

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

For Fiscal Years Ended August 31, 2011 and 2010

Steven B. Schnee, Ph.D.
Executive Director

Harris County, Texas

MENTAL HEALTH AND MENTAL RETARDATION
AUTHORITY OF HARRIS COUNTY
TABLE OF CONTENTS

	Page
Introductory Section	
Listing of Officials	i
Certificate of Board	ii
Letter of Transmittal	iii
GFOA Certificate of Achievement	ix
Organizational Chart	x
 Financial Section	
Independent Auditors' Report	1
Management's Discussion and Analysis (Required Supplementary Information)	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statements of Net Assets	15
Statements of Activities	16
Fund Financial Statements:	
Balance Sheets - Governmental Fund	18
Reconciliation of the Fund Balances of Governmental Fund to the Statements of Net Assets - Governmental Fund	19
Statements of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund	20
Reconciliation of the Statements of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statements of Activities	21
Budgetary Comparison Statement - General Fund	22
Statements of Net Assets - Proprietary Fund	25
Statements of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Fund	26
Statements of Cash Flow - Proprietary Fund	27
Statements of Fiduciary Net Assets - Agency Fund	28
Combining Statements of Component Units:	
Combining Statement of Net Assets - Component Units	29
Combining Statement of Activities - Component Units	31
Notes to the Basic Financial Statements	33
 Other Supplementary Information	
Capital Assets Used in the Operation of Governmental Funds:	
Schedule by Source	55
Schedule by Function	56
Schedule of Changes by Function	57
Schedules of Changes in Fiduciary Assets - Agency Fund	58

MENTAL HEALTH AND MENTAL RETARDATION
AUTHORITY OF HARRIS COUNTY
TABLE OF CONTENTS (Continued)

	Page
Statistical Section (Unaudited)	
Net Assets by Component	63
Changes in Net Assets	64
Fund Balances, Governmental Funds	66
Changes in Fund Balances, Governmental Funds	68
Principal Sources of Revenue	70
Summary Schedule of Indirect Costs	72
Detail Schedule of Direct and Indirect Costs	73
Local Service Area Population	74
Demographic Statistics of the Local Service Area	75
Ratio of Outstanding Debt	76
Principal Employers in the Catchment Area	77
Full-Time Equivalent Employees by Function/Program	78
Operating Indicators by Function/Program	79
General Fund Revenue by Source of Funds	80
General Fund Expenditures by Category	81
Capital Assets by Governmental Activity	82
Reconciliation of Total Revenues to Fourth Quarter Financial Report	84
Reconciliation of Total Expenditures to Fourth Quarter Financial Report	85
Summary Schedule of Mental Health Adult, Mental Health Children, and Mental Retardation Expenditure by Service Category and Source of Funds	86
Schedule of Revenues and Expenditures by Source of Funds, General Fund	87
Schedule of Mental Health Adult Expenditures by Service Category and Source of Funds	88
Schedule of Mental Health Children Expenditures by Service Category and Source of Funds	89
Schedule of Mental Retardation Expenditures by Service Category and Source of Funds	90
Schedule of Leases in Effect	91
Schedule of Land, Buildings and Equipment	92
Schedule of Insurance Coverage	93
Schedule of Bond Coverage	98
Schedule of Professional and Consulting Fees and Contracted Provider Services	99
Schedule of Legal Services	103

MENTAL HEALTH AND MENTAL RETARDATION
AUTHORITY OF HARRIS COUNTY
TABLE OF CONTENTS (Continued)

	<u>Page</u>
Single Audit Section	
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 <i>Government Auditing Standards</i>	107
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 <i>OMB Circular A-133</i> , Texas Health and Human Services Commission's <i>Guidelines for Annual Financial and Compliance Audits of Community MHMR Centers</i> and the <i>State of Texas Single Audit Circular</i>	109
Schedule of Findings and Questioned Costs	111
Schedule of Expenditures of Federal and State Awards	115
Notes to Schedule of Expenditures of Federal and State Awards	117

Introductory Section

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

Listing of Officials

August 31, 2011

Board of Trustees

Lynne A. Cleveland	Board Chairperson
Mae McMillan, M.D.	Vice Chairperson, Program Committee Chairperson
Jo Monday	Board Member
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	Resource Committee Chairperson

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.B.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

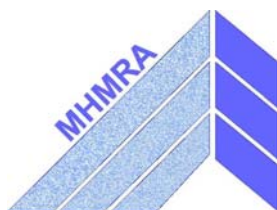
**MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY
OF HARRIS COUNTY, TEXAS**

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 2011 from Null-Lairson, PC, was reviewed and approved at a meeting of the Board of Trustees held on the 24th day of January, 2012.


Chairperson, MHMRA Board of Trustees


Date



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

January 24, 2012

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 (the “Agency”) for the fiscal year ended August 31, 2011. 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’s 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, 2011 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, 2011 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, 2011, 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 2011, 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 and 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 intellectual and developmental disability contract requirements with existing and even at times decreasing 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 \$19.7 million in FY 2011. 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 recession exacted a heavy toll upon the budgets of both the state of Texas and Harris County. The State does not levy an income tax and relies mainly on sales taxes for the greater part of its revenue. As sales activities declined, revenues and the corresponding taxes understandably went down with it.

Early in 2011, Harris County mandated an across-the-board cut of 10% for most of its funded agencies. This mandate is effective until February 2012.

The basic state appropriation from DSHS is expected to remain essentially the same in FY 2012 as in the previous year. There was however a Community Hospital Exceptional Item of \$4.964M added to the budget to address Competency Restoration for forensic clients.

The appropriation from DADS, on the other hand, suffered a 27% reduction for the IDD safety net. To cushion the negative effect of this drastic cut, the State is refinancing some 5,000 people state-wide to the Medicaid Texas Home Living waiver program. The State also totally eliminated the In-home Family Support Services program.

In FY2012, budget reductions for MHMRA of Harris County also came in the form of service reimbursement rate cuts, the most severe of which was the reduction of the rate for Psychosocial Rehabilitation services for an individual from \$30.89 to \$26.93 or a cut by \$3.96. This will have an effect of a budgetary decrease of more than \$700,000 for the Agency.

Budgetary reductions were also occasioned by changes in the payment methodologies for some of the Agency's services. This is true for IDD Service Coordination and the Early Childhood Intervention Targeted Case Management where monthly units of service were replaced with encounter units of service. While it is conceivable that the equivalent of monthly rates may still be earned even with the encounter units, the broken-down payment is anticipated to result in reduced income. These payment methodology changes took effect September 1, 2011.

To counter all of the foregoing budgetary reductions, cost reductions 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 97 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.

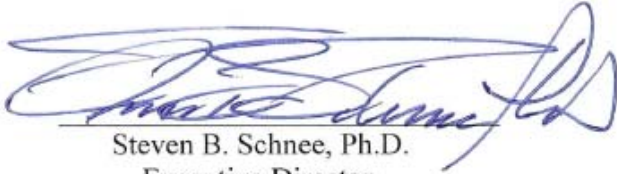
Acknowledgements

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.

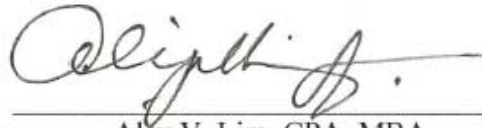
We also recognize our Division Deputy Directors and their management teams and the Division Medical Directors and their medical staff for their day-to-day commitment to our consumers. Their dedicated service to the Agency and to our consumers enables us to meet our mission toward the citizens of Harris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

A handwritten signature in blue ink, appearing to read "Steven B. Schnee".

Steven B. Schnee, Ph.D.
Executive Director

A handwritten signature in blue ink, appearing to read "Alex V. Lim".

Alex V. Lim, CPA, MBA
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Mental Health and Mental Retardation Authority of Harris County, Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
August 31, 2010

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.



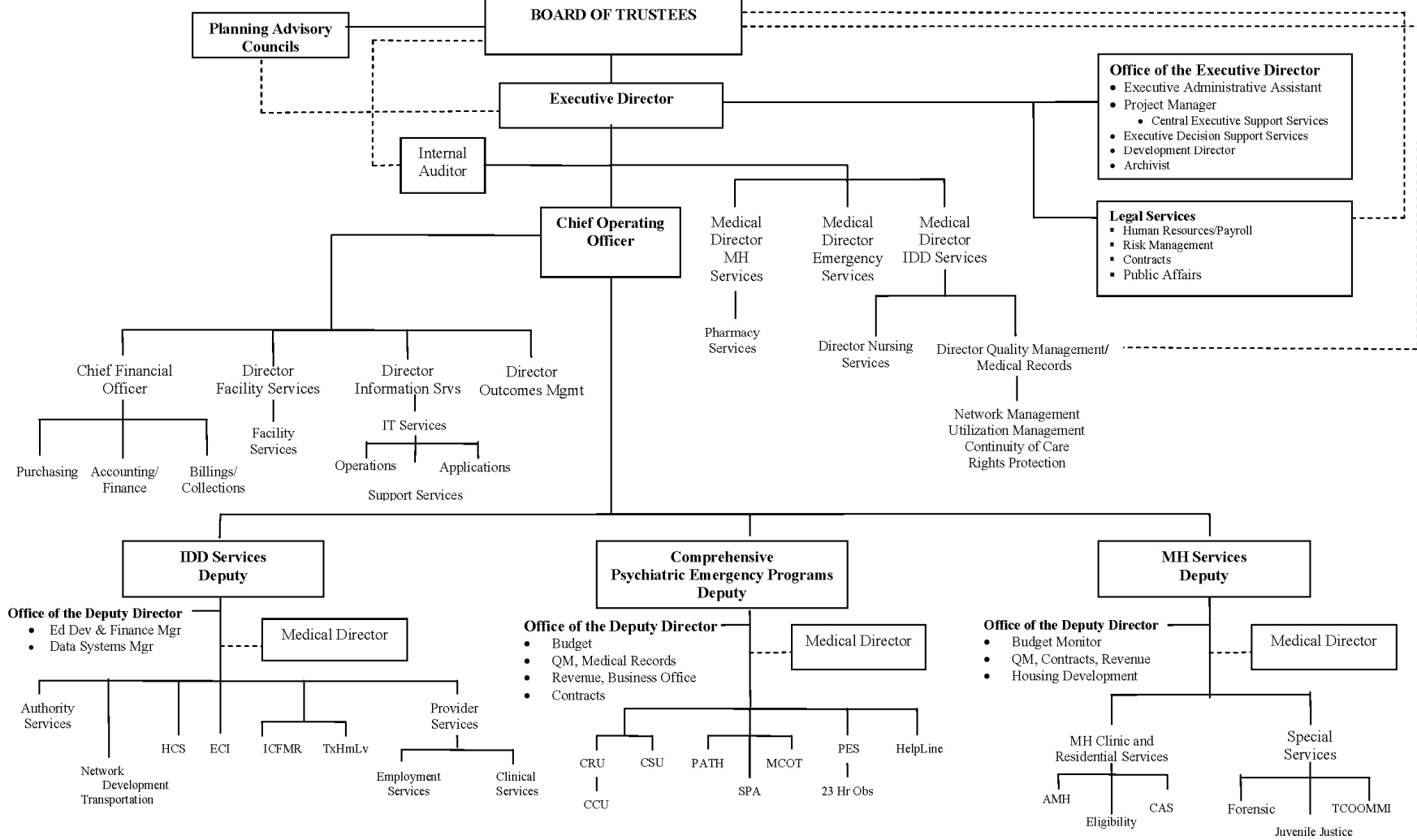
Linda C. Danison

President

Jeffrey R. Emer

Executive Director

MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY OF HARRIS COUNTY – FY'12



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, 2011 (May 31, 2011 for 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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, 2011, and the respective changes in financial position and, where applicable, cash flows and 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 24, 2012 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We, and the other auditors, have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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. 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other reports used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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 do not express an opinion or provide any assurance on them.



Null-Lairson, PC
Houston, Texas
January 24, 2012

Management's Discussion and Analysis
(Required Supplementary Information)

(This page intentionally left blank.)

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 (the "Agency") along with this narrative overview and analysis of the financial activities for the fiscal year ended August 31, 2011. 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 2011 by \$60,255,223 (net assets). Of this amount, \$43,728,371 (unrestricted net assets) may be used to meet the Agency's ongoing obligations.
- MHMRA's total net assets (government-wide) increased by \$3,922,735 during the fiscal year.
- The Agency's governmental funds increased by \$1,681,067 resulting in an ending fund balance of \$44,793,300.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$29,123,629 or 17 % 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 statement has been provided for the General Fund to demonstrate compliance with this budget.

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

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

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

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of consumers. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Agency's programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statement can be found on page 28 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 33 through 51 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. The Texas Health and Human Services Commission 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 \$60,255,223 at the close of the fiscal year.

The largest portion of MHMRA's net assets, 72.6 percent, represents the unrestricted financial resources available for future operations. This compares to last fiscal year's unrestricted financial resources at 75 percent.

The remaining balance of the Agency's net assets, 27.4 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, 2011, with comparative figures for FY 2010:

MHMRA of Harris County's Net Assets

	Governmental Activities	
	2011	2010
Current and other assets	\$ 59,405,805	\$ 57,595,750
Capital assets	20,336,035	18,752,935
Total assets	\$ 79,741,840	\$ 76,348,685
Current liabilities	\$ 13,503,987	\$ 13,333,262
Long-term liabilities outstanding	5,982,630	6,682,935
Total liabilities	\$ 19,486,617	\$ 20,016,197
Net assets		
Invested in capital assets, net of related debt	\$ 16,526,852	\$ 14,192,234
Unrestricted	43,728,371	42,140,254
Total net assets	\$ 60,255,223	\$ 56,332,488

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 more reimbursement from various payors, especially Medicaid.

Governmental Activities

Revenues for the Agency's governmental activities were \$169,453,491 while total expenses were \$165,543,220. The change in net assets of governmental activities was \$3,922,735 after a \$12,464 net gain on disposal of assets. The following table reflects a comparison of the governmental activities between FY 2011 and FY 2010:

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

MHMRA of Harris County's Changes in Net Assets

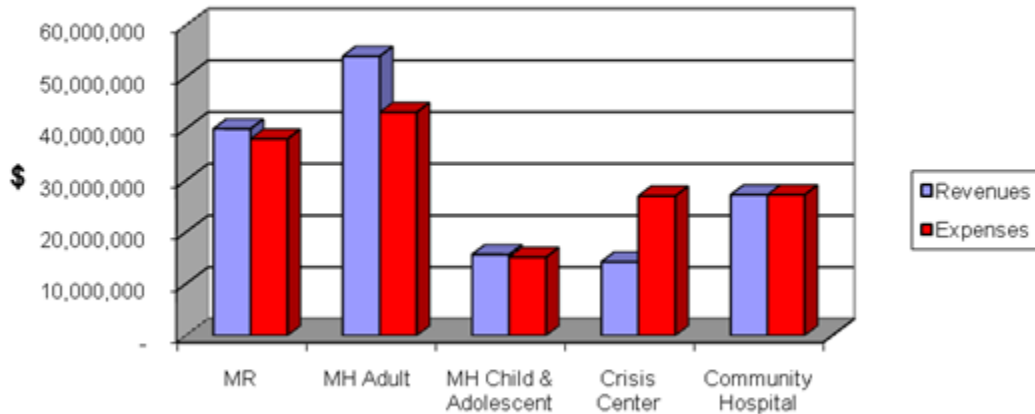
	Governmental Activities	
	2011	2010
Revenues		
Program revenues:		
Charges for services:		
Mental Retardation	\$ 19,602,927	\$ 15,193,569
Mental Health Adult	15,069,241	14,821,151
Mental Health Child and Adolescents	4,777,126	4,425,202
Crisis Center	2,095,423	1,980,438
Total charges for services	<u>41,544,717</u>	<u>36,420,360</u>
Operating grants and contributions:		
Mental Retardation	20,377,859	22,807,144
Mental Health Adult	38,957,276	40,442,856
Mental Health Child and Adolescents	10,903,165	10,232,000
Crisis Center	12,155,848	15,637,437
Community Hospital	27,227,020	27,450,626
Total operating grants and contributions	<u>109,621,168</u>	<u>116,570,063</u>
General revenues:		
Payment from Harris County	17,648,131	18,814,979
Grants not restricted to specific programs	62,743	49,871
Investment Earnings	216,198	176,940
Other income	360,534	821,177
Total general revenues	<u>18,287,606</u>	<u>19,862,968</u>
Total Revenues	<u>169,453,491</u>	<u>172,853,391</u>
Expenses		
General Administration	14,741,890	17,242,810
Mental Retardation	38,018,967	37,274,622
Mental Health Adult	43,174,396	45,250,352
Mental Health Child and Adolescents	15,145,001	14,145,935
Crisis Center	26,991,167	27,729,527
Community Hospital	27,227,020	27,450,626
Interest on long-term debt	244,779	287,043
Total Expenses	<u>165,543,220</u>	<u>169,380,915</u>
Excess Before Special Items	<u>3,910,271</u>	<u>3,472,476</u>
Special Items:		
Net gain on disposal of assets	12,464	23,642
Total Special Items	<u>12,464</u>	<u>23,642</u>
Change in Net Assets	<u>\$ 3,922,735</u>	<u>\$ 3,496,118</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	\$ (2,582,684)
Mental Health Adult	5,691,376
Mental Health Child and Adolescents	(1,275,030)
Crisis Center	(15,966,218)
Interest on long-term debt	(244,779)
Total	\$ (14,377,335)

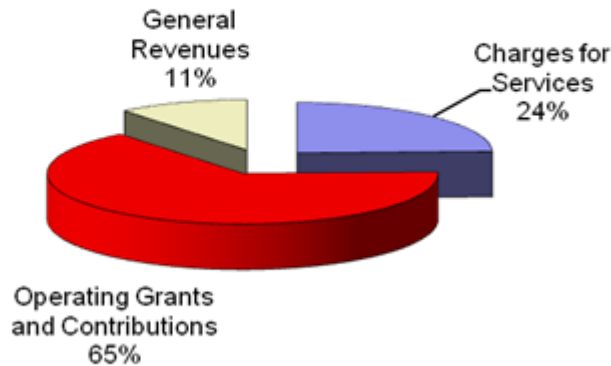
**Program Revenues and Expenses-
 Governmental Activities**



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

The following chart depicts the major sources of revenues:

Revenue Sources- Governmental Activities



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 \$44,793,300. A large portion of this, or 65%, 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 \$44,358,364 and represents 26% of total General Fund expenditures or the equivalent of 97 days.

