

**Community Mental Health Partnership  
of Southeast Michigan**

**Financial Statements**  
September 30, 2021



Community Mental Health Partnership of Southeast Michigan  
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## Independent Auditor's Report

To the Members of the Board  
Community Mental Health Partnership of Southeast Michigan  
Ann Arbor, Michigan

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of Community Mental Health Partnership of Southeast Michigan (the Entity), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Entity's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Entity, as of September 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2022 on our consideration of the Entity'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 solely 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 effectiveness of the Entity's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Entity's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in cursive script that reads "Roslund, Prestage & Company, P.C.".

Roslund, Prestage & Company, P.C.  
Certified Public Accountants

April 12, 2022

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**



Community Mental Health Partnership of Southeast Michigan  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FY 2021

**Responsibility**

The Community Mental Health Partnership of Southeast Michigan (CMHPSM) came into existence on January 1, 2014 as a result of the State of Michigan's consolidation of the 18 Prepaid Inpatient Health Plans (PIHP) operated by select Community Mental Health Service Programs (CMHSPs), into 10 distinct regional entities acting as PIHPs, created by the CMHSPs. As the Region Six PIHP, the CMHPSM is primarily responsible for the operation of the following:

1. Concurrent 1915(b)/(c) Medicaid Waivers which include Autism, Child Waiver, EPSDT, HSW and SED waiver.
2. 1115 Demonstration Waiver
3. Healthy Michigan Plan
4. Autism Benefit
5. Substance Use Disorder Funding (Medicaid, HMP, Block Grant, PA2)
6. Other public funding within its designated four-county region of Lenawee, Livingston, Monroe and Washtenaw

As part of the operation of these programs, the CMHPSM must ensure that it is staffed so that it has enough administrative capability to carry out the requirements and obligations of the Specialty Service contract.

**Mission**

Through effective partnerships, the CMHPSM ensures and supports the provision of high quality integrated care that is cost effective and focuses on improving the health, wellness and quality of life of people living in our region.

**Financial Overview**

Financial statements provided use the Enterprise Fund Presentation, which is a form of Proprietary Fund.

The Proprietary Fund financial statements are designed to provide readers with a broad overview of the organization's finances in a manner similar to a private sector business. Business type activities include services primarily funded through user charges.

Within the enterprise fund used to record the Revenues and Expenses associated with Operations, further structure was developed in order to identify the following:

1. Detail of the different funding sources provided to the CMHPSM
2. Detail of Finance, Information Management and other administrative expenses required to operate the CMHPSM
3. Detail of the funding provided by the CMHPSM to the four County CMHSPs and Substance Use Disorder services by program.

Structuring the CMHPSM's Revenues and Expenses in this manner supports both the development of the Financial Statements for the Annual Financial Audit, as well as the State of Michigan contractual reporting requirements.

Community Mental Health Partnership of Southeast Michigan  
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The CMHPSM has one Proprietary Fund for recording of Revenues and Expenses associated with the PIHP Operations, and a second Fund for the recording of funding related to the PIHP's Internal Services Fund (ISF). The ISF is the primary element of the CMHPSM's Risk Management Strategy to protect service delivery at the four CMHSP's should unexpected expense increase or revenue reductions occur without sufficient time to respond given the resources planned to be available during the Budget Development Cycle.

**Fund Financial Statements**



The proprietary funds financial statements are intended to provide an overview of CMHPSM's major areas of funding as the PIHP. Funds are separated to maintain the integrity of the reporting and to meet all funding and regulatory restrictions on the allowable expenses of each funding source.

**Notes to the Financial Statements**

The notes provide additional information that is essential to the full understanding of the financial data provided in the financial statements. These notes are an integral part of the financial statements and should be viewed in conjunction with the information included in the statements.

**Statement of Net Position**

The CMHPSM's Net Position is comprised entirely of resources that are subject to external restrictions on how they may be used.

