,673 |
| Ortiz, Micaela | Houston, TX | Foster/Companion Care | 20,628 |
| Ortiz, Ray | Houston, TX | Foster/Companion Care | 5,551 |
| Pace Opportunity Center, Inc. | Houston, TX | Day Habilitation | 27,555 |
| Passages, Inc. | Houston, TX | Co-Occurring Disorders Services | 133,431 |
| Pate Engineers, Inc. | Houston, TX | Engineering/Survey Services | 16,909 |
| Pathway to Serenity | Houston, TX | Housing/Transition Services | 8,013 |
| Perry, Bobbie | Houston, TX | Foster/Companion Care | 16,911 |
| Pharma Care Staffing Services | Houston, TX | Temporary Staffing - Pharmacy | 12,616 |
| Phillips, Jewel | Houston, TX | Foster/Companion Care | 18,219 |
| Pre-Check, Inc. | Houston, TX | Pre-employment Testing | 32,707 |

**MENTAL HEALTH MENTAL RETARDATION AUTHORITY
OF HARRIS COUNTY**
**SCHEDULE OF PROFESSIONAL AND CONSULTING FEES AND
CONTRACTED PROVIDER SERVICES (UNAUDITED)**
Year Ended August 31, 2010

| NAME | CITY | TYPE OF SERVICE | AMOUNT |
|---|---------------------|--|---------|
| Prosumers International | San Antonio, TX | Peer Support Training Services | 4,688 |
| R & L Group | Houston, TX | Respite Services | 6,931 |
| Rainbow Christian Academy | Houston, TX | Day Habilitation | 25,802 |
| Ramirez, Minerva Y. | Houston, TX | Respite Services | 1,350 |
| Randle, Barbara E. | Houston, TX | Foster/Companion Care | 18,219 |
| | | Vocational Training, Day Habilitation, and | |
| Reach Unlimited, Inc. | Houston, TX | Supported Home Living | 56,019 |
| Rendon, Ruby | Channelview, TX | Foster/Companion Care | 11,852 |
| Renewed Innovations, Inc. | Houston, TX | Housing/Transition Services | 26,220 |
| Resource Health Service | Houston, TX | Respite Services | 27,833 |
| RGIS Inventory Specialists | Houston, TX | Pharmacy Inventory Services | 1,634 |
| Rivera, Stella | Houston, TX | Foster/Companion Care | 18,172 |
| Rivers, Sherry | Houston, TX | Foster/Companion Care | 4,642 |
| Roberts, Michael | Houston, TX | Consumer Advisor | 1,000 |
| Rosette, Jessie | Houston, TX | Foster/Companion Care | 15,340 |
| Ross, Sandra | Houston, TX | Foster/Companion Care | 18,219 |
| Ruiz, Roberto | Houston, TX | Foster/Companion Care | 16,911 |
| Santa Maria Hostel, Inc. | Houston, TX | Substance Abuse Treatment | 25,600 |
| Sanzone, Lisa | Houston, TX | Foster/Companion Care | 18,219 |
| Satchell, Mary E. | Houston, TX | Foster/Companion Care | 16,911 |
| Scott, Saralyn | Houston, TX | Speech Therapy | 31,080 |
| Shepherd, Lisa Gayle | Houston, TX | Foster/Companion Care | 16,911 |
| Sign Shares | Houston, TX | Interpreting Services | 1,943 |
| Silverman, Edward, Ph.D. | Houston, TX | Psychologist | 2,500 |
| Singletary, Leasia | Houston, TX | Foster/Companion Care | 33,944 |
| Singleton, Shelia | Houston, TX | Foster/Companion Care | 16,911 |
| Slack Consulting, Inc. | Birmingham, AL | Staff Training | 5,706 |
| Sodexo Services of Texas | Chicago, IL | Consumer Food Service | 188,992 |
| Soliant Health, Inc. | Houston, TX | Temporary Staffing - Pharmacy | 14,366 |
| Solorzano, Maria | Houston, TX | Foster/Companion Care | 9,285 |
| | | | |
| Special Texas Homes, Inc. | Houston, TX | Day Habilitation and Vocational Services | 50,906 |
| Spitler, Nancy | Houston, TX | Foster/Companion Care | 6,292 |
| Staff Care, Inc. | Irving, TX | Contract Psychiatrists | 117,480 |
| Stallworth, Darrell | Houston, TX | Program Monitoring | 21,047 |
| Stericycle, Inc. | Lake Forest, IL | Hazardous Waste Disposal | 4,551 |
| Sue Davis Communications | Houston, TX | Public Relations Consulting | 5,375 |
| Texas Engineering Experiment Station | College Station, TX | Energy Usage Analysis | 8,426 |
| Texas Medical Center Hospital Laundry Co-op | Houston, TX | Linen Service | 21,768 |
| Texas Medical Center Hospital Laundry Co-op | Houston, TX | Linen Service | 18,154 |
| Texas West Oaks Hospital | Houston, TX | Psychiatric Bed Services | 39,447 |
| | | Day Habilitation, Vocational, and | |
| The Center | Houston, TX | Residential Services | 415,307 |
| The Center for Hearing/Speech | Houston, TX | Speech/Hearing Evaluations | 2,304 |
| | | Counseling, Case Management, and | |
| The Council on Alcohol and Drugs | Houston, TX | Assessment Services | 215,732 |
| The Healthy Lunch Box | Houston, TX | Consumer Food Service | 52,145 |
| Thomas, Macylu | Houston, TX | Consumer Advisor | 2,740 |
| Thomas, Monica M. | Houston, TX | Foster/Companion Care | 1,971 |
| Thompson, Barbara | Houston, TX | Foster/Companion Care | 16,911 |
| Thornton, Jackie | Houston, TX | Foster/Companion Care | 15,090 |
| Tisdell, Donald | Houston, TX | Consumer Advisor | 4,538 |
| Tjahjadi, Marie | Houston, TX | Foster/Companion Care | 18,219 |
| Transition Guides, Inc. | Silver Spring, MD | Executive Search Services | 9,000 |