An analysis of significant balances follows:

- Compared to the previous year, State grants and programs for FY 2011 decreased by \$0.93M.

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

- Federal funds also decreased by 33% compared to the prior year with the completion of the Social Services Block Grant for Inpatient Competency Restoration which eliminated funding of \$1,139,973; the winding down and consequent reduction of the Social Services Block Grant (SSBG) funds for Hurricane Ike Recovery Assistance, Mental Health/Disaster Services-Crisis Counseling and the Katrina/Rita Counseling and Case Management, which resulted in reductions of \$1,972,986, \$1,085,397 and \$346,646, respectively; and the reduction of the DARS ECI funding by \$1,312,408.
- In FY 2011, investment earnings increased to \$213,225 or by 24% compared to FY 2010 even with the languishing recession.

Internal Service Fund. In FY 2011, the total assets of the Internal Service (Proprietary) Fund representing a self insurance reserve fund increased from \$2,151,774 in FY 2010 to \$2,154,747.

General Fund Budgetary Highlights

A number of amendments were made to the original budget during the year. The major ones include the additional allocation of \$1,749,688 in continuance of the Social Services Block Grant for Hurricane Ike Recovery Assistance, and the increase of expected Medicaid revenue by \$1,073,882. Budgeted Miscellaneous Income also showed a bump as the use of fund balance was initially contemplated to fund various one-time expenditures to the tune of \$3.5M. This source of funding however did not materialize.

On expenditures, personnel costs fell below the budget as a number of vacant positions were not filled during the year. Contracts with service agencies and professional fees were also significantly lower than budget with lesser utilization of these services than projected. Drug costs (the total for purchased and PAP) overshot projections due to the escalation of drug prices during the fiscal year, as well as higher drug utilization by our clientele. Repairs and maintenance was also down as lesser projects were pursued compared to what was anticipated.

Capital Asset and Debt Administration

Capital Assets. MHMRA's investment in capital assets as of August 2011 amounts to \$20,336,035 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment and vehicles.

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

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

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

	Fiscal Year 2011	Fiscal Year 2010	Increase (Decrease)
Land	\$ 3,421,489	\$ 3,421,489	\$
Buildings & improvement	12,246,676	12,985,791	(739,115)
Furniture & equipment	1,272,229	535,132	737,097
Automobiles	281,902	444,789	(162,887)
Intangible Assets - Software	3,113,739	1,365,734	1,748,005
Vehicles under Capital Leases			
Total Capital assets	\$ 20,336,035	\$ 18,752,935	\$ 1,583,100

Additional information on the Agency's capital assets can be found in Note 6 on page 44 of this report.

Long-term debt. At the end of the current fiscal year, the Agency had total outstanding long-term debt of \$7,028,859. A more extensive discussion about long-term debt is provided in Note 7 on page 46 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 questions 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

(This page intentionally left blank.)

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

STATEMENTS OF NET ASSETS

August 31, 2011 and 2010

	<u>2011</u>		<u>2010</u>	
	Primary Government- Governmental Activities	Component Units	Primary Government- Governmental Activities	Component Units
Assets				
Current assets:				
Cash and cash equivalents	\$ 5,879,652	\$ 313,699	\$ 8,622,165	\$ 244,651
Investments	42,254,083		33,069,514	
Accounts receivable, net	10,686,662	20,202	15,237,977	12,481
Inventories	163,914		182,569	
Land held for resale	150,472		150,472	
Deposits	101,852		105,624	
Prepaid expenses	169,170	16,158	227,429	13,811
Other assets		2,221		2,221
Total current assets	<u>59,405,805</u>	<u>352,280</u>	<u>57,595,750</u>	<u>273,164</u>
Noncurrent assets:				
Restricted cash and cash equivalents		215,233		159,101
Land	3,421,489		3,421,489	
Depreciable capital assets, net	16,914,546	6,468,492	15,331,446	4,639,430
Total noncurrent assets	<u>20,336,035</u>	<u>6,683,725</u>	<u>18,752,935</u>	<u>4,798,531</u>
Total assets	<u>\$ 79,741,840</u>	<u>\$ 7,036,005</u>	<u>\$ 76,348,685</u>	<u>\$ 5,071,695</u>
Liabilities				
Current liabilities:				
Accounts payable	\$ 3,765,161	\$ 697,353	\$ 4,566,492	\$ 303,799
Accrued expenses	8,557,635	2,449	7,600,495	2,505
Unearned revenue	134,962		164,756	
Current portion of long-term obligations	1,046,229	59,675	1,001,519	17,187
Total current liabilities	<u>13,503,987</u>	<u>759,477</u>	<u>13,333,262</u>	<u>323,491</u>
Deposit liabilities:				
Tenant deposits held in trust		13,836		13,571
Noncurrent liabilities:				
Noncurrent portion of long-term obligations	5,982,630	6,673,882	6,682,935	5,013,728
Total liabilities	<u>19,486,617</u>	<u>7,447,195</u>	<u>20,016,197</u>	<u>5,350,790</u>
Net Assets				
Invested in capital assets, net of related debt	16,526,852	(265,065)	14,192,234	(391,485)
Restricted for:				
Asset replacement		139,392		113,663
Unrestricted net assets	43,728,371	(285,517)	42,140,254	(1,273)
Total net assets	<u>60,255,223</u>	<u>(411,190)</u>	<u>56,332,488</u>	<u>(279,095)</u>
Total liabilities and net assets	<u>\$ 79,741,840</u>	<u>\$ 7,036,005</u>	<u>\$ 76,348,685</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**

STATEMENT OF ACTIVITIES

For the Year Ended August 31, 2011

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
Primary government:						
Governmental activities:						
General Administration	\$ 14,741,890	\$ (14,741,890)	\$	\$	\$	\$
Adult Mental Health	43,174,396	5,160,745	15,069,241	38,957,276		5,691,376
Mental Retardation	38,018,967	4,544,503	19,602,927	20,377,859		(2,582,684)
Child and Adolescent	15,145,001	1,810,320	4,777,126	10,903,165		(1,275,030)
Crisis Center	26,991,167	3,226,322	2,095,423	12,155,848		(15,966,218)
Community Hospital (payment to HCPC)	27,227,020			27,227,020		
Interest on long-term debt	244,779					(244,779)
Total governmental activities	\$ 165,543,220	\$	\$ 41,544,717	\$ 109,621,168	\$	(14,377,335)
Component units:						
HUD Programs	\$ 504,278		\$ 369,943	\$	\$	(134,335)
Total component units	\$ 504,278		\$ 369,943	\$	\$	(134,335)
General revenues:						
Payment from Harris County						17,648,131
Grants and contributions not restricted to specific programs						62,743
Investment earnings						216,198
Other income						360,534
Net gain on disposal of assets						12,464
Total general revenues, special items and transfer						18,300,070
Change in net assets						3,922,735
Net assets - beginning						56,332,488
Prior period adjustment						
Net assets - ending						\$ 60,255,223
						\$ (411,190)

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						821,178	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
BALANCE SHEETS
GOVERNMENTAL FUND
August 31, 2011 and 2010

	General Fund	
	2011	2010
Assets		
Cash and cash equivalents	\$ 5,879,652	\$ 8,622,165
Investments	40,099,336	30,917,740
Accounts receivable (net of allowance for uncollectible)	1,515,097	1,330,894
Receivables from other governments	8,943,449	13,648,127
Other receivables	228,116	258,956
Inventories	163,914	182,569
Land held for resale	150,472	150,472
Deposits	101,852	105,624
Prepaid items	169,170	227,429
Total assets	\$ 57,251,058	\$ 55,443,976
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	3,765,161	4,566,492
Accrued expenses	8,557,635	7,600,495
Unearned revenue	134,962	164,756
Total liabilities	12,457,758	12,331,743
Fund balances:		
Nonspendable:		
Inventories	163,914	182,569
Prepaid	271,022	333,053
Assigned:		
Infrastructure development	5,800,000	5,800,000
Self insurance	2,000,000	2,000,000
Debt repayment	3,809,183	4,560,702
Compensated absences	3,219,676	3,123,753
Other purposes	405,876	748,029
Unassigned	29,123,629	26,364,127
Total fund balances	44,793,300	43,112,233
Total liabilities and fund balances	\$ 57,251,058	\$ 55,443,976

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, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Total Fund Balance	\$ 44,793,300	\$ 43,112,233
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.	2,154,747	2,151,774
Capital assets used in governmental activities are not financial resources and therefore not reported in the fund.	20,336,035	18,752,935
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>(7,028,859)</u>	<u>(7,684,454)</u>
Net assets of governmental activities	<u>\$ 60,255,223</u>	<u>\$ 56,332,488</u>

The accompanying notes are an integral part of this statement.

MENTAL HEALTH AND MENTAL RETARDATION**AUTHORITY OF HARRIS COUNTY****STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE****GOVERNMENTAL FUND***For the Years Ended August 31, 2011 and 2010*

	General Fund	
	2011	2010
Revenues		
State grants & programs	\$ 94,597,104	\$ 95,527,987
Federal grants	11,915,483	17,895,020
Harris County allocation	28,681,523	29,728,217
Local billings	32,466,591	27,419,723
Investment earnings	213,225	172,627
Miscellaneous	1,576,593	2,105,508
Total revenues	169,450,519	172,849,083
Expenditures		
Current:		
Adult mental health	42,717,055	45,589,182
Mental retardation	37,819,392	37,292,849
Child and adolescent	15,060,500	14,244,467
Crisis center	26,902,330	27,509,561
Community hospital (payment to HCPC)	27,227,020	27,450,626
General administration	17,059,322	17,980,182
Debt service:		
Principal	751,518	709,220
Interest and other charges	244,779	287,043
Total expenditures	167,781,916	171,063,130
Excess of revenues over expenditures	1,668,603	1,785,953
Other Financing Sources		
Proceeds from sale of assets	12,464	23,642
Total other financing sources	12,464	23,642
Net change in fund balance	1,681,067	1,809,595
Fund balances - beginning	43,112,233	41,302,638
Fund balances - ending	\$ 44,793,300	\$ 43,112,233

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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Net change in fund balance - total governmental fund	\$ 1,681,067	\$ 1,809,595
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.	2,857,896	2,691,961
Depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(1,267,414)	(1,307,281)
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.	(7,382)	(8,063)
Income generated from internal service fund are reported in governmental activities.	2,973	4,309
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.	751,518	709,220
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>(95,923)</u>	<u>(403,623)</u>
Change in net assets of governmental activities	<u>\$ 3,922,735</u>	<u>\$ 3,496,118</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, 2011

	<u>Budget</u>		<u>Actual (Budgetary basis)</u>	<u>Variance Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
State Program Revenues				
General revenue	\$ 87,900,146	\$ 88,159,602	\$ 88,155,216	\$ (4,386)
Early Childhood Intervention	9,435,966	9,435,966	2,115,314	(7,320,652)
Services to Children with Autism	524,602	524,602	526,000	1,398
Texas Council on Offenders with Mental Impairments	3,458,605	3,641,421	3,354,574	(286,847)
Texas Department of Criminal Justice- Parole and Substance Abuse	446,000	401,400	446,000	44,600
Total state program revenues	<u>101,765,319</u>	<u>102,162,991</u>	<u>94,597,104</u>	<u>(7,565,887)</u>
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	966,577	966,577	966,576	(1)
Disaster Assistance (DBH Conference)			1,023	1,023
Social Services Block Grant (SA-SSBG Treatment Adult)			67,795	67,795
Social Services Block Grant (SA-SSBG Treatment Cost Reimbursement)			7,567	7,567
Social Services Block Grant (Hurricane Ike Recovery Assistance)	719,864	2,469,552	2,486,289	16,737
SAMHSA-Partners at Independence Heights			62,743	62,743
Early Childhood Intervention			4,607,965	4,607,965
Transitional Housing Program-Safe Havens	332,000	332,000	364,040	32,040
Total federal program revenues	<u>5,369,926</u>	<u>7,119,614</u>	<u>11,915,483</u>	<u>4,795,869</u>
Local Revenues				
County funds	<u>31,180,055</u>	<u>29,598,829</u>	<u>28,681,523</u>	<u>(917,306)</u>
Local Billings				
Patient fees and private insurance	1,028,410	1,038,410	905,268	(133,142)
Medicare	569,800	584,800	656,202	71,402
Medicaid	17,543,553	18,617,435	20,981,508	2,364,073
ICF/MR, HCS and THL waiver	6,354,669	6,354,669	6,073,709	(280,960)
Administrative claiming	3,551,098	3,578,020	3,849,904	271,884
Total local billings	<u>29,047,530</u>	<u>30,173,334</u>	<u>32,466,591</u>	<u>2,293,257</u>

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, 2011

	<u>Budget</u>		Actual (Budgetary basis)	Variance Positive/ (Negative)
	<u>Original</u>	<u>Final</u>		
Investment Earnings	22,000	22,000	213,225	191,225
Miscellaneous	3,439,917	6,965,676	1,576,593	(5,389,083)
Total Revenues before Patient Assistance Program				
Assistance Program	170,824,747	176,042,444	169,450,519	(6,591,925)
Patient Assistance Program	16,977,088	17,607,025	\$ 19,743,413	2,136,388
Total Revenues	<u>\$ 187,801,835</u>	<u>\$ 193,649,469</u>	<u>\$ 189,193,932</u>	<u>\$ (4,455,537)</u>
Expenditures				
Current:				
Personnel costs	\$ 114,230,044	\$ 113,182,545	110,078,081	\$ 3,104,464
Contracts with service agencies and professional fees	37,874,592	39,258,211	37,225,653	2,032,558
Drug cost and other supplies	3,612,440	3,616,729	3,082,930	533,799
Rental	1,030,570	1,115,623	998,079	117,544
Repairs and maintenance	3,488,572	7,381,351	4,260,481	3,120,870
Travel	2,742,929	2,953,444	2,759,524	193,920
Bad debt expense	249,708	248,108	115,108	133,000
Security services	960,508	827,819	813,025	14,794
Client service costs	1,341,426	1,341,426	1,284,896	56,530
Utilities	1,923,283	2,040,915	1,856,004	184,911
Other expenses	2,082,202	1,833,921	1,453,942	379,979
Debt service:				
Principal	751,519	751,519	751,518	1
Interest and other charges	244,779	244,779	244,779	
Capital outlay	<u>292,175</u>	<u>1,246,054</u>	<u>2,857,896</u>	<u>(1,611,842)</u>
Total expenditures before Patient Assistance Program				
Assistance Program	170,824,747	176,042,444	167,781,916	8,260,528
Expenditures Patient Assistance Program	16,977,088	17,607,025	19,743,413	(2,136,388)
Total expenditures	<u>187,801,835</u>	<u>193,649,469</u>	<u>187,525,329</u>	<u>6,124,140</u>
Excess of revenues over expenditures			1,668,603	1,668,603
Other Financing Sources				
Proceeds from sale of assets			12,464	12,464
			<u>12,464</u>	<u>12,464</u>
Excess of revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,681,067</u>	<u>\$ 1,681,067</u>

The accompanying notes are an integral part of this statement.