	 <b>2020</b>	 <b>2021</b>
	<hr/>	<hr/>
<b>Assets</b>		
Cash and Cash Equivalents-Unrestricted	10,814,337	28,205,679
Receivables	35,435,804	22,390,715
Prepaid Expenses	60,747	83,347
Capital Assets	13,000	-
	<hr/>	<hr/>
<b>Total Assets</b>	46,323,888	50,679,741
<b>Liabilities</b>		
Accounts Payable and Accrued Liabilities	41,359,522	16,283,839
Unearned Revenue	6,841,385	17,283,487
Compensated Balances		57,830
	<hr/>	<hr/>
<b>Total Liabilities</b>	48,200,907	33,625,156
<b>Net Position</b>		
Net Investment in Capital Assets	13,000	-
Restricted for Risk Management	11,054,816	15,026,143
Unrestricted	<u>(12,944,835)</u>	<u>2,028,442</u>
<b>Total Net Position</b>	(1,877,019)	17,054,585

Community Mental Health Partnership of Southeast Michigan  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FY 2021

**Statement of Activities Including Change in Net Position**

The statement of activities lists the major areas of funding received by the CMHPSM. Funding provided for Mental Health Managed Specialty Supports and Services Concurrent Waiver Programs by the Michigan Department of Health and Human Services (MDHHS) represents 94% of the total funding and Substance Use Disorder Services represents 3% received by the CMHPSM. The remaining revenue is Local Match Drawdown and Local Match for Health Homes that are collected by the CMHPSM from the CMHSPs and passed on to MDHHS as required by the CMHPSM contract with MDHHS.

During the fiscal year ended September 30, 2021, the net position of CMHPSM increased by \$18,932,692 due to decreased CMHSP expenditures and increased funding from MDHHS.

	<b>2021</b>
<b>Revenues</b>	
Federal Grant Funding	5,884,761
Medicaid Capitation	156,149,045
Healthy Michigan Plan	27,945,347
Autism	17,395,324
Medicaid Substance Abuse	3,571,391
PA2	2,491,772
Substance Use Disorder-State Portion	732,136
Affiliation Charges	143,587
Contributions-Local Match Drawdown from CMHSPs	1,259,140
Incentives	2,055,743
Investment Income	35,443
<b>Total Revenues</b>	<b>217,663,689</b>
<b>Expenditures</b>	
Funding for Lenawee CMHSP	20,718,794
Funding for Livingston CMHSP	33,174,483
Funding for Monroe CMHSP	33,738,131
Funding for Washtenaw CMHSP	84,729,337
SUD Expenditures	17,460,246
Hospital Rate Adjuster Payments	4,255,328
Insurance Provider Assessment Tax	1,740,433
Local Match Drawdown	1,259,140
Administrative Expense	1,655,105
<b>Total Expenditures</b>	<b>198,730,997</b>
<b>Excess of Revenue Over Expenditures</b>	<b>18,932,692</b>



Community Mental Health Partnership of Southeast Michigan  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Factors Impacting the Future**

There are many factors impacting the financial position of the Community Mental Health Partnership of Southeast Michigan (CMHPSM) as the Pre-Paid Inpatient Health Plan (PIHP), and its four Community Mental Health Service Program (CMHSP) partners within our four-county region. Projecting and budgeting revenue continue to be a difficult endeavor due to the volatile nature of our funding streams derived from MDHHS which are based upon a monthly capitated payment process which has frequent rate changes and monthly population variation. Forecasting the costs of delivering behavioral health services within the CMHPSM region is always complicated. The CMHPSM region is a long-established partnership that has year after year managed its expenditures within the revenue allocated until rates were redeveloped beginning in FY2016 for FY2017-FY2019. While the deficits of FY2017, FY2018 and FY2019 continue to impact the financial position of the CMHPSM, the strong financial showing in FY2020 and FY2021 has significantly reversed that trend.

**Revenue**

There are issues related to revenue forecasting every year due to the lag in rate setting information for each upcoming fiscal year. The budget for each fiscal year is developed several months prior to Michigan Department of Health and Human Services (MDHHS) notification of capitation payment rates and eligible estimates. The CMHPSM Board of Directors reviews and approves an initial annual budget in September for the subsequent fiscal year beginning on October 1. Development of the annual budget begins in April, six months prior to its implementation. The statewide actuarial certification for capitation payments is not typically complete and added to our PIHP contract until after the start of the that fiscal year.

Revenue from the capitated payments that the CMHPSM receives as the PIHP is derived by the number of actual eligible individuals within the four-county region, which fluctuates continually every month. The difficulty in projecting revenue stems from this ongoing uncertainty of both the number of eligible individuals within each program eligibility category and the capitation payment rates associated with those programs. The CMHPSM receives PMPM (Per Member Per Month) capitation payments for everyone who has Medicaid, Healthy Michigan and/or Habilitation Supports Waiver insurance coverage in that given month. The total revenue received in these monthly payments, is derived from a rate setting methodology which is considered to be actuarially sound on a statewide basis. FY2021 saw a continued elevation of individuals eligible for Healthy Michigan or TANF benefits.