**MENTAL HEALTH MENTAL RETARDATION AUTHORITY
OF HARRIS COUNTY**
**SCHEDULE OF PROFESSIONAL AND CONSULTING FEES AND
CONTRACTED PROVIDER SERVICES (UNAUDITED)**
Year Ended August 31, 2010

| NAME | CITY | TYPE OF SERVICE | AMOUNT |
|---|-----------------|--|---------|
| Tri-County MHMR | Conroe, TX | Day Habilitation | 4,938 |
| Tryon, Natasha S. | Houston, TX | Respite Services | 5,603 |
| U. S. Healthworks | Houston, TX | Employee Drug Screening | 2,225 |
| Ultra Staff | Houston, TX | Temporary Staffing - Nursing | 10,972 |
| United Cerebral Palsy | Houston, TX | Respite Services | 860,950 |
| United States Veterans Initiative | Houston, TX | Housing/Transition Services | 66,501 |
| University Dental Center | Houston, TX | Dental Services | 3,997 |
| University of Houston-Clear Lake | Houston, TX | Behavioral Therapy Services | 152,000 |
| University of Texas Health Science Center | Houston, TX | Psychiatric Residents | 146,610 |
| UT Harris County Psychiatric Center | Houston, TX | Outpatient Services | 111,219 |
| Venegas, Ruby | Baytown, TX | Foster/Companion Care | 16,911 |
| Village Learning Center, Inc. | Kingwood, TX | Day Habilitation and Vocational Services | 55,434 |
| Volunteers of America TX, Inc. | Eules, TX | Substance Abuse Treatment | 175,696 |
| Wallace, Berta | Houston, TX | Foster/Companion Care | 4,731 |
| Walls, Jyron J., D.D.S. | Houston, TX | Dental Services | 1,131 |
| Wenger, Shobha | Houston, TX | Foster/Companion Care | 18,013 |
| Westchase Dental | Houston, TX | Dental Services | 15,782 |
| Williams, June | Cypress, TX | Foster/Companion Care | 5,059 |
| Williamson, Jana | Houston, TX | Consumer Advisor | 2,345 |
| Wise, R. Blake | Channelview, TX | Technical Support | 73,463 |
| Wukasch, Ilda M. | Channelview, TX | Respite Services | 5,576 |

MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY
OF HARRIS COUNTY
SCHEDULE OF LEGAL SERVICES (UNAUDITED)
Year Ended August 31, 2010

| Name | City | Type of Service | Amount |
|-----------------------------|-------------|--|---------------|
| Feldman & Rogers, L.L.P | Houston | Employment and general representation | \$ 48,253 |
| Fulbright & Jaworski, L.L.P | Houston | Employee benefits and general representation | 4,196 |
| Richard Hightower, P.C. | Houston | Board training | 2,801 |
| Charles B. Wolfe | Houston | Real estate representation | 3,268 |

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, 2010, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated January 19, 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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" and "L".