**MENTAL HEALTH AND MENTAL RETARDATION
 AUTHORITY OF HARRIS COUNTY**
BUDGETARY COMPARISON STATEMENT (Continued)
BUDGET-TO-GAAP RECONCILIATION - GENERAL FUND
For The Year Ended August 31, 2011

Sources / Inflows of Resources

Total revenue as per Budgetary Comparison Schedule \$ 189,193,932

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. (19,743,413)

**Total revenue as per Statement of Revenues, Expenditures and Changes
 in Fund Balances - Governmental Funds** \$ 169,450,519

Uses / Outflows of Resources

Total expenditures as per Budgetary Comparison Schedule \$ 187,525,329

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. (19,743,413)

**Total expenditures as per Statement of Revenues, Expenditures and Changes
 in Fund Balances - Governmental Funds** \$ 167,781,916

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, 2011 and 2010

	Governmental Activities - Internal Service Fund	
	Self-Insurance Reserve Fund (SIRF)	
	2011	2010
Assets		
Current Asset:		
Investments	\$ 2,154,747	\$ 2,151,774
Total assets	<u>2,154,747</u>	<u>2,151,774</u>
 Net Assets	 <u>\$ 2,154,747</u>	 <u>\$ 2,151,774</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, 2011 and 2010

	Governmental Activities - Internal Service Fund	
	Self-Insurance Reserve Fund (SIRF)	
	<u>2011</u>	<u>2010</u>
Operating revenue		
Charges	\$ _____	\$ _____
Total operating revenue	_____	_____
Non-operating revenue		
Interest	2,973	4,309
Total non-operating revenue	<u>2,973</u>	<u>4,309</u>
Change in net assets	2,973	4,309
Net assets - beginning of the year	2,151,774	2,147,465
Net assets - end of the year	<u>\$ 2,154,747</u>	<u>\$ 2,151,774</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, 2011 and 2010**

	Governmental Activities - Internal Service Fund Self-Insurance Reserve Fund (SIRF)	
	2011	2010
Cash flow from operating activities:		
Cash received from charges	\$ _____	\$ _____
Net cash provided by operating activities	_____	_____
Cash flow from investing activities:		
Interest income	2,973	4,309
Net cash provided by investing activities	2,973	4,309
Net increase in cash and cash equivalents	2,973	4,309
Total cash and cash equivalents, beginning of year	2,151,774	2,147,465
Total cash and cash equivalents, end of year	<u>\$ 2,154,747</u>	<u>\$ 2,151,774</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ _____	\$ _____
Increase/(decrease) in due from governmental fund	_____	_____
Net cash provided by operating activities	<u>\$ _____</u>	<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, 2011 and 2010

	<u>Agency Fund</u>	
	<u>2011</u>	<u>2010</u>
Assets		
Cash and cash equivalents	<u>\$ 21,291</u>	<u>\$ 72,329</u>
 Liabilities		
Due to clients	<u>\$ 21,291</u>	<u>\$ 72,329</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, 2011

	Pasadena Cottages, Inc. May 31, 2011	Pecan Village, Inc. August 31, 2011	Villas at Bayou Park, Inc. August 31, 2011	Pear Grove, Inc. August 31, 2011	Acres Homes Garden, Inc. August 31, 2011	Total
Assets						
Current assets:						
Cash and cash equivalents	\$ 25,733	\$ 55,714	\$ 37,769	\$ 151,713	\$ 42,770	\$ 313,699
Accounts receivable		9,750	1,150	6,151	3,151	20,202
Prepaid expenses	6,646	4,239	1,917	2,327	1,029	16,158
Other assets		471	1,000	750		2,221
Total current assets	32,379	70,174	41,836	160,941	46,950	352,280
Noncurrent assets:						
Restricted cash and cash equivalents	15,557	85,907	44,279	58,326	11,164	215,233
Capital assets, net	187,732	877,470	1,842,802	1,605,048	1,955,440	6,468,492
Total noncurrent assets	203,289	963,377	1,887,081	1,663,374	1,966,604	6,683,725
Total assets	\$ 235,668	\$ 1,033,551	\$ 1,928,917	\$ 1,824,315	\$ 2,013,554	\$ 7,036,005
Liabilities						
Current liabilities:						
Accounts payable	\$ 1,977	\$ 47,538	\$ 76,985	\$ 195,267	\$ 375,586	\$ 697,353
Accrued interest payable	2,449					2,449
Current portion of long-term obligations	8,132	9,752		41,791		59,675
Total current liabilities	12,558	57,290	76,985	237,058	375,586	759,477
Deposit liabilities:						
Tenant deposits held in trust	100	5,581	4,030	2,879	1,246	13,836
Noncurrent liabilities:						
Noncurrent portion of long-term obligations	318,418	1,099,700	2,089,349	1,487,908	1,678,507	6,673,882
Total liabilities	331,076	1,162,571	2,170,364	1,727,845	2,055,339	7,447,195
Net Assets						
Invested in capital assets, net of related debt	(138,818)	(231,982)	(246,547)	75,349	276,933	(265,065)
Restricted for:						
Asset replacement	15,457	52,687	29,768	41,480		139,392
Unrestricted net assets/(deficit)	27,953	50,275	(24,668)	(20,359)	(318,718)	(285,517)
Total net assets	(95,408)	(129,020)	(241,447)	96,470	(41,785)	(411,190)
Total liabilities and net assets	\$ 235,668	\$ 1,033,551	\$ 1,928,917	\$ 1,824,315	\$ 2,013,554	\$ 7,036,005

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 ACTIVITIES
COMPONENT UNITS
For the Year Ended August 31, 2011 *

	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.	Acres Homes Garden, Inc.	
Pasadena Cottages, Inc.										
HUD Section 811 program	\$ 94,081	\$ 137,310	\$ -	\$ -	\$ 43,229	\$ -	\$ -	\$ -		\$ 43,229
Interest on long-term debt	29,701	-	-	-	(29,701)					(29,701)
Total - Pasadena Cottages, Inc.	<u>123,782</u>	<u>137,310</u>	<u>-</u>	<u>-</u>	<u>13,528</u>					<u>13,528</u>
Pecan Village, Inc.										
HUD Section 811 program	114,269	98,230	-	-		(16,039)				(16,039)
Villas at Bayou Park, Inc.										
HUD Section 811 program	101,274	52,143	-	-		(49,131)				(49,131)
Pear Grove, Inc.										
HUD Section 811 program	108,455	67,548	-	-			(40,907)			(40,907)
Acres Homes Garden, Inc.										
HUD Section 811 program	56,498	14,712						(41,786)		(41,786)
Total component units	<u>\$ 504,278</u>	<u>\$ 369,943</u>	<u>\$ -</u>	<u>\$ -</u>						<u>(134,335)</u>
General revenues:										
Investment earnings					15	137	51	269	1	473
Other income					-	15	801	951		1,767
Transfer to primary government					-	-	-			
Total general revenues and transfer					<u>15</u>	<u>152</u>	<u>852</u>	<u>1,220</u>	<u>1</u>	<u>2,240</u>
Change in net assets					13,543	(15,887)	(48,279)	(39,687)	(41,785)	(132,095)
Net assets - beginning					(108,951)	(113,133)	(193,168)	136,157		(279,095)
Prior period adjustment										
Net assets - ending					<u>\$ (95,408)</u>	<u>\$ (129,020)</u>	<u>\$ (241,447)</u>	<u>\$ 96,470</u>	<u>\$ (41,785)</u>	<u>\$ (411,190)</u>

* Pasadena Cottages, Inc. is reported for the year ended May 31, 2011.

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 Cottages, 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
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)

Acres Homes Garden, Inc., a Texas non-profit corporation (“Acres Homes”) was organized in 2008 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 Acres Homes and has the ability to remove Trustees; thus, the Agency is financially accountable for Acres Homes. Accordingly, Acres Homes has been included in the Agency’s basic financial statements as a discretely presented component unit.

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).

**MENTAL HEALTH AND MENTAL RETARDATION
AUTHORITY OF HARRIS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

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

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 regard 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.

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 revenue 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.

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.

**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)

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.

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.

MENTAL HEALTH AND MENTAL RETARDATION
AUTHORITY OF HARRIS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

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 ("FDIC") insurance. The collateral is held in the Federal Reserve account of an independent third-party agent. Effective January 1, 2011, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") provided unlimited insurance above the FDIC amount for non-interest bearing deposit accounts. Accordingly, collateral was not deemed necessary to secure deposits after this date. This portion of the Dodd-Frank Act is set to expire on December 31, 2012.

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, 2011 and 2010, 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 expenditures when consumed.

Prepaid Expenses

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

MENTAL HEALTH AND MENTAL RETARDATION
AUTHORITY OF HARRIS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

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

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 1½ 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.

MENTAL HEALTH AND MENTAL RETARDATION
AUTHORITY OF HARRIS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

Risk Management (continued)

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.

Intangible Assets with Finite Lives

In the fiscal year ended August 31, 2010, the Agency 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 this date 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 were considered as “*Application Development Stage*” and capitalized accordingly (see Note 14 - Topaz Software Development).

Fund Balance

On August 23, 2010, the Board approved the implementation of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, including both the Fund Balance Policy and Commitment of a portion of Fund Balance, identifying specific amount and specific reasons for committing certain portions of its Fund Balance. 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.

**MENTAL HEALTH AND MENTAL RETARDATION
AUTHORITY OF HARRIS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

Fund Balance (continued)

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

It is the goal of the Agency to achieve and maintain an unassigned fund balance in the general fund equal to a minimum of 300% of monthly expenditures or the equivalent of 90 days operating expenses. The Agency considers a balance of less than 100% of monthly expenditures or the equivalent of 30 days of operating expenses to be cause for concern, barring unusual or deliberate circumstances.

When multiple categories of fund balance are available for expenditure (for example, a construction project is being funded partly by a grant, funds set aside by the Board, and unassigned fund balance), the Agency will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

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 \$7,028,859 difference are as follows:

Note payable	\$ 3,809,183
Compensated absences	<u>3,219,676</u>
Net adjustment to reduce Total Fund Balance of Governmental Fund to arrive at Net Assets of Governmental Activities	<u><u>\$ 7,028,859</u></u>

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 (continued)

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

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 \$(7,382) difference are as follows:

Net proceeds	\$	-
Less retirements at historical cost		(52,473)
Add back accumulated depreciation		<u>45,091</u>
Net adjustment to decrease Net Changes in Fund Balance - Total Governmental Funds to arrive at Changes in Net Assets of Governmental Activities	\$	<u><u>(7,382)</u></u>

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. Effective January 1, 2011, the Dodd-Frank Act eliminated custodial risk until December 31, 2012. The Agency's bank balances were \$5,530.107 and \$8,212,504 as of August 31, 2011 and 2010, respectively. The custodial credit risk exposure at August 31, 2011 and 2010, was as follows:

	<u>2011</u>	<u>2010</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>

**MENTAL HEALTH AND MENTAL RETARDATION
 AUTHORITY OF HARRIS COUNTY
 NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

Note 4 - Deposits and Investments (continued)

Custodial Credit Risk - Deposits (continued)

As of August 31, 2011, 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			
Fannie Mae Callable Bonds	420 days	AAA	\$ 5,007,345
Fannie Mae Callable Bonds	1,759 days	AAA	4,079,040
Fannie Mae Callable Bonds	897 days	AAA	3,010,143
Freddie Mac Callable Bonds	819 days	AAA	5,008,230
Freddie Mac Callable Bonds	743 days	AAA	3,003,924
Federal Home Loan Bank Bonds	81 days	AAA	2,002,620
Federal Home Loan Bank Bonds	150 days	AAA	2,004,052
Federal Home Loan Bank Bonds	685 days	AAA	5,002,230
Federal Farm Credit Bank Bonds	826 days	AAA	1,000,164
Commercial Paper/Discount Notes			
TexPool Investment Fund	46 days	AAAm	12,136,335
			<u>\$ 42,254,083</u>

Portfolio weighted average maturity 558.19 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 - General Fund	\$ 257,040	\$ 473
Interest Income - Proprietary Fund	2,973	
Unrealized gain (loss) on temporary investments	(43,815)	
Investment Earnings	<u>\$ 216,198</u>	<u>\$ 473</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. Except for the TexPool Investment Fund which is overseen by the Texas State Comptroller's Office, Agency bonds are fully guaranteed by the government of the United States.

MENTAL HEALTH AND MENTAL RETARDATION
AUTHORITY OF HARRIS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 4 - Deposits and Investments (continued)

Interest Rate Risk

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

Credit Risk

State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Agency's investment policy further limits its investment choices by excluding (1) reverse repurchase agreements, (2) options or future contracts, (3) obligations whose payments represent the coupon payments on the outstanding principle balance for the underlying mortgage backed security collateral and pays no principle, (4) obligations whose payment represents the principle stream of cash flow from the underlying mortgage backed security and bears no interest, (5) collateralized mortgage obligations the interest rate of which is determined by an index that adjust opposite to the changes in the market index and (6) obligations whose interest payment is derived from changes in a market index. As of August 31, 2011, 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, 2011 and 2010, investments of \$12,136,183 and \$19,025,301 were held by the Texas Local Government Investment Pool (TexPool), respectively. 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.

**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, 2011 and 2010, for the primary government:

	<u>2011</u>	<u>2010</u>
Due from other governments		
Harris County	\$ 4,293,859	\$ 6,955,609
State and Federal	4,649,590	6,692,518
Third-party billings (net of allowance for uncollectible amounts of \$1,132,898 and \$1,121,538 respectively)	1,515,097	1,330,894
Other receivables	228,116	258,956
Total receivables	<u><u>\$ 10,686,662</u></u>	<u><u>\$ 15,237,977</u></u>

Note 6 - Capital Assets

A summary of changes in general capital asset balances for the year ended August 31, 2011, is as follows:

	Primary Government			
	<u>Balance as of September 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance as of August 31, 2011</u>
Governmental activities				
Land	\$ 3,421,489	\$	\$	\$ 3,421,489
Buildings and improvements	25,121,170	179,370		25,300,540
Furniture and Equipment	6,890,204	896,873	36,639	7,750,438
Vehicles	1,116,767	33,648	15,834	1,134,581
Intangible Assets - Software	1,365,734	1,748,005		3,113,739
Total at historical cost	<u>37,915,364</u>	<u>2,857,896</u>	<u>52,473</u>	<u>40,720,787</u>
Less accumulated depreciation for				
Buildings and improvements	12,135,379	918,485		13,053,864
Furniture and Equipment	6,355,072	159,776	36,639	6,478,209
Vehicles	671,978	189,153	8,452	852,679
Total accumulated depreciation	<u>19,162,429</u>	<u>1,267,414</u>	<u>45,091</u>	<u>20,384,752</u>
Governmental activities capital assets, net	<u><u>\$ 18,752,935</u></u>	<u><u>\$ 1,590,482</u></u>	<u><u>\$ 7,382</u></u>	<u><u>\$ 20,336,035</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, 2010, is as follows:

	Primary Government			Balance as of August 31, 2010
	Balance as of September 1, 2009	Additions	Retirements	
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>\$ 17,376,318</u>	<u>\$ 1,384,680</u>	<u>\$ 8,063</u>	<u>\$ 18,752,935</u>

Depreciation expenses for the years ended August 31, 2011 and 2010, were \$1,267,414 and \$1,307,281, respectively, and were charged to the following functions and activities:

	<u>2011</u>	<u>2010</u>
Primary government		
Governmental Activities:		
General Administration	\$ 240,570	\$ 247,719
Adult Mental Health	457,341	471,517
Mental Retardation	216,795	230,948
Child and Adolescent	84,501	89,019
Crisis Center	268,207	268,078
Total governmental activities	<u>\$ 1,267,414</u>	<u>\$ 1,307,281</u>

**MENTAL HEALTH AND MENTAL RETARDATION
AUTHORITY OF HARRIS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

Note 7 - Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2011, was as follows:

	<u>Balance as of September 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance as of August 31, 2011</u>	<u>Amounts Due within One Year</u>
Governmental Activities					
Notes and capital lease payable:					
Bank notes payable	\$ 4,560,701	\$	\$ (751,518)	\$ 3,809,183	\$ 796,229
Other liabilities:					
Compensated absences	<u>3,123,753</u>	<u>2,849,503</u>	<u>(2,753,580)</u>	<u>3,219,676</u>	<u>250,000</u>
Governmental activities long-term liabilities	<u>\$ 7,684,454</u>	<u>\$ 2,849,503</u>	<u>\$ (3,505,098)</u>	<u>\$ 7,028,859</u>	<u>\$ 1,046,229</u>

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>

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, 2011, is as follows:

<u>Year ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>328,094</u>	<u>3,998</u>	<u>332,092</u>
	<u>\$ 3,809,183</u>	<u>\$ 508,551</u>	<u>\$ 4,317,734</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 8 - 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 \$998,079 and \$890,276 in 2011 and 2010, respectively.

The future minimum rental payments required under non-cancelable operating leases having remaining terms in excess of one year as of August 31, 2011, are as follows:

<u>Year ending August 31,</u>	
2012	\$ 185,973
2013	73,149
2014	56,145
2015	43,201
2016	43,201
2017 - 2020	<u>216,005</u>
	<u>\$ 617,674</u>

Note 9 - 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 \$490,495 and \$810,288 for the years ended August 31, 2011 and 2010, respectively.

Note 10 - 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 condensed cash basis financial statements for the Plan's fiscal years ended December 31, 2010 and 2009 are as follows:

**Statement of Fiduciary Net Assets
 December 31, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
Assets		
Investments, at fair market value	<u>\$ 36,441,761</u>	<u>\$ 28,861,693</u>
Total assets	<u>\$ 36,441,761</u>	<u>\$ 28,861,693</u>
Net Assets		
Held in trust for pension benefits and other purposes	<u>\$ 36,441,761</u>	<u>\$ 28,861,693</u>

MENTAL HEALTH AND MENTAL RETARDATION
AUTHORITY OF HARRIS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 10 - Pension Plan (continued)

Statement of Changes in Fiduciary Net Assets
For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Additions		
Contributions:		
Employer	\$ 4,690,001	\$ 4,093,888
Forfeitures	1,079,327	
Total contributions	<u>5,769,328</u>	<u>4,093,888</u>
Investment earnings:		
Net increase/(decrease) in fair value of investments	3,192,948	3,971,679
Dividends/Interest	728,201	355,834
Other	350	
Total investment earnings	<u>3,921,499</u>	<u>4,327,513</u>
Total additions	<u>9,690,827</u>	<u>8,421,401</u>
Deductions		
Benefits	1,012,642	812,432
Others	1,098,117	152,652
Total deductions	<u>2,110,759</u>	<u>965,084</u>
Change in net assets	7,580,068	7,456,317
Net assets - beginning of the year	<u>28,861,693</u>	<u>21,405,376</u>
Net assets - end of the year	<u>\$ 36,441,761</u>	<u>\$ 28,861,693</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 2010 and 2009 amounted to \$1,079,327 and \$-0-, respectively, of which \$1,079,327 and \$-0-, respectively, was used against the Agency's contributions for the year ended August 31, 2011 and 2010, 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 10 - 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, 2011 and 2010, amounted to \$5,557,247 and \$5,419,414, respectively.

The Plan's investments as of December 31, 2010 and 2009, are as follows:

	Fair Value	
	2010	2009
Wells Fargo Bank Investment Funds for Employee Benefit Trusts:		
Advantage Asset Allocation Fund	\$ 8,444,553	\$ 6,880,717
Stable Return Fund	6,277,104	6,515,424
Advantage Index Fund	4,956,410	3,768,544
Bond Index Fund	1,835,970	1,459,335
Investment Partners Fund	748,052	492,674
Large Cap Value Fund	284,986	344,535
MFS Value	99,595	5,042
Growth Fund	702,890	589,622
Small Cap Fund	242,341	240,719
Research International	420,794	429,251
Advantage Dow Jones Target Today	352,903	294,836
Advantage Dow Jones Target 2010	1,033,741	919,550
Advantage Dow Jones Target 2020	2,790,925	1,911,664
Advantage Dow Jones Target 2030	3,241,584	2,045,556
Advantage Dow Jones Target 2040	5,009,913	2,964,224
Total	\$ 36,441,761	\$ 28,861,693

The investments are valued at fair value by the Trustee based on published prices as of December 31, 2010 and 2009. These investments are held in trust in the name of the Plan by the bank's trust department.