Beginning in FY2020 a rate methodology change that is more favorable to our region's rates began which was more fully implemented in FY2021. Our FY2021 capitation rates are more favorable to the CMHPSM in comparison to the previous rate methodology in place for FY2017, FY2018 and FY2019. Our rates have also had direct care premium pay included for the past two fiscal years.

**Expenses**

The CMHPSM region has experienced a decrease in our service expenditure levels regionally during FY2020 and FY2021 due to the COVID pandemic. The service delivery system pivoted to

Community Mental Health Partnership of Southeast Michigan  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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more telehealth services, more natural supports, less congregated service settings and ongoing provider staffing issues which have led to a reduction in CMHSP services. The PIHP has also decreased expenditures in substance use disorder services across the region. It is expected that both mental health and substance use disorder services will return to pre-pandemic levels in the future.

**Financial Status**

The continued uncertainty related to the future of PIHPs and CMHSPs impacts our look to the future as well. Upcoming changes to the Michigan's Medicaid waiver applications, rate setting practices, program expansions, and service array make projections for the future difficult.

The financial status of the CMHPSM in FY2021 is trending positively, and included a significant contribution to the ISF. Current and future financial status projections are more closely aligned with the majority of our region's positive fiscal history, rather than the outlier period of FY2017-FY2019. The CMHPSM projects to have a much clearer picture of our financial status as the deficit from those years is eliminated. The CMHPSM has recently revised FSRs for FY2018, FY2019 and FY2020 to denote allowable changes to ISF activity related to our financial status. These revisions allow for a more accurate reporting of the CMHPSM's financial status during the deficit years. Upon approval from MDHHS the CMHPSM would be able to eliminate the deficit in the ISF, repay the CMHSPs for the PIHP share of the risk corridor and move forward with a more positive financial future.

**Requests for Information**

This financial report is designed to provide a general overview of the finances of the Community Mental Health Partnership of Southeast Michigan. Questions concerning this information may be directed to Matt Berg, CMHPSM CFO at 3005 Boardwalk Dr. Suite 200, Ann Arbor, Michigan 48108.

## **BASIC FINANCIAL STATEMENTS**



Community Mental Health Partnership of Southeast Michigan  
Statement of Net Position  
September 30, 2021

	Mental Health Operating	Medicaid Risk Reserve	Total Proprietary Funds
<b>Current assets</b>			
Cash and cash equivalents	\$ 28,205,591	\$ -	\$ 28,205,591
Accounts receivable	88	-	88
Due from other funds	-	15,026,143	15,026,143
Due from other agencies	263,206	-	263,206
Due from affiliate partners	6,299,813	-	6,299,813
Due from MDHHS	15,827,696	-	15,827,696
Prepaid expenses	83,347	-	83,347
Total current assets	<u>50,679,741</u>	<u>15,026,143</u>	<u>65,705,884</u>
<b>Current liabilities</b>			
Accounts payable	2,856,654	-	2,856,654
Accrued payroll and benefits	62,336	-	62,336
Due to other funds	15,026,143	-	15,026,143
Due to other agencies	1,143,880	-	1,143,880
Due to affiliate partners	10,561,437	-	10,561,437
Due to MDHHS	1,659,532	-	1,659,532
Unearned revenue	17,283,487	-	17,283,487
Compensated absences	57,830	-	57,830
Total current liabilities	<u>48,651,299</u>	<u>-</u>	<u>48,651,299</u>
<b>Net position</b>			
Restricted for risk management	-	15,026,143	15,026,143
Unrestricted	<u>2,028,442</u>	<u>-</u>	<u>2,028,442</u>
Total net position	<u>\$ 2,028,442</u>	<u>\$ 15,026,143</u>	<u>\$ 17,054,585</u>

Community Mental Health Partnership of Southeast Michigan  
Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended September 30, 2021