Houston, Texas
January 19, 2011

Independent Auditors' Report on Compliance with Requirements that Could have a Direct and Material Effect on 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 (21st Revision)* and the *State of Texas Single Audit Circular* that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2010. 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 (21st 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 could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2010.

Internal Control over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in 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 and correct noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 19, 2011

**MENTAL HEALTH AND MENTAL RETARDATION
 AUTHORITY OF HARRIS COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For The Year Ended August 31, 2010**

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> | |
|---|---|-------------|
| Federal | | |
| 93.667 | Social Services Block Grant | |
| 93.558 | Temporary Assistance for Needy Families (TANF) | |
| 93.778 | Medical Assistance Program (Medicaid; Title XIX) | |
| | Medical Assistance Program ARRA (Medicaid; Title XIX) | |
| 93.150 | Mental Health Block Homeless PATH Grant | |
| | Early Intervention Services (IDEA) Cluster | |
| 84.181 | Special Education - Grants for Infants and Families | |
| 84.393 | Special Education - Grants for Infants and Families, Recovery Act | |
| 84.027 | Special Education Grants to States (IDEA, Part B) | |
| State | | |
| | General Revenue | |
| | Mental Health | |
| | Psychiatric Hospitals | |
| | Atypical Antipsychotic Drugs | |
| | Mental Retardation | |
| | Permanency Planning | |
| | In Home and Family Support - H.B. 1154-MR | |
| | Early Childhood Intervention (ECI) | |
| Dollar threshold used to distinguish between type A and type B programs | Federal: | \$536,851 |
| | State: | \$3,408,312 |
| 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, 2010

II. Financial Statement Findings

None reported

III. Federal and State Awards Findings and Questioned Costs

None reported.

IV. Status of Prior Year Findings

There were no prior year findings.

V. Corrective Action Plan

None reported

MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY OF HARRIS COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended August 31, 2010

| Program Title | Federal CFDA # | Contract # | Federal Expenditures |
|---|---------------------------|---------------------------------------|---------------------------------|
| Federal Awards: | | | |
| U.S. Department of Health and Human Services: | | | |
| Passed-through Texas Department of State Health Services: | | | |
| <i>Mental Health Block Grant</i> | 93.958 | --- | \$ 3,081,806 |
| <i>Social Services Block Grant (Title XX)</i> | 93.667 | --- | 269,679 |
| <i>MH Block Homeless PATH Grant</i> | 93.150 | 2010-031599-001 | 880,466 |
| <i>Social Services Block Grant (Inpatient Competency Restoration)</i> | 93.667 | 2010-033008-004 | 1,139,973 |
| <i>Social Services Block Grant (SA-SSBG Treatment Adult)</i> | 93.667 | 2010-034987-001 | 58,862 |
| <i>Social Services Block Grant (SA-SSBG Treatment Cost Reimbursemen</i> | 93.667 | 2010-035071-001 | 62,975 |
| Passed-through Houston-Galveston Area Council: | | | |
| <i>Social Services Block Grant (Hurricane Ike Recovery Assistance)</i> | 93.667 | H-GAC 717-10 | 3,283,918 |
| <i>Social Services Block Grant (Hurricane Ike Recovery Assistance)</i> | 93.667 | H-GAC 758-10 | 1,175,357 |
| Passed-through Service of Emergency Aid Resource Center: | | | |
| <i>SAMHSA-Partners at Independence Heights</i> | 93.243 | 1H79SM059193-01 | 49,872 |
| Passed-through Texas Department of Assistive and Rehabilitative Services (DARS) | | | |
| <i>Temporary Assistance for Needy Families (TANF)</i> | 93.558 | 53802C7037-01 | 841,434 |
| <i>Medical Assistance Program (Medicaid; Title XIX)</i> | 93.778 | 53802C7037-01 | 1,635,714 |
| <i>Medical Assistance Program, Recovery Act (Medicaid; Title XIX)</i> | 93.778 | 53802C7037-01 | 335,648 |
| Total U.S. Department of Health and Human Services | | | <u>12,815,704</u> |
| U.S. Department of Education: | | | |
| Passed-through Texas Interagency Council on Early Childhood Intervention: | | | |
| <i>Special Education Grants for Infants and Families with Disabilities (IDEA, Part C)</i> | 84.181 | 53802C7037-01 | 299,753 |
| <i>Special Education Grants for Infants and Families with Disabilities, Recovery Act (IDEA, Part C)</i> | 84.393 | 53802C7037-01 | 2,513,839 |
| <i>Special Education Grants to States (IDEA, Part B)</i> | 84.027 | 53802C7037-01 | 293,985 |
| Total U.S. Department of Education | | | <u>3,107,577</u> |
| Federal Emergency Management Agency: | | | |
| Passed-through Texas Department of State Health Services: | | | |
| <i>Mental Health/Disaster Services-Crisis Counseling</i> | 97.032 | 2009-030812-001 | 1,085,397 |
| Total Federal Emergency Management Agency | | | <u>1,085,397</u> |
| U.S. Department of Housing and Urban Development: | | | |
| Transitional Housing Program - Safe Havens | 14.235 | TX0191B6E000801 and TX0191B6E00802 | 384,620 |
| Passed-through Harris County Community Services Department: | | | |
| Community Development Block Grant - Disaster Recovery Program - Project H.E.L.P. | 14.218 | P2007-0005 | 155,075 |
| Community Development Block Grant - Disaster Recovery Program - Katrina/Rita Counseling and Case Management | 14.218 | P2007-0006 | 346,647 |
| Total U.S. Department of Housing and Urban Development | | | <u>886,342</u> |
| Total Expenditures of Federal Awards | | | <u><u>\$ 17,895,020</u></u> |

MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY OF HARRIS COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)
For the Year Ended August 31, 2010

| <u>Program Title</u> | <u>Contract #</u> | <u>State Expenditures</u> |
|--|-------------------|---------------------------|
| State Awards: | | |
| Texas Department of State Health Services: | | |
| <i>General Revenue - Mental Health</i> | --- | \$ 43,302,848 |
| <i>General Revenue - Psychiatric Hospitals</i> | --- | 23,529,696 |
| <i>General Revenue - Atypical Antipsychotic Drugs</i> | --- | <u>7,243,770</u> |
| Total Texas Department of State Health Services | | <u>74,076,314</u> |
| Texas Department of Aging and Disability Services: | | |
| <i>General Revenue - Mental Retardation</i> | --- | 13,574,003 |
| <i>General Revenue - Permanency Planning</i> | --- | 110,329 |
| <i>General Revenue - In Home and Family Support - H.B. 1154 - MR</i> | --- | <u>1,295,493</u> |
| Total Texas Department of Aging and Disability Services | | <u>14,979,825</u> |
| Texas Department of Assistive and Rehabilitative Services (DARS) | | |
| <i>Early Childhood Intervention (State only)</i> | 53802C7037-01 | 2,094,346 |
| <i>Services to Children with Autism</i> | 5382000816 | <u>724,000</u> |
| Total Texas Department of Assistive and Rehabilitative Services (DARS) | | <u>2,818,346</u> |
| Texas Correctional Office on Offenders with Medical or Mental Impairments - | | |
| <i>Juvenile Offenders</i> | 696-TC-6-7-L0125 | 884,248 |
| <i>Adult Offenders</i> | 696-TC-6-7-L0125 | <u>2,510,654</u> |
| Total Texas Correctional Office on Offenders with Medical or Mental Impairments | | <u>3,394,902</u> |
| Texas Department of Criminal Justice - | | |
| <i>Parole - MH Offenders Program</i> | 696-TC-6-7-L0125 | 246,000 |
| <i>Substance Abuse - MH Offenders Program</i> | 696-TC-6-7-L0125 | <u>200,000</u> |
| Total Texas Department of Criminal Justice | | <u>446,000</u> |
| Total Expenditures of State Awards | | <u>95,715,387</u> |
| Total Expenditures of Federal and State Awards | | <u>\$113,610,407</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, 2010. 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 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the District under programs of the federal government for the year ended August 31, 2010. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets or cash flows of the District.

Note 3 - State financial assistance guidelines

State financial assistance is subject to *Guidelines for Annual Financial and Compliance Audits of Community MHMR Centers (21st 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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