Note 11 - 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 11 - 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 12 - 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 13 - 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 amount of free drugs dispensed by the Agency for its consumers for the years ended August 31, 2011 and 2010, was \$19,743,413 and \$16,588,089, 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 14 - 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 2011.

Note 15 - Subsequent Events

In December of 2011, the Centers for Medicare and Medicaid Services (CMS) approved the State of Texas’ application called Waiver 1115 which aims to redesign healthcare delivery in Texas consistent with CMS’ aim to improve the experience of care, to improve the health of populations, and to reduce the cost of healthcare without compromising quality. Essentially, this Waiver will expand risk-based managed care statewide.

Upon implementation of this Waiver, it is expected that, in lieu of the current General Revenue appropriation from the State which is paid prior to the delivery of services, the Agency will have to earn its revenue only after the services have been delivered. It is further anticipated that there will be a delay in the payment of Agency services by the managed care companies, thus exacting pressure on cash flow. Under the current reimbursement process through the payment of Medicaid claims by the Texas Medicaid Healthcare Partnership (TMHP), the lag time from the delivery of services to the receipt of reimbursement payment is three to four weeks. When the statewide conversion to managed care occurs, this lag time will likely expand to at least two months.

(This page intentionally left blank.)

Other Supplementary Information

(This page intentionally left blank.)

**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, 2011

	Total
Governmental Funds Capital Assets	
Land	\$ 3,421,489
Buildings	11,650,173
Furniture and Equipment	7,750,438
Leasehold Improvements	13,650,367
Vehicles	1,134,581
Intangible Assets - Software	3,113,739
	<hr/>
Total Governmental Fund Capital Assets	\$ 40,720,787
	<hr/> <hr/>
 Investment in Governmental Funds Capital Assets by Source	
General Fund	\$ 40,720,787
	<hr/>
Total Investment in Governmental Funds Capital Assets	\$ 40,720,787
	<hr/> <hr/>

MENTAL HEALTH AND MENTAL RETARDATION AUTHORITY
OF HARRIS COUNTY, TEXAS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION
For the Year Ended August 31, 2011

Function	Land	Buildings	Equipment and Furniture	Leasehold Improvements	Vehicles	Intangible Assets - Software	Total
Mental Health	\$ 1,895,148	\$ 5,901,717	\$ 2,160,381	\$ 5,145,933	\$ 129,551		\$ 15,232,730
Mental Retardation	916,080	2,895,662	1,462,270	2,067,396	394,576		7,735,984
Child and Adolescent	174,011	1,274,669	701,957	1,362,674			3,513,311
Crisis Center			564,375	2,619,061	436,938		3,620,374
Administration	436,250	1,578,125	2,861,455	2,455,303	173,516	3,113,739	10,618,388
Total Governmental Fund Capital Assets	\$ 3,421,489	\$ 11,650,173	\$ 7,750,438	\$ 13,650,367	\$ 1,134,581	\$ 3,113,739	\$ 40,720,787

**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, 2011

Function	Governmental Fund Capital Assets August 31, 2010	Additions	Retirements	Adjustments	Governmental Fund Capital Assets August 31, 2011
Mental Health	\$ 15,243,697	\$	\$ 10,967	\$	\$ 15,232,730
Mental Retardation	7,726,744	17,220	7,980		7,735,984
Child and Adolescent	3,517,187		3,876		3,513,311
Crisis Center	3,443,876	179,370	2,872		3,620,374
Administration	7,983,860	2,661,306	26,778		10,618,388
Total Governmental Fund Capital Assets	\$ 37,915,364	\$ 2,857,896	\$ 52,473	\$	\$ 40,720,787

**MENTAL HEALTH AND MENTAL RETARDATION
AUTHORITY OF HARRIS COUNTY
SCHEDULES OF CHANGES IN FIDUCIARY ASSETS
AGENCY FUND
For the Years Ended August 31, 2011 and 2010**

	<u>Agency Fund</u>	
	<u>2011</u>	<u>2010</u>
Additions		
Social security receipts	\$ 330,672	\$ 393,033
Interest income	70	100
Total Additions	<u>330,742</u>	<u>393,133</u>
Deductions		
Payments to clients	<u>(381,780)</u>	<u>(440,409)</u>
Net changes to Assets	(51,038)	(47,276)
Assets - beginning of the year	<u>72,329</u>	<u>119,605</u>
Assets - end of the year	<u><u>\$ 21,291</u></u>	<u><u>\$ 72,329</u></u>

**Statistical Section
(Unaudited)**

(This page intentionally left blank.)

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.

(This page intentionally left blank.)

MENTAL HEALTH AND MENTAL RETARDATION**AUTHORITY OF HARRIS COUNTY****NET ASSETS BY COMPONENT (UNAUDITED)***Last Ten Fiscal Years**(Accrual Basis of Accounting)*

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 9,508,315	\$ 9,156,277	\$ 10,093,384	\$ 9,866,118	\$ 13,545,214
Restricted for:					
Texas Medication Algorithm Project	362,374	132,843	27,217	26,733	
Texas Implementation of Medication Algorithm Project				1,399,484	268,665
Harris County Youth and Family Mental Health Services Collaborative				442,420	
Unrestricted	<u>10,301,918</u>	<u>13,950,850</u>	<u>20,972,275</u>	<u>27,599,648</u>	<u>28,023,628</u>
Total governmental activities net assets	<u>\$ 20,172,607</u>	<u>\$ 23,239,970</u>	<u>\$ 31,092,876</u>	<u>\$ 39,334,403</u>	<u>\$ 41,837,507</u>
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 13,038,662	\$ 12,839,801	\$ 12,106,397	\$ 14,192,234	\$ 16,526,852
Restricted for:					
Texas Medication Algorithm Project					
Texas Implementation of Medication Algorithm Project					
Harris County Youth and Family Mental Health Services Collaborative					
Unrestricted	<u>33,828,411</u>	<u>35,623,166</u>	<u>40,729,973</u>	<u>42,140,254</u>	<u>43,728,371</u>
Total governmental activities net assets	<u>\$ 46,867,073</u>	<u>\$ 48,462,967</u>	<u>\$ 52,836,370</u>	<u>\$ 56,332,488</u>	<u>\$ 60,255,223</u>

MENTAL HEALTH AND MENTAL RETARDATION

AUTHORITY OF HARRIS COUNTY

CHANGES IN NET ASSETS (UNAUDITED)

Last Ten 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					
Adult Mental Health	47,959,531	37,940,185	39,337,410	42,535,642	43,227,423
Mental Retardation	32,284,085	33,903,320	26,872,713	26,762,920	26,100,468
Child and Adolescent	12,485,330	12,846,053	10,568,045	11,078,023	13,805,504
Crisis Center	464,983	6,132,971	6,029,943	2,919,807	1,570,963
Community Hospital	26,349,690	26,940,584	19,806,281	19,806,281	19,806,281
Managed Care-BHO	1,202,029				
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>

MENTAL HEALTH AND MENTAL RETARDATION**AUTHORITY OF HARRIS COUNTY****CHANGES IN NET ASSETS (UNAUDITED) (continued)***Last Ten Fiscal Years**(Accrual Basis of Accounting)*

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
EXPENSES					
Governmental activities					
Adult Mental Health	\$ 49,543,794	\$ 48,668,914	\$ 46,597,293	\$ 51,522,383	\$ 48,335,141
Mental Retardation	31,535,408	33,116,707	37,666,929	42,441,157	42,563,470
Child and Adolescent	12,980,279	16,316,746	15,939,526	16,106,665	16,955,321
Crisis Center	19,067,856	20,028,746	27,250,245	31,573,042	30,217,489
Community Hospital	19,806,273	23,306,273	23,274,922	27,450,626	27,227,020
Managed Care-BHO					
Interest on long-term debt	414,825	380,687	326,553	287,043	244,779
Total governmental activities expenses	<u>133,348,435</u>	<u>141,818,073</u>	<u>151,055,468</u>	<u>169,380,916</u>	<u>165,543,220</u>
PROGRAM REVENUES					
Governmental activities					
Adult Mental Health	49,391,969	51,371,498	51,123,437	55,264,007	54,026,517
Mental Retardation	29,209,300	30,004,539	33,356,775	38,000,713	39,980,786
Child and Adolescent	12,383,783	13,502,038	13,983,388	14,657,202	15,680,291
Crisis Center	4,104,502	6,084,693	11,203,837	17,617,875	14,251,271
Community Hospital	19,806,273	23,306,273	23,274,922	27,450,626	27,227,020
Managed Care-BHO					
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>	<u>151,165,885</u>
NET (EXPENSE) REVENUE					
Governmental activities	(18,452,608)	(17,549,032)	(18,113,109)	(16,390,493)	(14,377,335)
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	17,648,131
Grants and contributions not restricted to specific programs			686,713	49,872	62,743
Investment earnings	1,935,931	1,228,325	320,117	176,940	216,198
Other income	528,721	362,001	2,459,743	821,179	360,534
Special items					
Net gain on disposal of assets	544,077	26,370	73,818	23,642	12,464
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>19,886,611</u>	<u>18,300,070</u>
CHANGE IN NET ASSETS					
Governmental activities	<u>\$ 5,029,566</u>	<u>\$ 1,783,974</u>	<u>\$ 5,829,963</u>	<u>\$ 3,496,118</u>	<u>\$ 3,922,735</u>

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General fund					
Reserved for:					
Inventories	\$ 501,793	\$ 386,863	\$ 806,481	\$ 468,269	\$ 230,625
Prepaid	167,529	358,255	199,917	654,066	382,369
Encumbrances					
Budget provision					
Texas Medication Algorithm Project	362,374	132,843	27,217	26,733	
Texas Implementation of Medication Algorithm Project				675,234	268,665
Harris County Youth and Family Mental Health Services Collaborative				442,420	
Unreserved:					
Designated funds:					
Capital asset replacement					
Cash flow requirements					
Infrastructure development			869,000	1,544,172	2,009,172
Self insurance			1,000,000	1,000,000	1,000,000
Debt repayment					
Compensated Absences					
Others	618,000	848,043	70,400	480,000	735,774
General fund - undesignated	8,869,596	12,357,689	18,026,477	22,953,141	24,833,976
Nonspendable:					
Inventories					
Prepaid					
Assigned:					
Infrastructure development					
Self insurance					
Debt repayment					
Compensated absences					
Other purposes					
Unassigned:					
Total general fund	<u>\$ 10,519,292</u>	<u>\$ 14,083,693</u>	<u>\$ 20,999,492</u>	<u>\$ 28,244,035</u>	<u>\$ 29,460,581</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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General fund					
Reserved for:					
Inventories	\$ 199,771	\$ 272,749	\$	\$	\$
Prepaid	301,291	259,879			
Encumbrances					
Budget provision					
Texas Medication Algorithm Project					
Texas Implementation of Medication Algorithm Project					
Harris County Youth and Family Mental Health Services Collaborative					
Unreserved:					
Designated funds:					
Capital asset replacement					
Cash flow requirements					
Infrastructure development	4,724,172	4,724,172			
Self insurance	1,500,000	2,000,000			
Debt repayment					
Compensated Absences					
Others	2,524,470	1,599,190			
General fund - undesignated	25,303,465	26,099,337			
 Nonspendable:					
Inventories			198,810	182,569	163,914
Prepaid			200,023	333,053	271,022
Assigned:					
Infrastructure development			5,800,000	5,800,000	5,800,000
Self insurance			2,000,000	2,000,000	2,000,000
Debt repayment			5,269,922	4,560,702	3,809,183
Compensated absences			2,720,129	3,123,753	3,219,676
Other purposes			743,037	748,029	405,876
Unassigned:			<u>24,370,717</u>	<u>26,364,127</u>	<u>29,123,629</u>
 Total general fund	 <u>\$ 34,553,169</u>	 <u>\$ 34,955,327</u>	 <u>\$ 41,302,638</u>	 <u>\$ 43,112,233</u>	 <u>\$ 44,793,300</u>

* The Agency implemented GASB 54 in FY 2010

**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>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Revenues					
Local	\$ 41,722,282	\$ 46,534,190	\$ 48,414,839	\$ 48,841,258	\$ 53,649,455
State	84,460,522	81,631,539	67,088,804	66,089,752	64,255,040
Federal	13,565,940	9,096,999	9,180,659	10,972,641	11,314,939
Total revenues	<u>139,748,744</u>	<u>137,262,728</u>	<u>124,684,302</u>	<u>125,903,651</u>	<u>129,219,434</u>
Expenditures					
Salaries	56,055,647	55,669,057	51,074,338	53,087,788	60,762,975
Employee benefits	10,089,785	10,944,926	10,603,131	9,727,365	13,234,417
Professional and consultant services	37,470,719	35,217,550	27,225,783	26,306,554	7,030,810
Training and travel	1,401,176	1,307,209	955,102	1,174,499	1,700,441
Debt service	2,820,589	2,685,550	9,655,974	2,453,789	3,878,514
Capital outlay	2,087,030	587,978	1,606,166	1,512,194	1,527,533
Non-capitalized equipment					641,950
Pharmaceutical expense	14,442,114	11,033,558	9,619,583	11,317,525	8,099,015
Other operating expense	20,320,861	16,892,799	13,942,276	13,511,937	31,190,315
Total expenditures	<u>144,687,921</u>	<u>134,338,627</u>	<u>124,682,353</u>	<u>119,091,651</u>	<u>128,065,970</u>
Excess of revenues over/(under expenditures)	(4,939,177)	2,924,101	1,949	6,812,000	1,153,464
Other financing sources (uses)					
Capital leases				82,718	37,111
Debt proceeds used to fund capital expenditures					
Proceeds from sale of refunding bond and capital leases			3,571,752		
Proceeds from sale of assets		640,300	3,342,098	349,825	25,971
Total other financing sources (uses)	<u>-</u>	<u>640,300</u>	<u>6,913,850</u>	<u>432,543</u>	<u>63,082</u>
Net change in fund balances	<u>\$ (4,939,177)</u>	<u>\$ 3,564,401</u>	<u>\$ 6,915,799</u>	<u>\$ 7,244,543</u>	<u>\$ 1,216,546</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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Revenues					
Local	\$ 52,180,624	\$ 53,333,683	\$ 57,888,002	\$ 59,426,076	\$ 62,937,932
State	71,348,608	76,936,456	83,161,961	95,527,987	94,597,104
Federal	14,275,329	13,270,045	15,740,531	17,895,020	11,915,483
Total revenues	<u>137,804,561</u>	<u>143,540,184</u>	<u>156,790,494</u>	<u>172,849,083</u>	<u>169,450,519</u>
Expenditures					
Salaries	66,637,986	71,521,224	78,101,016	87,604,734	88,266,962
Employee benefits	14,935,820	15,468,903	17,663,317	21,182,041	21,811,119
Professional and consultant services	7,460,872	7,207,549	7,714,718	10,233,262	9,226,159
Training and travel	1,767,429	2,002,900	2,493,567	2,635,039	2,759,524
Debt service	1,132,398	1,401,158	996,868	996,263	996,297
Capital outlay	1,050,503	462,607	229,360	2,691,961	2,857,896
Non-capitalized equipment	585,059	767,841	2,388,284	1,517,604	418,692
Pharmaceutical expense	6,999,820	7,261,937	3,733,380	1,732,486	1,683,525
Other operating expense	33,180,776	36,212,343	37,031,315	42,469,740	39,761,742
Total expenditures	<u>133,750,663</u>	<u>142,306,462</u>	<u>150,351,825</u>	<u>171,063,130</u>	<u>167,781,916</u>
Excess of revenues over/(under expenditures)	4,053,898	1,233,722	6,438,669	1,785,953	1,668,603
Other financing sources (uses)					
Capital leases	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	779,255	26,370	340,041	23,642	12,464
Total other financing sources (uses)	<u>1,038,690</u>	<u>193,597</u>	<u>340,041</u>	<u>23,642</u>	<u>12,464</u>
Net change in fund balances	<u>\$ 5,092,588</u>	<u>\$ 1,427,319</u>	<u>\$ 6,778,710</u>	<u>\$ 1,809,595</u>	<u>\$ 1,681,067</u>

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Local					
County government	\$ 21,688,364	\$ 23,894,617	\$ 25,492,970	\$ 26,331,144	\$ 26,414,128
Medicaid/Medicare	13,950,826	13,441,243	12,242,556	10,338,856	14,536,914
Other	6,083,092	9,198,330	10,679,313	12,171,258	12,698,413
Total local revenue	<u>41,722,282</u>	<u>46,534,190</u>	<u>48,414,839</u>	<u>48,841,258</u>	<u>53,649,455</u>
State					
Texas Department of Mental Health and Mental Retardation	77,828,910	76,055,161	61,231,339		
Department of State Health Services - General Revenue				49,605,680	48,064,347
Department of Aging and Disability Services - General Revenue				10,455,329	11,207,304
Early Childhood Intervention	2,140,258	2,393,579	2,061,410	2,426,552	2,091,604
Texas Council on Offenders with Mental Impairments	1,941,061	2,679,149	3,122,213	2,469,875	2,406,650
Other state agencies	2,550,293	503,650	673,842	1,132,316	485,135
Total state revenues	<u>84,460,522</u>	<u>81,631,539</u>	<u>67,088,804</u>	<u>66,089,752</u>	<u>64,255,040</u>
Federal					
Mental Health Block Grant	3,009,016	3,009,016	3,009,016	3,083,498	3,049,016
Early Childhood Intervention	3,130,059	3,366,552	3,624,789	3,615,656	3,678,577
Other federal revenues	7,426,865	2,721,431	2,546,854	4,273,487	4,587,346
Total federal revenues	<u>13,565,940</u>	<u>9,096,999</u>	<u>9,180,659</u>	<u>10,972,641</u>	<u>11,314,939</u>
Total revenues	<u>\$ 139,748,744</u>	<u>\$ 137,262,728</u>	<u>\$ 124,684,302</u>	<u>\$ 125,903,651</u>	<u>\$ 129,219,434</u>