	Mental Health Operating	Medicaid Risk Reserve	Total Proprietary Funds
<b>Operating revenues</b>			
Medicaid capitation	\$ 156,149,045	\$ -	\$ 156,149,045
Healthy Michigan	18,857,282	-	18,857,282
Autism	17,455,539	-	17,455,539
Incentives	2,055,743	-	2,055,743
Substance use	12,599,241	-	12,599,241
PA2 revenues	2,490,685	-	2,490,685
State and federal grants	6,616,897	-	6,616,897
Affiliation charges	143,587	-	143,587
Contributions - Local match drawdown	1,259,140	-	1,259,140
Total operating revenues	<u>217,627,159</u>	-	<u>217,627,159</u>
<b>Operating expenses</b>			
Funding for affiliate partners			
Lenawee Community Mental Health Authority	20,718,794	-	20,718,794
Community Mental Health Services of Livingston County	33,174,483	-	33,174,483
Monroe Community Mental Health Authority	33,738,131	-	33,738,131
Washtenaw County Community Mental Health	84,729,337	-	84,729,337
Total funding for CMHSP partners	<u>172,360,745</u>	-	<u>172,360,745</u>
Substance use disorder expense			
Contracted services - Medicaid and Healthy Michigan	7,460,057	-	7,460,057
Contracted services - PA2	2,490,685	-	2,490,685
Contracted services - Prevention	613,881	-	613,881
Contracted services - State agreement	3,459,412	-	3,459,412
SUD administrative expense	3,436,211	-	3,436,211
Total substance use disorder expense	<u>17,460,246</u>	-	<u>17,460,246</u>
Other contractual obligations			
Hospital Rate Adjuster	4,255,328	-	4,255,328
Use and IPA Tax	1,740,433	-	1,740,433
Local match expense	1,259,140	-	1,259,140
Total other contractual obligations	<u>7,254,901</u>	-	<u>7,254,901</u>
Administrative expense			
Board per diem	28	-	28
Capital outlay - under \$5,000	31,945	-	31,945
Conventions	3,030	-	3,030
Depreciation expense	13,000	-	13,000
Dues and memberships	3,821	-	3,821
Insurance	7,626	-	7,626
Legal and accounting	24,222	-	24,222
Professional contracts	354,202	-	354,202
Rent	60,899	-	60,899
Salaries and fringes	1,103,141	-	1,103,141
Supplies	29,131	-	29,131
Travel and training	7,718	-	7,718
Utilities	16,343	-	16,343
Total administrative expense	<u>1,655,106</u>	-	<u>1,655,106</u>
Total operating expenses	<u>198,730,998</u>	-	<u>198,730,998</u>

The notes to the financial statements are an integral part of this statement.

Community Mental Health Partnership of Southeast Michigan  
Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended September 30, 2021

	Mental Health Operating	Medicaid Risk Reserve	Total Proprietary Funds
Operating income (loss)	\$ 18,896,161	\$ -	\$ 18,896,161
<b>Nonoperating revenues (expenses)</b>			
Investment income	35,443	-	35,443
Total nonoperating revenues (expenses)	<u>35,443</u>	<u>-</u>	<u>35,443</u>
<b>Transfer in (out)</b>	<u>(18,880,568)</u>	<u>18,880,568</u>	<u>-</u>
<b>Change in net position</b>	51,036	18,880,568	18,931,604
<b>Net position, beginning of year (as restated)</b>	<u>1,977,406</u>	<u>(3,854,425)</u>	<u>(1,877,019)</u>
<b>Net position, end of year</b>	<u>\$ 2,028,442</u>	<u>\$ 15,026,143</u>	<u>\$ 17,054,585</u>

Community Mental Health Partnership of Southeast Michigan  
Statement of Cash Flows  
For the Year Ended September 30, 2021

	Mental Health Operating	Medicaid Risk Reserve	Total Proprietary Funds
<b>Cash flows from operating activities</b>			
Receipts from the State and other governments	\$ 247,785,043	\$ (18,880,568)	\$ 228,904,475
Payments to employees	(1,039,614)	-	(1,039,614)
Payments to affiliates and other governments	(194,120,398)	-	(194,120,398)
Payments to suppliers and providers	(16,388,652)	-	(16,388,652)
Net cash provided by (used in) operating activities	<u>36,236,379</u>	<u>(18,880,568)</u>	<u>17,355,811</u>
<b>Cash flows from noncapital financing activities</b>			
Transfers from other funds	(18,880,568)	18,880,568	-
Net cash provided by (used in) noncapital financing activities	<u>(18,880,568)</u>	<u>18,880,568</u>	<u>-</u>
<b>Cash flows from investment activities</b>			
Investment income	35,443	-	35,443
Net cash provided by (used in) investment activities	<u>35,443</u>	<u>-</u>	<u>35,443</u>
<b>Net increase in cash and cash equivalents</b>	17,391,254	-	17,391,254
<b>Cash and cash equivalents, beginning of year</b>	<u>10,814,337</u>	<u>-</u>	<u>10,814,337</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 28,205,591</u>	<u>\$ -</u>	<u>\$ 28,205,591</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 18,896,161	\$ -	\$ 18,896,161
Depreciation expense	13,000	-	13,000
Changes in assets and liabilities:			
Accounts receivable	(88)	-	(88)
Due from other funds	-	(18,880,568)	(18,880,568)
Due from other agencies	654,258	-	654,258
Due from affiliate partners	664,929	-	664,929
Due from MDHHS	(385,245)	-	(385,245)
Prepaid expenses	(22,600)	-	(22,600)
Accounts payable	1,633,159	-	1,633,159
Accrued payroll and benefits	5,697	-	5,697
Due to other funds	18,880,568	-	18,880,568
Due to other agencies	30,768	-	30,768
Due to affiliate partners	(15,169,681)	-	(15,169,681)
Due to MDHHS	535,521	-	535,521
Unearned revenue	10,442,102	-	10,442,102
Compensated absences	57,830	-	57,830
Net cash provided by (used in) operating activities	<u>\$ 36,236,379</u>	<u>\$ (18,880,568)</u>	<u>\$ 17,355,811</u>