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Local					
County government	\$ 26,306,400	\$ 26,851,273	\$ 30,366,731	\$ 29,728,217	\$ 28,681,523
Medicaid/Medicare	12,460,818	12,496,212	12,503,786	15,323,885	21,637,710
Other	13,413,406	13,986,198	15,017,485	14,373,974	12,618,699
Total local revenue	<u>52,180,624</u>	<u>53,333,683</u>	<u>57,888,002</u>	<u>59,426,076</u>	<u>62,937,932</u>
State					
Texas Department of Mental Health and Mental Retardation					
Department of State Health Services - General Revenue	53,965,505	58,835,494	63,574,567	74,076,314	74,500,636
Department of Aging and Disability Services - General Revenue	11,942,518	11,898,169	12,150,341	14,979,825	13,654,580
Early Childhood Intervention	2,254,673	2,150,183	2,375,698	1,906,946	2,115,314
Texas Council on Offenders with Mental Impairments	2,739,912	3,385,933	3,598,828	3,394,902	3,354,574
Other state agencies	446,000	666,677	1,462,527	1,170,000	972,000
Total state revenues	<u>71,348,608</u>	<u>76,936,456</u>	<u>83,161,961</u>	<u>95,527,987</u>	<u>94,597,104</u>
Federal					
Mental Health Block Grant	3,081,806	3,081,806	3,081,806	3,081,806	3,081,806
Early Childhood Intervention	4,742,899	5,208,576	6,359,357	5,920,373	4,607,965
Other federal revenues	6,450,624	4,979,663	6,299,368	8,892,841	4,225,712
Total federal revenues	<u>14,275,329</u>	<u>13,270,045</u>	<u>15,740,531</u>	<u>17,895,020</u>	<u>11,915,483</u>
Total revenues	<u>\$ 137,804,561</u>	<u>\$ 143,540,184</u>	<u>\$ 156,790,494</u>	<u>\$ 172,849,083</u>	<u>\$ 169,450,519</u>

MENTAL HEALTH AND MENTAL RETARDATION
AUTHORITY OF HARRIS COUNTY
SUMMARY SCHEDULE OF INDIRECT COSTS (UNAUDITED)
Year Ended August 31, 2011

	<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	\$ 88,266,962	\$	\$	\$ 88,266,962	\$ 77,582,539	\$ 10,684,423
Employee Benefits	21,715,195			21,715,195	19,122,597	2,592,598
Debt Service	996,297	(751,518)		244,779	192,879	51,900
Capital Outlay	2,857,896	(2,857,896)		-		
Pharmaceutical Expense	1,683,525			1,683,525	1,683,525	
Depreciation			1,267,414	1,267,414	1,026,844	240,570
Other Operating Expenses	52,262,041	(124,820)		52,137,221	49,573,852	2,563,369
Total Expenses	<u>\$ 167,781,916</u>	<u>\$ (3,734,234)</u>	<u>\$ 1,267,414</u>	<u>\$ 165,315,096</u>	<u>\$ 149,182,236</u>	<u>\$ 16,132,860</u>

Indirect Costs \$ 16,132,860
Direct Costs \$ 149,182,236

Indirect Cost Rate 10.81%

MENTAL HEALTH AND MENTAL RETARDATION
AUTHORITY OF HARRIS COUNTY
DETAIL SCHEDULE OF DIRECT AND INDIRECT COSTS (UNAUDITED)
Year Ended August 31, 2011

	<u>Total Costs</u>	<u>Adjustments/ Exclusions</u>	<u>Indirect Cost</u>	<u>Direct Cost</u>
EXPENDITURES:				
Personal costs:				
Salaries and wages	\$ 88,266,962	\$ -	\$ 10,684,423	\$ 77,582,539
Fringe benefits	21,715,195		2,592,598	19,122,597
Client Living Cost	4,113			4,113
Consultation and professional fees	837,722	(29,091)	136,508	672,123
Travel - board and staff	2,759,524		81,406	2,678,118
Consumable supplies:				
Drugs	1,683,525			1,683,525
Food	263,464	(54,807)	77	208,580
Other	1,135,941	(1,337)	217,485	917,119
Furniture and equipment:				
Capital expenditures	2,644,878	(2,644,878)		
Rental	156,604		58,402	98,202
Repair and maintenance	1,050,006		(382,840)	1,432,846
Building:				
Capital expenditures from general operation	179,370	(179,370)		
Rental	832,487		102,073	730,414
Repair and maintenance	2,433,847	(4,485)	1,102,408	1,326,954
Vehicles:				
Capital expenditures	33,648	(33,648)		
Rental	8,988		8,988	
Repair and maintenance	301,949		47,171	254,778
Contract with service agencies	35,615,457	(13,333)	56,465	35,545,659
Other:				
Utilities, postage and telephone	2,076,137		334,899	1,741,238
Client transportation	51,247			51,247
Audit and legal fees	212,566		198,458	14,108
Insurance	559,912		173,625	386,287
Meetings	480		207	273
Transfer and storage	62,546		18,332	44,214
Dues and subscriptions	203,976	(117,441)	50,938	35,597
Payment on note principal	751,518	(751,518)		
Interest charges	244,779		51,900	192,879
Client expenses - House Bill 1154	1,284,896			1,284,896
Laboratory expenses	284,430		627	283,803
Security expense	909,289		119,576	789,713
Miscellaneous	1,216,460	95,674	238,564	1,073,570
Total expenditures	\$ 167,781,916	\$ (3,734,234)	\$ 15,892,290	\$ 148,155,392
Equipment and vehicle depreciation	\$ 348,929		\$ 82,734	\$ 266,195
Buildings and improvements depreciation	918,485		157,836	760,649
Total	\$ 169,049,330	\$ (3,734,234)	\$ 16,132,859	\$ 149,182,237
Indirect costs			\$ 16,132,860	
Direct costs			\$ 149,182,236	10.81%

MENTAL HEALTH AND MENTAL RETARDATION**AUTHORITY OF HARRIS COUNTY****LOCAL SERVICE AREA POPULATION (UNAUDITED)***August 31, 2011*

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 2012):

<u>Center</u>	<u>Mental Health Population</u>	<u>Mental Retardation Population</u>
ACCESS	109,009	109,009
Alamo Local Authority		1,684,186
Andrews Center	410,833	410,833
Austin-Travis County	1,029,415	1,029,415
Betty Hardwick (Abilene)	181,360	181,360
Bluebonnet Trails	864,424	864,424
Border Region	361,968	361,968
Brazos Valley	309,689	309,689
Burke Center	393,014	393,014
Camino Real	217,343	217,343
Center for Health Care Services	1,684,186	
Center for Life Resources	103,214	103,214
Central Counties	443,468	443,468
Central Plains	94,773	94,773
Coastal Plains Center	241,384	241,384
Community Healthcore	457,831	457,831
Concho Valley	122,300	122,300
Dallas Metro Care Services		2,484,816
Denton County	770,509	770,509
El Paso	791,317	791,317
Gulf Bend	184,406	184,406
Gulf Coast Center	640,502	640,502
Harris County	4,259,769	4,259,769
Heart of Texas	358,076	358,076
Helen Farabee Center	312,611	312,611
Hill Country	630,349	630,349
Lakes Regional Center	162,432	693,033
LifePath Systems		927,466
Lubbock	310,857	310,857
NorthStar	3,942,883	
Nueces County	325,995	325,995
Pecan Valley	442,719	442,719
Permian Basin	314,308	314,308
Spindletop	417,104	417,104
Tarrant County	1,920,714	1,920,714
Texana	812,636	812,636
Texas Panhandle	407,358	407,358
Texoma	200,355	200,355
Tri-County	670,733	670,733
Tropical Texas	1,298,135	1,298,135
West Texas	205,764	205,764
Total	26,403,743	26,403,743

**MENTAL HEALTH AND MENTAL RETARDATION
 AUTHORITY OF HARRIS COUNTY
 DEMOGRAPHIC STATISTICS (UNAUDITED)
 Last Ten Calendar Years**

Calendar Year	Population (A)	Unemployment Rate (B)	Total Personal Income (C)	Per Capita Personal Income
2001	3,460,589	5.7%	\$ 129,728,437,000	\$ 37,487
2002	3,557,055	5.4%	\$ 128,298,585,000	\$ 36,069
2003	3,596,086	6.3%	\$ 133,472,645,000	\$ 37,116
2004	3,644,285	5.9%	\$ 142,229,854,000	\$ 39,028
2005	3,693,050	5.4%	\$ 156,920,733,000	\$ 42,491
2006	3,886,207	4.0%	\$ 178,160,838,000	\$ 45,844
2007	3,935,855	4.2%	\$ 194,177,877,000	\$ 49,336
2008	3,984,349	5.5%	\$ 190,226,395,000	\$ 47,743
2009	4,070,989	8.1%	\$ 196,779,227,000	\$ 48,337
2010	4,092,459	8.3%	not available	not available

- (A) Source: Bureau of the Census
- (B) Source: Texas Workforce Commission
- (C) Source: Bureau of Economic Analysis

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	Total Debt	Personal Income	Percentage of Personal Income	Debt per Capita
2002	\$ 8,203,750	\$ 10,530,176		\$ 18,733,926	129,728,437,000	0.0144%	\$ 5.38
2003	7,415,000	9,700,797		17,115,797	128,298,585,000	0.0133%	4.81
2004	3,165,000	8,981,917	199,695	12,346,612	133,463,543,000	0.0093%	3.41
2005	2,665,000	7,729,929	155,166	10,550,095	146,158,087,000	0.0072%	2.87
2006		7,167,231	84,388	7,251,619	160,710,955,000	0.0045%	1.94
2007		6,571,016	222,465	6,793,481	177,998,800,000	0.0038%	1.76
2008		5,940,236		5,940,236	194,177,877,000	0.0031%	1.52
2009		5,269,921		5,269,921	190,226,395,000	0.0028%	1.32
2010		4,560,701		4,560,701	196,779,227,000	0.0023%	1.12
2011		3,809,183		3,809,183	not available	not available	0.93

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>2010</u>			<u>2001</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	14,792	1	0.56%	17,010	1	0.74%
Exxon Mobil	13,500	2	0.51%			
Shell Oil Company	12,700	3	0.48%	6,933	9	0.30%
National Oilwell Varco Inc.	8,500	4	0.32%			
Chevron Companies	7,000	5	0.26%			
JP Morgan Chase	6,750	6	0.25%	6,295	10	0.27%
Jacobs Technology	6,500	7	0.25%			
AT&T, Inc. (acquired SWB)	6,214	8	0.23%			
Halliburton (KBR spun off)	5,675	9	0.21%	15,704	2	0.68%
CenterPoint Energy (spun off from Reliant Energy)	4,744	10	0.18%			
Compaq Computer				12,996	3	0.56%
Wal-Mart				9,700	4	0.42%
Kroger Food Stores				9,689	5	0.42%
Reliant Energy Inc.				8,091	6	0.35%
Southwestern Bell/SWB				7,342	7	0.32%
Enron				7,311	8	0.32%
	<u>86,375</u>			<u>101,071</u>		

* Based on calendar year.

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

Note: Total County employment for 2010 was approximately 2,650,000 (based on prior year employment figures) and for 2001 was 2,307,099.

MENTAL HEALTH AND MENTAL RETARDATION

AUTHORITY OF HARRIS COUNTY

FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION/PROGRAM (UNAUDITED)

Last Ten Fiscal Years

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Adult Mental Health	504.38	446.90	353.30	453.99	554.22	515.05	474.61	534.16	482.22	568.80
Mental Retardation	487.94	470.65	368.60	377.67	417.83	422.90	441.08	471.16	520.33	471.51
Child and Adolescent	129.81	90.50	141.80	111.14	154.61	179.95	189.87	192.47	248.54	190.70
Crisis Center	126.02	154.65	187.15	203.20	198.74	201.90	240.93	277.05	283.50	267.50
Administration	278.91	227.10	202.00	169.75	174.35	185.75	194.36	202.86	146.17	142.15
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	1,640.66

MENTAL HEALTH AND MENTAL RETARDATION
AUTHORITY OF HARRIS COUNTY
OPERATING INDICATORS BY FUNCTION/PROGRAM (UNAUDITED)
Last Ten Fiscal Years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Admissions:					
Mental Health	13,973	14,014	15,241	16,709	17,560
Mental Retardation	<u>2,784</u>	<u>4,011</u>	<u>5,191</u>	<u>5,026</u>	<u>5,308</u>
Total admissions	<u><u>16,757</u></u>	<u><u>18,025</u></u>	<u><u>20,432</u></u>	<u><u>21,735</u></u>	<u><u>22,868</u></u>

Total clients served (unduplicated):					
Mental Health	25,595	27,448	28,176	29,212	32,244
Mental Retardation	<u>7,532</u>	<u>8,786</u>	<u>8,761</u>	<u>8,579</u>	<u>9,341</u>
Total clients served	<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><u>41,585</u></u>

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Admissions:					
Mental Health	14,735	21,696	13,773	18,114	22,758
Mental Retardation	<u>5,956</u>	<u>6,626</u>	<u>9,777</u>	<u>14,116</u>	<u>9,551</u>
Total admissions	<u><u>20,691</u></u>	<u><u>28,322</u></u>	<u><u>23,550</u></u>	<u><u>32,230</u></u>	<u><u>32,309</u></u>

Total clients served (unduplicated):					
Mental Health	34,023	28,233	30,672	30,290	36,112
Mental Retardation	<u>9,870</u>	<u>11,973</u>	<u>14,348</u>	<u>17,836</u>	<u>16,631</u>
Total clients served	<u><u>43,893</u></u>	<u><u>40,206</u></u>	<u><u>45,020</u></u>	<u><u>48,126</u></u>	<u><u>52,743</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
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
2011	62,937,932	94,597,104	11,915,483	169,450,519

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
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
2011	111,906,905	37,819,392	18,055,619	167,781,916

MENTAL HEALTH AND MENTAL RETARDATION
AUTHORITY OF HARRIS COUNTY
CAPITAL ASSETS BY GOVERNMENTAL ACTIVITY (UNAUDITED)
*Last Nine 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	<u>337,726</u>	<u>508,027</u>	<u>446,350</u>	<u>397,904</u>	<u>272,914</u>
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	<u>242,924</u>	<u>493,445</u>	<u>510,083</u>	<u>468,225</u>	<u>461,996</u>
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	<u>1,397,274</u>	<u>1,294,880</u>	<u>727,520</u>	<u>709,430</u>	<u>703,594</u>
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	<u>87,414</u>	<u>133,632</u>	<u>235,001</u>	<u>186,867</u>	<u>258,863</u>
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 Nine Fiscal Years**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Adult Mental Health				
Land	\$ 1,774,221	\$ 1,774,221	\$ 1,895,148	\$ 1,895,148
Buildings and improvements	10,563,939	10,563,939	11,047,650	11,047,650
Equipment and furniture	1,996,762	1,995,971	2,171,348	2,160,381
Vehicles	152,654	152,654	129,551	129,551
Total capital assets for Adult Mental Health	<u>14,487,576</u>	<u>14,486,785</u>	<u>15,243,697</u>	<u>15,232,730</u>
Mental Retardation				
Land	870,772	870,772	916,080	916,080
Buildings and improvements	4,781,827	4,781,827	4,963,058	4,963,058
Equipment and furniture	1,453,042	1,452,466	1,453,030	1,462,270
Vehicles	469,777	469,777	394,576	394,576
Total capital assets for Mental Retardation	<u>7,575,418</u>	<u>7,574,842</u>	<u>7,726,744</u>	<u>7,735,984</u>
Child and Adolescent				
Land	138,700	138,700	174,011	174,011
Buildings and improvements	2,496,099	2,496,099	2,637,343	2,637,343
Equipment and furniture	705,839	705,559	705,833	701,957
Total capital assets for Child and Adolescent	<u>3,340,638</u>	<u>3,340,358</u>	<u>3,517,187</u>	<u>3,513,311</u>
Crisis Center				
Buildings and improvements	2,439,691	2,439,691	2,439,691	2,619,061
Equipment and furniture	548,908	573,344	567,247	564,375
Vehicles	395,747	468,553	436,938	436,938
Total capital assets for Crisis Center	<u>3,384,346</u>	<u>3,481,588</u>	<u>3,443,876</u>	<u>3,620,374</u>
Administration				
Land	531,068	436,250	436,250	436,250
Buildings and improvements	4,390,552	4,033,428	4,033,428	4,033,428
Equipment and furniture	1,992,763	1,991,973	1,992,746	2,861,455
Vehicles	175,819	171,925	155,702	173,516
Intangible Assets - Software			1,365,734	3,113,739
Total capital assets for Administration	<u>7,090,202</u>	<u>6,633,576</u>	<u>7,983,860</u>	<u>10,618,388</u>
Total capital assets	<u>\$ 35,878,180</u>	<u>\$ 35,517,149</u>	<u>\$ 37,915,364</u>	<u>\$ 40,720,787</u>

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

RECONCILIATION OF TOTAL REVENUES TO FOURTH QUARTER FINANCIAL REPORT (UNAUDITED)