**NOTES TO THE  
FINANCIAL STATEMENTS**





**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Community Mental Health Partnership of Southeast Michigan (the Entity) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the Entity.

**Reporting Entity**

Community Mental Health Partnership of Southeast Michigan was formed by the Community Mental Health Services Program (CMHSP) Participants to serve as the prepaid inpatient health plan (“PIHP”) for the four counties designated by the Michigan Department of Health and Human Services as Region 6. The CMHSP Participants include Lenawee Community Mental Health Authority, Community Mental Health Services of Livingston County, Monroe Community Mental Health Authority and Washtenaw County Community Mental Health.

Community Mental Health Partnership of Southeast Michigan is a regional entity, which was formed pursuant to 1974 P.A. 258, as amended, MCL §330.1204b, as a public governmental entity separate from the CMHSP Participants that established it.

**Financial Statement Presentation**

Under GASB 34, the Entity is considered a special purpose government and has elected to present the basic statements as an Enterprise Fund (a type of proprietary fund) which is designed to be self-supporting. Enterprise Funds distinguish operating revenues and expenses from nonoperating items. The principal operating revenues of the Entity are charges related to serving its customers (including primarily “per member per month” capitation and state and county appropriations). Operating expenses for the Entity include cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses including investment income and interest expense.

As a general rule, the effect of interfund activity has been eliminated when presenting total proprietary fund activity.

All amounts shown are in U.S. dollars.

**Fund Accounting**

The accounts of the Entity are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenue, and expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The Entity reports the following major enterprise fund:

*Mental Health Operating* – This fund is used to account for those activities that are financed and operated in a manner similar to private business relating to revenues earned, costs incurred, and/or net income. This fund of the Entity accounts for its general operations.

In addition, the Entity reports the following major internal service fund:

*Medicaid Risk Reserve* – This fund is used to cover the risk associated with the Medicaid Managed Care Specialty Services Program Contract. This contract provides for the use of Department of Health and Human Services funding for the establishment of Internal Service Funds.

**Basis of Accounting and Measurement Focus**

Basis of accounting refers to when revenue and expenses are recognized in the accounts and reported in the financial statements. The proprietary funds are accounted for using the full accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. The proprietary funds are accounted for on a cost of services or economic resources measurement focus. This means that all assets and all liabilities associated with their activity are included on the statement of net position.

**Estimates**

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

**Cash and Cash Equivalents**

The Entity's cash and cash equivalents are considered to be cash on hand, money market funds, demand deposits, and certificates of deposit.

**Investments**

Investments for the Entity are reported at fair value (generally based on quoted market prices).

**Accounts Receivable/Payable**

Accounts receivable/payable in all funds report amounts that have arisen in the ordinary course of business. Accounts receivable is stated net of allowances for uncollectible amounts, if any.

**Due from/Due to Other Governmental Units**

Due from/due to other governmental units consist primarily of amounts due from/to the CMHSP Participants and the State of Michigan.

**Inventories**

The Entity does not recognize supplies inventory as an asset. The cost of these supplies is considered immaterial to the financial statements and the quantities are not prone to wide fluctuation from year to year. The costs of such supplies are expensed when purchased.

**Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as an expense when consumed rather than when purchased.

**Capital Assets**

Capital assets are defined by the Entity as individual assets with an initial cost equal to or more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the Entity are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Computers and Software	3

The Entity reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its fair value. If it is determined that an impairment loss has occurred, the asset is written down to its net realizable value and a related expense is recognized in the current year.

**Accrued Payroll and Benefits**

Accrued payroll and benefits relate to salaries and wages earned in September but not paid until October.