Year Ended August 31, 2011

	Revenues			
	Per Center CARE Report III	Additions	Deletions	Per Audited Financial Statements
Local Revenues				
Harris County	\$ 28,520,903	\$ 160,620	(a)	\$ 28,681,523
Patient Fees and Private Insurance	1,229,863			905,268
Medicare	656,202			656,202
Medicaid	21,677,634	90,294	(b)	20,981,509
ICF/MR, HCS, and Texas Home Living	6,073,709			6,073,709
Administrative Claiming	3,849,903			3,849,903
Interest on investments	214,370	1,826	(a)	213,225
Miscellaneous	20,804,324	618,440	(a),(b),(c)	1,576,593
Total Local Sources	83,026,908	871,180		62,937,932
State General Revenue	87,368,798	786,418	(b)	88,155,216
Other State Sources:				
Early Childhood Intervention	6,704,158	19,121	(a)	2,115,314
Department of Assistive and Rehabilitative Services-Rehab	526,000			526,000
Texas Council on Offenders with Mental Impairments	3,354,574			3,354,574
Texas Department of Criminal Justice	446,000			446,000
Texas Department of State Health Services - Substance Abuse	75,362			-
Total Other State Sources	11,106,094	19,121		6,441,888
Total State Revenue	98,474,892	805,539		94,597,104
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		966,576	(a)	966,576
Early Childhood Intervention		4,607,965	(b)	4,607,965
Social Services Block Grant - Inpatient Competency Restoration		67,795	(b)	67,795
Social Services Block Grant - SA Treatment Adult		7,567	(b)	7,567
Social Services Block Grant - SA Treatment Cost Reimbursement	2,486,289			2,486,289
Social Services Block Grant - Hurricane Ike Recovery Assistance	62,743			62,743
SAMHSA - Partners at Independence Heights				-
Mental Health/Disaster Services-Crisis Counseling	364,040			364,040
Transitional Housing Program - Safe Havens	1,023			1,023
Community Development Block Grant-Project H.E.L.P.				-
Community Development Block Grant-Katrina/Rita	6,265,580	5,649,903		11,915,483
Total Federal Sources	\$ 187,767,380	\$ 7,326,622		\$ 25,643,483
Total Revenue				\$ 169,450,519

(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, 2011

Object of Expenditure	Expenditures				Per Audited Financial Statements
	Per Center CARE Report III	Additions		Deletions	
Salaries	\$ 87,983,267	\$ 775,786	(a)	\$ 492,091	(b) \$ 88,266,962
Employee Benefits	21,704,630	192,361	(a),(c)	85,872	(b) 21,811,119
Professional and Consultant Services	9,838,505			612,346	(b) 9,226,159
Training and Travel	2,774,120	4,609	(a),(c)	19,205	(b) 2,759,524
Debt Service	996,298			1	(c) 996,297
Capital Outlay	568,791	2,542,144	(b)	253,039	(b) 2,857,896
Non-Capitalized Equipment	1,182,665			763,973	(b) 418,692
Pharmaceutical Expense (medication and script process)	1,589,377	413,110	(a),(b)	318,962	(b) 1,683,525
Pharmaceutical Expense (PAP only)	19,424,451	318,962	(b)	19,743,413	(a) -
Other Operating Expense	40,216,484	218,492	(a),(b)	673,234	(a),(b),(c) 39,761,742
Total Expenditures	\$ 186,278,588	\$ 4,465,464		\$ 22,962,136	\$ 167,781,916

(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, 2011

Service Categories (by Funding Source)	Mental Health Adult	Mental Health Children	Mental Retardation	Total	Approved Budget	Variance
General Revenue - Mental Health	\$ 34,550,150	\$ 9,177,020	\$	\$ 43,727,170	\$ 43,733,365	\$ 6,195
General Revenue - Mental Retardation			12,259,355	12,259,355	12,201,016	(58,339)
General Revenue - Permanency Planning			110,329	110,329	110,329	
In Home and Family Support - MR			1,284,896	1,284,896	1,341,426	56,530
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			4,203,145	4,203,145	4,401,421	198,276
ICF-MR			1,759,822	1,759,822	1,793,715	33,893
Texas Home Living Waiver			110,742	110,742	159,533	48,791
PATH	966,576			966,576	966,577	1
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	7,147,120	3,180,492	9,991,081	20,318,693	18,617,435	(1,701,258)
Medicaid Administrative Claiming	2,043,297	225,992	909,170	3,178,459	3,578,020	399,561
HUD - Supportive Housing - Safe Haven	364,040			364,040	332,000	(32,040)
Disaster Assistance (DBH Conference)	1,023			1,023		(1,023)
SSBG - SA Treatment Adult	67,795			67,795		(67,795)
SSBG - SA Treatment Cost Reimbursement	7,567			7,567		(7,567)
SSBG - Hurricane Ike Recovery Assistance	2,486,289			2,486,289	2,469,552	(16,737)
SAMHSA - Partners at Independence Heights	62,743			62,743		(62,743)
Texas Department of Criminal Justice	446,000			446,000	401,400	(44,600)
DARS-Autism			526,000	526,000	524,602	(1,398)
Early Childhood Intervention			6,723,279	6,723,279	9,435,966	2,712,687
Texas Council on Offenders with Mental Impairments	2,327,607	1,026,967		3,354,574	3,641,421	286,847
Required Local Match	5,038,511	985,716	1,453,849	7,478,076	6,306,585	(1,171,491)
Additional Local Funds	18,598,713	1,559,616	4,062,063	24,220,392	31,903,130	7,682,738
Total Expended Sources	\$ 107,107,863	\$ 17,280,322	\$ 43,393,731	\$ 167,781,916	\$ 176,042,444	\$ 8,260,528

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, 2011

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	\$ 88,266,962	\$ 51,223,760	\$ 12,222,488	\$ 24,820,714	\$ 88,266,962	
Employee Benefits	21,811,119	11,927,578	3,002,412	6,881,129	21,811,119	
Professional and Consultant Fees	9,226,159	4,537,095	202,598	4,486,466	9,226,159	
Training and Travel	2,759,524	1,483,994	365,320	910,210	2,759,524	
Debt Service	996,297	566,221	122,488	307,588	996,297	
Capital Outlay	2,857,896	1,717,960	319,520	820,416	2,857,896	
Non-capitalized Equipment	418,692	260,577	33,968	124,147	418,692	
Pharmaceutical Expense (medication and script process)	1,683,525	1,599,668	12,433	71,424	1,683,525	
Other Operating Expense	39,761,742	33,791,010	999,095	4,971,637	39,761,742	
Total Expenditures	\$ 167,781,916	\$ 107,107,863	\$ 17,280,322	\$ 43,393,731	\$ 167,781,916	
Method of Finance:						
General Revenue - Mental Health	\$ 43,757,700	\$ 34,550,150	\$ 9,177,020	\$	\$ 43,727,170	\$ 30,530
General Revenue - Mental Retardation	12,259,355			12,259,355	12,259,355	
General Revenue - Permanency Planning	110,329			110,329	110,329	
In Home and Family Support - MR	1,341,426			1,284,896	1,284,896	56,530
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	4,203,145			4,203,145	4,203,145	
ICF-MR	1,759,822			1,759,822	1,759,822	
Texas Home Living Waiver	110,742			110,742	110,742	
PATH	966,576	966,576			966,576	
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	20,981,508	7,147,120	3,180,492	9,991,081	20,318,693	662,815
Medicaid Administrative Claiming	3,849,904	2,043,297	225,992	909,170	3,178,459	671,445
HUD - Supportive Housing - Safe Haven	364,040	364,040			364,040	
Disaster Assistance (DBH conference)	1,023	1,023			1,023	
SSBG - SA Treatment Adult	67,795	67,795			67,795	
SSBG - SA Treatment Cost Reimbursement	7,567	7,567			7,567	
SSBG - Hurricane Ike Recovery Assistance	2,486,289	2,486,289			2,486,289	
SAMHSA - Partners at Independence Heights	62,743	62,743			62,743	
Texas Department of Criminal Justice	446,000	446,000			446,000	
DARS-Autism	526,000			526,000	526,000	
Early Childhood Intervention	6,723,279			6,723,279	6,723,279	
Texas Council on Offenders with Mental Impairments	3,354,574	2,327,607	1,026,967		3,354,574	
Required Local Match	7,478,076	5,038,511	985,716	1,453,849	7,478,076	
Additional Local Funds	24,554,735	18,598,713	1,559,616	4,062,063	24,220,392	334,343
Total Expended Sources	\$ 169,537,579	\$ 107,107,863	\$ 17,280,322	\$ 43,393,731	\$ 167,781,916	\$ 1,755,663

MENTAL HEALTH AND MENTAL RETARDATION

AUTHORITY OF HARRIS COUNTY

SCHEDULE OF MENTAL HEALTH ADULT EXPENDITURES BY SERVICE CATEGORY AND SOURCE OF FUNDS (UNAUDITED)

Year Ended August 31, 2011

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	\$	\$	\$ 37,705	\$ 12,180,440	\$ 2,387,515	\$	\$ 3,048,313	\$	\$ 2,400,848	\$ 362,012	\$	\$ 3,705,195	\$ 9,130,133	\$ 496,704	\$ 801,285	\$	\$	\$ 34,550,150
New Generation Medications	717,695			6,487,900														7,205,595
Community Hospitals																23,529,696		23,529,696
PATH							966,576											966,576
Mental Health Block Grant				2,265,141														2,265,141
Medicaid			7,127	6,365,472	71,269	7,127	294		542,894	152,937								7,147,120
Medicaid Administrative Claiming			1,251	1,222,312	12,511	1,251		16,897	472,704	262,115	16,955			16,955	20,346			2,043,297
HUD - Supportive Housing - Safe Haven				364,040														364,040
Disaster Assistance (DBH Conference)																	1,023	1,023
SSBG - SA Treatment Adult				67,795														67,795
SSBG - SA Treatment Cost Reimbursement				7,567														7,567
SSBG - Hurricane Ike Recovery Assistance																	2,486,289	2,486,289
SAMHSA - Partners at Independence Heights																	62,743	62,743
Texas Department of Criminal Justice			4,460	392,480	44,600	4,460												446,000
Texas Council on Offenders with Mental Impairments	16,963	18,558	22,921	2,017,035	229,209	22,921												2,327,607
Required Local Match				809,334				747,765	3,095,881	315,915			69,616					5,038,511
Additional Local Funds		712,377	15,100		6,456	1,685	4,298,250	2,633,426	5,973,548	856,746	363,264	2,289	10,045	35	211	3,697,324	27,957	18,598,713
Total Expended Sources	\$ 734,658	\$ 730,935	\$ 88,564	\$ 32,179,516	\$ 2,751,560	\$ 37,444	\$ 8,313,433	\$ 3,398,088	\$ 12,485,875	\$ 1,949,725	\$ 380,219	\$ 3,707,484	\$ 9,209,794	\$ 513,694	\$ 821,842	\$ 27,227,020	\$ 2,578,012	\$ 107,107,863

MENTAL HEALTH AND MENTAL RETARDATION

AUTHORITY OF HARRIS COUNTY

SCHEDULE OF MENTAL HEALTH CHILDREN EXPENDITURES BY SERVICE CATEGORY AND SOURCE OF FUNDS (UNAUDITED)

Year Ended August 31, 2011

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	\$	\$	\$ 7,841,878	\$ 85,085	\$ 703,781	\$	\$	\$	\$ 546,276	\$	\$ 9,177,020
New Generation Medications	16,170		22,005								38,175
Title XX Social Services Block Grant			269,679								269,679
Mental Health Block Grant			816,665								816,665
Medicaid			3,180,492								3,180,492
Medicaid Administrative Claiming			225,992								225,992
Texas Council on Offenders with Mental Impairments			1,026,967								1,026,967
Required Local Match			756,006		229,710						985,716
Additional Local Funds	-	107,614	513,918	42,717	892,471					2,896	1,559,616
Total Expended Sources	\$ 16,170	\$ 107,614	\$ 14,653,602	\$ 127,802	\$ 1,825,962	\$ -	\$ -	\$ -	\$ 546,276	\$ 2,896	\$ 17,280,322

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, 2011

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	\$ 2,917,621	\$ 2,320,461	\$ 653,938	\$ 1,393,308	\$ 1,102,688	\$ 210,863	\$ 1,074,657	\$ 2,455,612	\$ 130,207	\$	\$	\$	\$	\$	\$ 12,259,355
General Revenue - Permanency Planning		110,329													110,329
In Home and Family Support - MR										1,284,896					1,284,896
HCS											4,203,145				4,203,145
ICF-MR													1,759,822		1,759,822
Texas Home Living Waiver												110,742			110,742
Medicaid		6,711,043		674			2,248	31,574						3,245,542	9,991,081
Medicaid Administrative Claiming														909,170	909,170
DARS-Autism			52,600				236,700	236,700							526,000
Early Childhood Intervention														6,723,279	6,723,279
Required Local Match	166,258	76,061	12,849	118,565	84,617		140,102	855,397							1,453,849
Additional Local Funds	96,692		15,144		13,683	13,764	43,330	674,470	1,480	254,100	613,759	36,180	384,800	1,914,661	4,062,063
Total Expended Sources	\$ 3,180,571	\$ 9,217,894	\$ 734,531	\$ 1,512,547	\$ 1,200,988	\$ 224,627	\$ 1,497,037	\$ 4,253,753	\$ 131,687	\$ 1,538,996	\$ 4,816,904	\$ 146,922	\$ 2,144,622	\$ 12,792,652	\$ 43,393,731

MENTAL HEALTH AND MENTAL RETARDATION
AUTHORITY OF HARRIS COUNTY
SCHEDULE OF LEASES IN EFFECT (UNAUDITED)
Year Ended August 31, 2011

Lessor	Address	Monthly Amount 2009	Beginning Date	Termination Date
City of Houston, Multiservice	4014 Market - Houston, TX	\$426	5/26/2011	5/26/2012
Bernstein-Perwien Properties	7062B Lakeview Haven Dr, Ste114 - Houston, TX	\$280	9/1/2009	8/31/2010
MH Forensic, Jail-Ampco Systems	Franklin at LaBranch - Houston, TX	\$3,750	8/1/2010	5/31/2012
Harris County Facilities & Property	5518 Jackson St.- Houston, TX	\$50/yr	Annually	4/30/2010
NCI Tsanoff-Ripley	340 N Sidney - Houston, TX	\$15,402	4/1/1992	12/31/2011
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	\$190	11/1/2007	10/31/2011
Ashford Houston Investments	1500 Dairy Ashford, Ste 448 - Houston, TX	\$796	2/1/2011	1/31/2014
Gillett Properties, Ltd.	7171 Hwy 6 N, Ste 206 - Houston, TX	\$819	6/1/2011	5/31/2014
Jose Pedro Rivas	6226 Westar - Houston, TX	\$367	12/20/2010	1/30/2013
Golden Sharpstown, Inc. (parking)	7011 SW Frwy - Houston, TX	\$5,884	1/11/2011	12/31/2012
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
NPC	1502 Taub Loop	\$1/year	PP for 25 Year	2024
Harris County Jail	3540 West Dallas	Free		

MENTAL HEALTH AND MENTAL RETARDATION
AUTHORITY OF HARRIS COUNTY
SCHEDULE OF LAND, BUILDINGS AND EQUIPMENT (UNAUDITED)
Year Ended August 31, 2011

	Assets			August 31, 2011
	September 1, 2010	Additions	Retirements	
Land	\$ 3,421,489			\$ 3,421,489
Buildings and improvements	25,121,170	179,370		25,300,540
Furniture and equipment	6,890,204	896,873	36,639	7,750,438
Vehicles	1,116,767	33,648	15,834	1,134,581
Intangible Assets - Software	1,365,734	1,748,005		3,113,739
	<u>\$ 37,915,364</u>	<u>\$ 2,857,896</u>	<u>\$ 52,473</u>	<u>\$ 40,720,787</u>

	Accumulated Depreciation			August 31, 2011
	September 1, 2010	Additions	Retirements	
Land	\$	\$	\$	\$
Buildings and improvements	12,135,379	918,485		13,053,864
Furniture and equipment				
Vehicles	671,978	189,153	8,452	852,679
Intangible Assets - Software				
	<u>\$ 19,162,429</u>	<u>\$ 1,267,414</u>	<u>\$ 45,091</u>	<u>\$ 20,384,752</u>

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

MENTAL HEALTH AND MENTAL RETARDATION
AUTHORITY OF HARRIS COUNTY
SCHEDULE OF INSURANCE COVERAGE (UNAUDITED)
Year Ended August 31, 2011

Property Insurance

Insurer: Texas Council Risk Management Fund

Locations:	Policy Period	Insurance Amount		
		Building	Contents	Total
2001 Cedar Bayou	9/1/2010-9/1/2011	\$ 935,648	\$	\$ 935,648
6125 Hillcroft	9/1/2010-9/1/2011	1,153,756	69,581	1,223,337
7200 N. Loop East	9/1/2010-9/1/2011	1,805,509	57,702	1,863,211
3737 Dacoma	9/1/2010-9/1/2011	3,808,795	317,147	4,125,942
11151 Bob White	9/1/2010-9/1/2011	197,655	134,798	332,453
526 Applewhite	9/1/2010-9/1/2011	173,309	20,309	193,618
2627 Caroline	9/1/2010-9/1/2011	2,814,795	372,196	3,186,991
1313 Dennis	9/1/2010-9/1/2011	129,513	5,771	135,284
3630 West Dallas	9/1/2010-9/1/2011	4,246,545	247,952	4,494,497
1215 Dennis	9/1/2010-9/1/2011	933,077	10,664	943,741
1502 Ben Taub Loop	9/1/2010-9/1/2011	5,500	291,028	296,528
7011 Southwest Fwy.	9/1/2010-9/1/2011	14,035,046	2,354,060	16,389,106
7033 Southwest Fwy.	9/1/2010-9/1/2011	865,361	176,741	1,042,102
4414 Navigation	9/1/2010-9/1/2011		376,588	376,588
612A-E Branard	9/1/2010-9/1/2011	709,412	5,973	715,385
6607 Stonechase	9/1/2010-9/1/2011	153,979		153,979
6032 Airline Dr.	9/1/2010-9/1/2011	1,157,056	133,409	1,290,465
5518 Jackson	9/1/2010-9/1/2011	338,227	11,949	350,176
2800 S. McGregor	9/1/2010-9/1/2011		46,774	46,774
6603 Barbarella	9/1/2010-9/1/2011	208,942	22,533	231,475
5901 Long Dr.	9/1/2010-9/1/2011	4,158,646	626,547	4,785,193
5705 Warm Springs	9/1/2010-9/1/2011	231,681	15,103	246,784
6805 Oak Village Dr.	9/1/2010-9/1/2011	493,588	57,702	551,290
1200 Baker Street	9/1/2010-9/1/2011		66,798	66,798
9610 Long Point, Suite 351	9/1/2010-9/1/2011		2,678	2,678
2909 Hillcroft	9/1/2010-9/1/2011		24,800	24,800
6200 Savoy	9/1/2010-9/1/2011		76,000	76,000

MENTAL HEALTH AND MENTAL RETARDATION

AUTHORITY OF HARRIS COUNTY

SCHEDULE OF INSURANCE COVERAGE (UNAUDITED) (continued)

Year Ended August 31, 2011

Flood Insurance

Insurer: Travelers Insurance

Locations:	Policy Period	Insurance Amount		
		Building	Contents	Total
1502 Ben Taub Loop	9/1/2010-9/1/2011	\$ -	\$ 181,200	\$ 181,200
2800 S. McGregor	9/10/2010-9/10/2011	-	50,000	50,000
7011 Southwest Freeway	9/15/2010-9/15/2011	500,000	250,000	750,000
3737 Dacoma Street	10/3/2010-10/3/2011	500,000	300,000	800,000
7200 North Loop East	10/3/2010-10/3/2011	500,000	300,000	800,000
2001 Cedar Bayou Road	10/3/2010-10/3/2011	500,000	100,000	600,000
11511 Bob White Drive	10/3/2010-10/3/2011	178,500	25,000	203,500
1215 Dennis	10/6/2010-10/6/2011	200,000	50,000	250,000
1313 Dennis	10/6/2010-10/6/2011	100,000	5,000	105,000
2627 Caroline	10/6/2010-10/6/2011	500,000	250,000	750,000
7033 Southwest Freeway	10/6/2010-10/6/2011	300,000	50,000	350,000
612B Branard	10/6/2010-10/6/2011	100,000	30,000	130,000
612C Branard	10/6/2010-10/6/2011	100,000	30,000	130,000
5707 Warm Springs	11/4/2010-11/4/2011	150,000	25,000	175,000
5901 Long Drive	1/18/2010-1/18/2011	500,000	200,000	700,000
6032 Airline Drive	8/14/2010-8/14/2011	500,000	80,500	580,500
6125 Hillcroft Street	8/14/2010-8/14/2011	500,000	80,500	580,500

MENTAL HEALTH AND MENTAL RETARDATION**AUTHORITY OF HARRIS COUNTY****SCHEDULE OF INSURANCE COVERAGE (UNAUDITED) (continued)**

Year Ended August 31, 2011

Property

Insurer:	Texas Council Risk Management Fund		
Policy Period:	09/01/10 - 09/01/11		
	Blanket Limit	\$	54,881,229
	Building Limit	\$	38,556,042
	BPP Limit	\$	5,524,805
	EDP Limit	\$	9,754,220
	Boiler/Machinery Limit	\$	54,881,229
	Business Income	\$	1,000,000
	Sublimit	\$	1,000,000
	Deductible except Named Storm Wind & Flood	\$	1,000
	Named Storm Wind Deductibles (TIV = Bldg + BPP)		
	Tier 1 Per Occurrence/ 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
	Locations between 100 & 500 Year Flood Zones		
	Zone C - \$1,000 Deductible	\$	5,000,000
	Other Locations other than 100 Year & other between 100 & 500 Year Flood Zones		

General Liability

Insurer:	Texas Council Risk Management Fund		
Policy Period:	09/01/10 - 09/01/11		
	Combined Single Limit Per Occurrence	\$	1,000,000
	Deductible	\$	1,000

Public Officials Errors and Omissions

Insurer:	Texas Council Risk Management Fund		
Policy Period:	09/01/10 - 09/01/11		
	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:	09/01/10 - 09/01/11		
	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:	09/01/10 - 09/01/11		
	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, 2011

Sexual Misconduct

Insurer:	Texas Council Risk Management Fund		
Policy Period:	09/01/10 - 09/01/11		
	Sublimit per Claim	\$	100,000
	Annual Aggregate	\$	300,000
	Retro Date 08/28/89		

Auto Liability

Insurer:	Texas Council Risk Management Fund		
Policy Period:	09/01/10 - 09/01/11		
	Combined Single Limit	\$	1,000,000
	Scheduled and Hired Vehicles		
	PIP per Person Limit	\$	10,000
	Uninsured/Underinsured Motorists		
	Bodily Injury Per Person	\$	100,000
	Bodily Injury Per Occurrence	\$	300,000
	Property Damage	\$	100,000
	Nonowned Liability		Excess
	Liability Deductible	\$	1,000

Auto Physical Damage

Insurer:	Texas Council Risk Management Fund		
Policy Period:	09/01/10 - 09/01/11		
	Scheduled and Hired Autos		
	Comprehensive Deductible	\$	500
	Collision Deductible	\$	1,000
	Hired Physical Dmg Maximum	\$	35,000
	Nonowned Physical Damage		
	Comprehensive Deductible	\$	500
	Collision Deductible	\$	1,000
	Funeral Expenses	\$	5,000

Excess Liability

Insurer:	Texas Council Risk Management Fund		
Policy Period:	09/01/10 - 09/01/11		
	General Liability		
	Additional Limit of Liability		
	Retro: 08/31/03		1M xs 1M
	Retro: 11/24/08		1M xs 2M
	Retro: 11/24/08		1M xs 3M
	Retro: 11/24/08		1M xs 4M
	Public Officials E&O Liability		
	Additional Limit of Liability		
	Retro: 08/31/96		1M xs 1M
	Retro: 08/31/96		1M xs 2M
	Retro: 08/31/96		1M xs 3M
	Retro: 08/31/96		1M xs 4M

MENTAL HEALTH AND MENTAL RETARDATION

AUTHORITY OF HARRIS COUNTY

SCHEDULE OF INSURANCE COVERAGE (UNAUDITED) (continued)

Year Ended August 31, 2011

Excess Liability (continued)

Insurer:	Auto Liability		
Policy Period:	Additional Limit of Liability		
	Retro: 08/31/03		1M xs 1M
	Retro: 11/24/08		1M xs 2M
	Retro: 11/24/08		1M xs 3M
	Retro: 11/24/08		1M xs 4M
	Professional Liability		
	Additional Limit of Liability		
	Retro: 08/28/96		1M xs 1M
	Retro: 10/05/04		1M xs 2M
	Not included under Excess Liability		
	Sexual Misconduct		
	Employment Practices		

Workers Compensation

Insurer:	Texas Council Risk Management Fund		
Policy Period:	09/01/10 - 09/01/11		
	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		
	No Business Interruption available through these policies		

Fiduciary Liability

Insurer:	Executive Risk Indemnity, Inc.		
Policy Period:	09/01/10 - 09/01/11		
	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, 2011

<u>Surety Company</u>	<u>Scope of Coverage</u>	<u>Amount</u>
Travelers Commercial 9/1/10 - 9/1/11	Commercial Crime Policy	
	Public Employee Dishonesty Per Loss	\$ 400,000
	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 11/18/10 - 11/18/11	Errors & Omissions - Notary	
	Limit of Liability (127 Notaries)	\$ 20,000

MENTAL HEALTH AND MENTAL RETARDATION
AUTHORITY OF HARRIS COUNTY
SCHEDULE OF PROFESSIONAL AND CONSULTING FEES AND
CONTRACTED PROVIDER SERVICES (UNAUDITED)
Year Ended August 31, 2011

NAME	CITY	TYPE OF SERVICE	AMOUNT
Aguirre, Laura	Houston, TX	Respite Services	\$ 5,685
All Day Dental	Houston, TX	Dental Services	19,110
All the Little Things Country	LaPorte, TX	Day Habilitation	6,324
Almeda Dental Group	Houston, TX	Dental Services	1,024
Anderson, Enedina	Houston, TX	Foster/Companion Care	18,575
Angelo, Charlotte	Houston, TX	Foster/Companion Care	17,243
ARC of Greater Houston	Houston, TX	Vocational and Employment Training	206,851
Archer, Paula	Houston, TX	Foster/Companion Care	34,606
Arellano, Juan	Houston, TX	Foster/Companion Care	25,254
Asui Healthcare Learning	Houston, TX	Day Habilitation	5,358
Avondale House	Houston, TX	Day Habilitation	1,999
Baig, Mahera F.	Houston, TX	Foster/Companion Care	18,575
Bairfield, Doris	Houston, TX	Foster/Companion Care	18,575
Baldwin, Johnnie L.	Houston, TX	Foster/Companion Care	55,725
Bay Area Recovery Center	Dickinson, TX	Substance Abuse Treatment	166,492
Bay Area Rehabilitation Center	Baytown, TX	Day Habilitation and Vocational Services	36,408
Baylor College of Medicine	Houston, TX	Residency Program Training	12,307
Baylor College of Medicine/Family Community Medi	Houston, TX	Medical Consultations/EKG Services	131,144
Behavioral Hospital of Bellaire	Houston, TX	Psychiatric Bed Services	51,622
Bolden, Sandra	Houston, TX	Foster/Companion Care	18,575
Broussard, Gwendolyn	Houston, TX	Foster/Companion Care	18,575
Brown, Barbara Jean	Houston, TX	Respite Services	5,948
Brown, Glenda Lee	Houston, TX	Foster/Companion Care	17,243
Brown, Jerome B.	Bellaire, TX	Psychologist	68,125
Burns-Watts, Vanessa	Houston, TX	Foster/Companion Care	18,575
Case, Sheran	Katy, TX	Foster/Companion Care	17,393
CCI Enterprises, Inc.	Houston, TX	Respite Services	7,733
Chen, Chun-Lie	Houston, TX	Foster/Companion Care	17,591
Cheyenne Center	Houston, TX	Housing/Transition Services	174,653
Clarewood Work Training	Bellaire, TX	Day Habilitation	20,324
Coalition for the Homeless	Houston, TX	Advocacy	20,000
Coleman, Billie	Houston, TX	Foster/Companion Care	17,243
Communication Axxess Ability Group	Houston, TX	Interpreting Services	11,985
Community for Human Resources Development, Inc.	Houston, TX	Day Habilitation	5,928
Cook, Karen	Baytown, TX	Foster/Companion Care	18,575
Cortez, Tywanna	Houston, TX	Foster/Companion Care	10,955
Cox, John	Houston, TX	Consumer Advisor	1,375
Data Shredding Services of Texas	Houston, TX	Document Destruction	27,062
Davis, Latonia	Houston, TX	Foster/Companion Care	14,219
Dean's Professional Services	Houston, TX	Temporary Staffing - Nursing	1,422
Depression Bipolar Support Alliance of Greater Hous	Houston, TX	Support Group Services	3,200
Developmental Day Habilitation	Houston, TX	Day Habilitation	28,210
Directions of Recovery, Inc.	Houston, TX	Co-Occurring Disorders Services	487,838
Diversity Day Activity and Health Services, Inc.	Houston, TX	Respite Services, Day Habilitation, and Vocational Training	210,620
Dyer-Lewis, Evia Michelle	Houston, TX	Foster/Companion Care	17,243
Easter Seals of Greater Houston, Inc.	Bellaire, TX	Respite Services	1,003,850
Eichelberger, Miriam L.	Houston, TX	Foster/Companion Care	18,575
Elite Personnel Consultants	Houston, TX	Temporary Staffing	154,941
Elliot, Saddle	Houston, TX	Foster/Companion Care	18,575
EZ Dental, Inc.	Houston, TX	Dental Services	2,124

**MENTAL HEALTH MENTAL RETARDATION AUTHORITY
OF HARRIS COUNTY**
**SCHEDULE OF PROFESSIONAL AND CONSULTING FEES AND
CONTRACTED PROVIDER SERVICES (UNAUDITED)**
Year Ended August 31, 2011

NAME	CITY	TYPE OF SERVICE	AMOUNT
Farzam, F. H., D.D.S.	Houston, TX	Dental Services	\$ 2,065
Foote, Alexandria	Houston, TX	Consumer Advisor	6,025
Forward Edge, Inc.	Pasadena, TX	Pre-employment Testing	16,399
Garcia, Alicia A.	Houston, TX	Foster/Companion Care	18,575
Garcia, Rudy T., D.D.S.	Baytown, TX	Dental Services	1,384
Garza, Eileen R.	Magnolia, TX	Occupational Therapy	2,663
Gordon, Victor Lavaurn	Houston, TX	Consumer Advisor	2,281
Green, Inez	Houston, TX	Foster/Companion Care	17,404
Haggerty, Sedalia	Baytown, TX	Foster/Companion Care	34,132
Haltmar, Warren, Sr.	Houston, TX	Foster/Companion Care	16,486
Harris County Department of Education	Houston, TX	Speech Therapy	328,463
Harris, Sandra Inez	Houston, TX	Respite Services	5,130
Harvest Life Foundation	Houston, TX	Housing/Transition Services	18,145
Harvey, Betty H.	Houston, TX	Consumer Advisor	6,091
Healthcare for the Homeless	Houston, TX	Crisis/Peer Support Services	50,000
Henry, Carolyn D.	Houston, TX	Foster/Companion Care	34,606
Hernandez, Kelli	Houston, TX	Foster/Companion Care	25,047
Herrera, Gloria	Houston, TX	Foster/Companion Care	18,575
Hiebeler, Patricia	Houston, TX	Consumer Advisor	2,900
Hillsman, Candace	Houston, TX	Foster/Companion Care	25,254
Hope Village	Houston, TX	Day Habilitation	7,089
Houston Education Consult	Houston, TX	Psychological Evaluations	177,950
		Information Technology Infrastructure	
Idea Integration Corporation	Jacksonville, FL	Consulting	10,910
Integrated Biometric Technical Services	Nashville, TN	Fingerprinting Services	1,500
Intracare Behavioral Health	Houston, TX	Psychiatric Bed Services	947,920
Intracare Hospital North	Houston, TX	Psychiatric Bed Services	3,409
Intracare Medical Center Hospital	Houston, TX	Psychiatric Bed Services	3,896
Jackson, Rosealie	Houston, TX	Foster/Companion Care	17,243
Johnson, Royce M.	Houston, TX	Foster/Companion Care	23,317
Jones, Norma	Houston, TX	Foster/Companion Care	17,243
JSA Health Texas	Houston, TX	Tele-Medicine Services	1,143
Juarez, Rosa	Pasadena, TX	Supported Home Living Services	2,560
K & K Best Care EMS	Bellaire, TX	EMS Transportation	1,713
Kantor, Michele	Houston, TX	Foster/Companion Care	18,575
Kathuria, Aruna	Spring, TX	Foster/Companion Care	17,243
Kent, Loretta	Katy, TX	Foster/Companion Care	25,254
Knight, Felecia	Houston, TX	Foster/Companion Care	17,243
Krum, Ella Mae	Crosby, TX	Foster/Companion Care	17,964
Lac Hong Adult Day Care Center	Houston, TX	Day Habilitation	3,799
Lamonte, Drew J., D.D.S.	Houston, TX	Dental Services	2,261
Language Line Services	Monterrey, CA	Interpreting services	42,853
Laureles, Eusebio, Jr.	Houston, TX	Foster/Companion Care	17,243
Laval, Ramon, Ph.D.	Houston, TX	Psychologist	178,988
Lewis, Joseph	Houston, TX	Foster/Companion Care	18,737
Lifetime Homecare Services	Sugar Land, TX	Respite Services	1,590
Longoria, Jose	Houston, TX	Foster/Companion Care	18,575
Luco, Glenda S.	Houston, TX	Consumer Advisor	5,750
Malbrough, Lela	Houston, TX	Foster/Companion Care	17,243

**MENTAL HEALTH MENTAL RETARDATION AUTHORITY
OF HARRIS COUNTY**
**SCHEDULE OF PROFESSIONAL AND CONSULTING FEES AND
CONTRACTED PROVIDER SERVICES (UNAUDITED)**
Year Ended August 31, 2011

NAME	CITY	TYPE OF SERVICE	AMOUNT
Mann, Thomas H., Ph.D.	Richmond, TX	Psychologist	\$ 16,406
Manning, Tony	Houston, TX	Consumer Advisor	5,581
Martin, Tanika	Houston, TX	Consumer Advisor	2,613
Martinez, Felix	Houston, TX	Consumer Advisor	3,281
Martinez, Rosibel	Houston, TX	Foster/Companion Care	17,243
Masterword Services, Inc.	Houston, TX	Interpreting Services	155,117
Mayberry, Christine	Houston, TX	Foster/Companion Care	17,243
Mayberry, Mable Austin	Houston, TX	Foster/Companion Care	17,243
McCaleb, Shirley	Houston, TX	Foster/Companion Care	12,944
McClure, Glen E.	Sugar Land, TX	Psychologist	40,000
McLaughlin, Christine	Houston, TX	Consumer Advisor	1,613
Medlin, James	Humble, TX	Foster/Companion Care	15,521
Memorial Hermann Hospital System	Houston, TX	Emergency Room Behavioral Health	16,800
Midtown Terrace Suites	Houston, TX	Housing/Transition Services	76,065
Montemayor, Noemi	Crosby, TX	Foster/Companion Care	17,243
Moore, Betty	Houston, TX	Foster/Companion Care	17,113
Morales, Laura R., M.A.	Houston, TX	Speech/Language Pathologist	4,240
Morgan & Associates Dental	Houston, TX	Dental Services	13,863
NAMI Metropolitan Houston	Houston, TX	Consumer/Staff Training	11,100
Nightingale Adult Day Center	Houston, TX	Interpreting Services	31,242
Nightingale Vocational Rehab Center	Houston, TX	Day Habilitation and Vocational Services	16,447
Nixon Adult Day Center	Houston, TX	Day Habilitation	13,399
Null-Lairson, P.C.	Houston, TX	Audit Services	111,389
Ochoa, Karla G.	Houston, TX	Respite Services	3,698
Ortiz, Micaela	Houston, TX	Foster/Companion Care	35,817
Pace Opportunity Center, Inc.	Houston, TX	Day Habilitation	13,976
Parker Place Property Owners Association	Houston, TX	Respite Services	10,328
Passages, Inc.	Houston, TX	Co-Occurring Disorders Services	90,211
Pate Engineers, Inc.	Houston, TX	Engineering/Survey Services	1,094
Pathway to Serenity	Houston, TX	Housing/Transition Services	15,165
Perry, Bobbie	Houston, TX	Foster/Companion Care	17,243
Pham, Diep, D.D.S.	Alief, TX	Dental Services	1,000
Phillips, Jewel	Houston, TX	Foster/Companion Care	1,170
Pre-Check, Inc.	Houston, TX	Pre-employment Testing	15,118
Prosumers International	San Antonio, TX	Peer Support Training Services	12,838
R & L Group	Houston, TX	Respite Services	2,125
Rainbow Christian Academy	Houston, TX	Day Habilitation	16,158
Randle, Barbara E.	Houston, TX	Foster/Companion Care	18,575
Reach Unlimited, Inc.	Houston, TX	Vocational Training, Day Habilitation, and Supported Home Living	32,814
Renewed Innovations, Inc.	Houston, TX	Housing/Transition Services	6,526
Resource Health Service	Houston, TX	Respite Services	20,890
Rivera, Stella	Houston, TX	Foster/Companion Care	17,243
Rivers, Sherry	Houston, TX	Foster/Companion Care	18,575
Robert Bradley and Associates	Houston, TX	Property Appraisal Services	2,500
Rosette, Jessie	Houston, TX	Foster/Companion Care	18,575
Ross, Sandra	Houston, TX	Foster/Companion Care	18,524
Ruiz, Roberto	Houston, TX	Foster/Companion Care	14,550
Santa Maria Hostel, Inc.	Houston, TX	Substance Abuse Treatment	7,227
Sanzone, Lisa	Houston, TX	Foster/Companion Care	18,575
Satchell, Mary E.	Houston, TX	Foster/Companion Care	17,243

**MENTAL HEALTH MENTAL RETARDATION AUTHORITY
OF HARRIS COUNTY**
**SCHEDULE OF PROFESSIONAL AND CONSULTING FEES AND
CONTRACTED PROVIDER SERVICES (UNAUDITED)**
Year Ended August 31, 2011

NAME	CITY	TYPE OF SERVICE	AMOUNT
Scott, Saralyn	Houston, TX	Speech Therapy	\$ 1,260
Separation Systems Consultants, Inc.	Houston, TX	Environmental Site Assessment	1,900
Serreva, Dawn Page	Houston, TX	Consumer Advisor	2,681
Shepherd, Lisa Gayle	Houston, TX	Foster/Companion Care	7,228
Sign Shares	Houston, TX	Interpreting Services	2,070
Silverman, Edward, Ph.D.	Houston, TX	Psychologist	64,375
Singletary, Leasie	Houston, TX	Foster/Companion Care	32,519
Singleton, Shelia	Houston, TX	Foster/Companion Care	17,243
Sodexo Services of Texas	Chicago, IL	Consumer Food Service	195,465
Soliant Health, Inc.	Houston, TX	Temporary Staffing - Pharmacy	36,923
Solorzano, Maria	Houston, TX	Foster/Companion Care	18,575
Special Texas Homes, Inc.	Houston, TX	Day Habilitation and Vocational Services	24,946
Spitler, Nancy	Houston, TX	Foster/Companion Care	8,456
Staff Care, Inc.	Irving, TX	Contract Psychiatrists	39,600
Stericycle, Inc.	Lake Forest, IL	Hazardous Waste Disposal	5,659
Sue Davis Communications	Houston, TX	Public Relations Consulting	29,091
Texas Engineering Experiment Station	College Station, TX	Energy Usage Analysis	1,600
Texas Medical Center Hospital Laundry Co-op	Houston, TX	Linen Service	42,502
Texas West Oaks Hospital	Houston, TX	Psychiatric Bed Services	26,785
The Center	Houston, TX	Day Habilitation, Vocational, and Residential Services	390,896
		Counseling, Case Management, and Assessment Services	
The Council on Alcohol and Drugs	Houston, TX	Assessment Services	278,436
The Healthy Lunch Box	Houston, TX	Consumer Food Service	55,195
Thompson, Barbara	Houston, TX	Foster/Companion Care	17,243
Thompson, Steve M., D.D.S.	Spring, TX	Dental Services	1,000
Thornton, Jackie	Houston, TX	Foster/Companion Care	18,575
Tisdell, Donald	Houston, TX	Consumer Advisor	8,588
Tjahjadi, Marie	Houston, TX	Foster/Companion Care	17,761
Tri-County MHMR	Conroe, TX	Day Habilitation	4,594
Tryon, Natasha S.	Houston, TX	Respite Services	4,065
U. S. Healthworks	Houston, TX	Employee Drug Screening	2,295
Ultra Staff	Houston, TX	Temporary Staffing - Nursing	5,101
United States Veterans Initiative	Houston, TX	Housing/Transition Services	220,195
University Dental Center	Houston, TX	Dental Services	8,068
University of Houston-Clear Lake	Houston, TX	Behavioral Therapy Services	102,129
University of Texas Health Science Center	Houston, TX	Psychiatric Residents	157,006
Venegas, Ruby	Baytown, TX	Foster/Companion Care	17,243
Village Learning Center, Inc.	Kingwood, TX	Day Habilitation and Vocational Services	37,004
Volunteers of America TX, Inc.	Euleless, TX	Substance Abuse Treatment	244,878
Wenger, Shobha	Houston, TX	Foster/Companion Care	18,575
Westchase Dental	Houston, TX	Dental Services	13,770
Williams, June	Cypress, TX	Foster/Companion Care	18,243
Williamson, Jana	Houston, TX	Consumer Advisor	3,481
Wise, R. Blake	Channelview, TX	Technical Support	88,453
Wukasch, Ilda M.	Channelview, TX	Respite Services	4,710
X-Ray X-Press	Houston, TX	X-Ray Services	14,808
Zimac Care Center	Houston, TX	Day Habilitation and Respite Services	23,084

MENTAL HEALTH AND MENTAL RETARDATION

AUTHORITY OF HARRIS COUNTY

SCHEDULE OF LEGAL SERVICES (UNAUDITED)

Year Ended August 31, 2011

<u>Name</u>	<u>City</u>	<u>Type of Service</u>	<u>Amount</u>
Feldman & Rogers, L.L.P	Houston, TX	Employment and general representation	\$ 18,410
Fulbright & Jaworski, L.L.P	Houston, TX	Employee benefits and general representation	20,422
Rusty Hardin & Associates, P.C.	Houston, TX	Employment and general representation	48,842
Richard Hightower, P.C.	Houston, TX	Board training	3,000
Rogers, Morris & Grover, L.L.P.	Houston, TX	Employment and general representation	10,403
Charles B. Wolfe	Houston, TX	Real estate representation	5,100

(This page intentionally left blank.)

Single Audit Section

(This page intentionally left blank.)



**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, 2011, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated January 24, 2012. 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.

Other auditors audited the financial statements of the discretely presented component units, as described in our report on the Agency's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as Finding #11-01, that we consider to be a significant deficiency in internal control over financial statement reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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*.

The Agency's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Agency's response and, accordingly, we express no opinion on it.

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 24, 2012

Independent Auditor's 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 the Agency's major federal and state programs for the year ended August 31, 2011. The Agency's major federal and state programs are identified in the summary of auditor's 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, 2011.

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 over compliance 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.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items #11-01 and #11-02 to be significant deficiencies.

The Agency's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Agency's response and, accordingly, we express no opinion on the response.

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 24, 2012

**MENTAL HEALTH AND MENTAL RETARDATION
 AUTHORITY OF HARRIS COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For The Year Ended August 31, 2011**

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?	Yes, #11-01
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?	Yes, #11-01 & #11-02
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	
93.958	Mental Health Block Grant
93.778	Medical Assistance Program (Medicaid; Title XIX)
93.778	Medical Assistance Program ARRA (Medicaid; Title XIX)
	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
14.235	Supportive Housing Program – Safe Havens
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)
	Texas Correctional Office on Offenders with Medical or Mental Impairments
	Juvenile Offenders
	Adult Offenders
Dollar threshold used to distinguish between type A and type B programs	Federal: \$357,464 State: \$2,837,913
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, 2011

II. Financial Statement Findings

Finding #11-01 - Internal Controls over Receiving

(See also Section III. Federal and State Award Findings and Questioned Costs, to which this finding applies)

Criteria: The Agency is responsible for implementing internal controls to ensure that supplies purchased are properly received in the system prior to payment of the invoice.

Condition: During the course of the audit, it was noted that two invoices for medical supplies had been paid with no evidence of the supplies being received in the system.

Context: The auditors noted this while performing tests of controls over expenditures. It was further noted that this deficiency appeared to be isolated to one vendor, as both instances were related to receiving of supplies from the same vendor.

Effect: When there is no verification of receiving prior to payment of the invoice, there is a risk that the Agency could pay for supplies not received, causing an overstatement of expenditures.

Cause: Due to the volume of medical supplies ordered through a particular vendor, the invoices are routed to the department head for approval prior to payment. During this approval process, the supplies on the invoice are compared to the supplies per the Agency's order, but not to the receiving documentation.

Recommendation: This finding appears to be isolated to one vendor, for which the payment of invoices follows a different control process. As such, we recommend that management add a step in their existing control process to include verification of receiving documentation prior to authorizing payment of invoices to this specified vendor.

III. Federal and State Awards Findings and Questioned Costs

Finding #11-01 - Internal Controls over Receiving

(See also Section II. Financial Statement Findings, to which this finding applies)

Program: General Revenue – Mental Health

State Agency: Texas Department of State Health Services

Program: Adult Offenders

State Agency: Texas Correctional Office on Offenders with Medical or Mental Impairments

Criteria: The Agency is responsible for implementing internal controls to ensure that supplies purchased by the Agency are received prior to payment of the invoice for the supplies.

Condition: During the course of the audit, it was noted that two invoices for medical supplies had been paid with no evidence of the supplies being received in the system.

Questioned Costs: None

MENTAL HEALTH AND MENTAL RETARDATION
AUTHORITY OF HARRIS COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For The Year Ended August 31, 2011

Context: The auditors noted this while performing tests of controls over expenditures. It was further noted that this control deficiency appeared to be isolated to one vendor, as both instances were related to receiving of supplies from the same vendor.

Effect: When there is no verification of receiving prior to payment of the invoice, there is a risk that the Agency could pay for supplies not received, causing an overstatement of expenditures.

Cause: Due to the volume of supplies ordered through a particular vendor, the invoices are routed to the department head for approval prior to payment. During this approval process, the supplies on the invoice are compared to the supplies per the Agency's order, but not to the receiving documentation.

Recommendation: This finding appears to be isolated to one vendor, for which the payment of invoices follows a different control process. As such, we recommend that management add a step in their existing control process to include verification of receiving documentation prior to authorizing payment of invoices to this specified vendor.

Finding #11-02 - Internal Controls over Program Income

Program: Supportive Housing Program – Safe Havens

CFDA: 14.235

Federal Award #: TX0191B6E000802 (2011) & TX191B6E01003 (2011)

Agency: U.S. Department of Housing and Urban Development

Criteria: The Agency is responsible for implementing internal controls to ensure that all payments received for program income are deposited in a timely manner and all income is properly accounted for in the accounting system.

Condition: The Agency does not have a process in place for periodic reconciliation of manual receipts used for the receipting of rental payments related to the Safe Havens program. In addition, payments received are not always deposited in a timely manner. Program income accounted for 5.4% of the total grant funds for the Supportive Housing Program. The Agency had a total of 69 receipts issued during fiscal year 2011, of which auditors traced 7 to the general ledger and bank deposits. It was noted that the average time from date of receipt to date of deposit for these 7 items was 23 days.

Questioned Costs: None

Context: The auditors noted that no reconciliation of manual receipts to the general ledger was being performed during the walkthrough of processes and controls over the Supportive Housing Program. In addition, auditors noted that the receipts were not always deposited in a timely manner during the testing of program income.

Effect: Lack of controls over the program income receipting process increases the likelihood that misstatements due to fraud or errors could occur and not be detected in a timely manner.

Recommendation: Management should establish internal controls over the receipting of program income, including a periodic reconciliation of manual receipts to the general ledger by personnel other than those involved in the receipting and journal entry processes and deposits of rental payments should be made at least on a weekly basis.

MENTAL HEALTH AND MENTAL RETARDATION
AUTHORITY OF HARRIS COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For The Year Ended August 31, 2011

IV. Status of Prior Year Findings

There were no prior year findings.

V. Corrective Action Plan

Finding 11-01
Internal Controls
over Receiving

Contact Person: Carson Easley, Director of Nursing Services

Response:

In the past, there are designees in each division who receive medical supplies. Upon receipt of these goods, these designees compare the packing slip with what has been ordered, as well as with what has been received. If there are discrepancies, those are communicated to the vendor. The Office of the Director of Nursing Services (DONS) is informed of unresolved discrepancies. The DONS ensures that the Agency is credited with items which have not been delivered.

Subsequently, the DONS approves the invoices for payment after being assured that the said invoice contains the same items as what had been ordered and that credits for discrepancies have been deducted.

Understandably, this process can be improved. Effective September 1, 2011, all units/departments receiving supplies from the specified vendor are required to send signed packing slips to the DONS who is responsible for payment oversight. Signed packing slips will be attached to invoice submitted to Accounts Payable.

Estimated Date of Completion: Already implemented.

Finding 11-02
Internal Controls
over Program
Income for
Supportive
Housing Program

Contact Person: LaShonda Ladler, Program Manager, Safe Havens

Response:

The receipting and transmittal to Finance of clients' rents at Safe Havens may indeed be improved. In the future, the summary of receipts submitted to Finance shall be supported with copies of the actual manual receipts issued to clients and the summary shall be signed by the preparer as well as the Program Manager who will ensure that the copies are valid.

The delay in depositing the rent was due to the intermittent or irregular schedule by which clients pay rent. In the future, we shall require that deposits be made when the balance of collections exceed \$500.

Estimated Date of Completion: February 1, 2012

MENTAL HEALTH AND MENTAL RETARDATION
AUTHORITY OF HARRIS COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended August 31, 2011

<u>Program Title</u>	<u>Federal CFDA #</u>	<u>Contract #</u>	<u>Federal Expenditures</u>
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>Disaster Assistance (DBH Conference)</i>	93.667	---	1,023
<i>MH Block Homeless PATH Grant</i>	93.150	2011-035785-001	966,576
<i>Social Services Block Grant (SA-SSBG Treatment Adult)</i>	93.667	2010-034987-001	67,795
<i>Social Services Block Grant (SA-SSBG Treatment Cost Reimbursement)</i>	93.667	2010-035071-001	7,567
Passed-through Houston-Galveston Area Council:			
<i>Social Services Block Grant (Hurricane Ike Recovery Assistance)</i>	93.667	H-GAC 717-10	608,929
<i>Social Services Block Grant (Hurricane Ike Recovery Assistance)</i>	93.667	H-GAC 758-10	1,877,360
Passed-through Service of Emergency Aid Resource Center:			
<i>SAMHSA-Partners at Independence Heights</i>	93.243	1H79SM059193-01	62,743
Passed-through Texas Department of Assistive and Rehabilitative Services (DARS)			
<i>Temporary Assistance for Needy Families (TANF)</i>	93.558	53802C7037-01	547,877
<i>Medical Assistance Program (Medicaid; Title XIX)</i>	93.778	53802C7037-01	1,787,868
<i>Medical Assistance Program, Recovery Act (Medicaid; Title XIX)</i>	93.778	53802C7037-01	<u>184,660</u>
Total U.S. Department of Health and Human Services			<u>9,463,883</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	1,769,568
<i>Special Education Grants for Infants and Families with Disabilities, Recovery Act (IDEA, Part C)</i>	84.393	53802C7037-01	90,112
<i>Special Education Grants to States (IDEA, Part B)</i>	84.027	53802C7037-01	<u>227,880</u>
Total U.S. Department of Education			<u>2,087,560</u>
U.S. Department of Housing and Urban Development:			
Transitional Housing Program - Safe Havens	14.235	TX0191B6E000802 and TX0191B6E000803	<u>364,040</u>
Total U.S. Department of Housing and Urban Development			<u>364,040</u>
Total Expenditures of Federal Awards			<u>\$ 11,915,483</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, 2011

<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>	---	\$ 43,727,170
<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>74,500,636</u>
Texas Department of Aging and Disability Services:		
<i>General Revenue - Mental Retardation</i>	---	12,259,355
<i>General Revenue - Permanency Planning</i>	---	110,329
<i>General Revenue - In Home and Family Support - H.B. 1154 - MR</i>	---	<u>1,284,896</u>
Total Texas Department of Aging and Disability Services		<u>13,654,580</u>
Texas Department of Assistive and Rehabilitative Services (DARS)		
<i>Early Childhood Intervention (State only)</i>	53802C7037-01	2,115,314
<i>Services to Children with Autism</i>	5382000816	<u>526,000</u>
Total Texas Department of Assistive and Rehabilitative Services (DARS)		<u>2,641,314</u>
Texas Correctional Office on Offenders with Medical or Mental Impairments -		
<i>Juvenile Offenders</i>	696-TC-6-7-L0125	1,026,968
<i>Adult Offenders</i>	696-TC-6-7-L0125	<u>2,327,607</u>
Total Texas Correctional Office on Offenders with Medical or Mental Impairments		<u>3,354,575</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>94,597,105</u>
Total Expenditures of Federal and State Awards		<u>\$106,512,588</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, 2011. 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, 2011. 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.

(This page intentionally left blank.)