**Unearned Revenue**

The Entity reports unearned revenue when revenue does not meet either the "measurable" and "available" criteria

for recognition in the current period, or when resources are received by the Entity before it has a legal claim to them, such as when grant money is received prior to the incurrence of qualifying expenses. In subsequent periods, when both revenue recognition criteria are met, or when the Entity has legal claim to the resources, the liability for unearned revenue is removed and the revenue is recognized.

**Compensated Absences**

The Entity's policy permits employees to accumulate earned but unused vacation and sick benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the financial statements. The liability for compensated absences includes salary related benefits, where applicable.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Entity has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Entity has no items that qualify for reporting in this category.

**Net Position**

Net investment in capital assets

This category consists of capital asset balances, net of accumulated depreciation, less outstanding balances of debt related to those assets.

Restricted

Net position in this category is reported as restricted when constraints placed on net position use is either:

- Externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or
- Imposed by law through constitutional provisions or enabling legislation.

Unrestricted

If net position does not meet the criteria for the above categories, it is reported as unrestricted.

In addition, the Entity will first use restricted resources when an expense is incurred for purposes for which either restricted or unrestricted net position is available.

**Restrictions on Net Position**

Medicaid Risk Reserve

The Entity authorized the establishment of an internal service fund. This fund is used to cover the risk associated with Managed Care Specialty Services Program Contract. This contract provides for the use of Michigan Department of Health and Human Services (MDHHS) funding for the establishment of Internal Service Funds.

**MDHHS Revenue**

The Entity serves as the Pre-Paid Inpatient Health Plan for the area that includes Lenawee, Livingston, Monroe and Washtenaw Counties. The Entity contracts directly with the MDHHS to administer mental health and substance abuse revenues for covered services provided to eligible residents of these counties.

**NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS**

**Cash and Cash Equivalents**

Michigan’s statutory authority allows governmental entities to invest in the following investments:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified institution.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers’ acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investments Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

At September 30<sup>th</sup> the carrying amount of the Entity’s cash and cash equivalents are as follows:

Description	Amount
Checking, savings and money market	28,205,591
Total	28,205,591

**Interest Rate Risk**

State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The Entity’s investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk**

State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers’ acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the summary of significant accounting policies. The Entity’s investment policy does not have specific limits in excess of state law on investment credit. The ratings for each investment are identified above for investments held at year-end.

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the Entity’s deposits may not be returned. State law does not require and the Entity does not have a policy for deposit custodial credit risk. As of year-end \$27,949,623 of the Entity’s bank balance of \$28,215,018 was exposed to custodial credit risk because it was uninsured and uncollateralized. Deposits which exceed FDIC insurance coverage limits are held at local banks.

The Entity believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Entity evaluates each financial institution with which it deposits funds and assesses the level of risk at each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

**Concentration of Credit Risk**

State law limits allowable investments but does not limit concentration of credit risk as identified in the summary of significant accounting policies. The Entity’s investment policy does not have specific limits in excess of state law on concentration of credit risk.

**Investments**

State statutes authorize the Entity to invest in obligations and certain repurchase agreements of the United States Treasury and related governmental agencies, commercial paper, banker’s acceptances of the United States banks, obligations of the State of Michigan or any of its political subdivisions, and mutual funds composed entirely of the

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above investments. See above for a listing of the Entity's investments. The Entity's investment policy complies with the state statutes and has no additional investment policies that would limit its investment choices.

**NOTE 3 – ACCOUNTS RECEIVABLE**

The Entity believes that the accounts receivable will be collected in full and therefore the receivable balance has not been offset by an allowance for doubtful accounts.

**NOTE 4 - DUE FROM OTHER AGENCIES**

Due from other agencies as of September 30<sup>th</sup> consists of the following:

Description	Amount
Lenawee County PA2	83,233
Livingston County PA2	50,698
Monroe County PA2	37,759
Washtenaw County PA2	92,200
Other	(684)
Total	263,206

**NOTE 5 - DUE FROM AFFILIATE PARTNERS**

Due from other affiliate partners as of September 30<sup>th</sup> consists of the following:

Description	Amount
Lenawee Community Mental Health Authority	1,721,181
Community Mental Health Services of Livingston County	4,554,936
Monroe Community Mental Health Authority	6,731
Washtenaw County Community Mental Health	16,965
Totals	6,299,813

**NOTE 6 - DUE FROM MDHHS**

Due from MDHHS as of September 30<sup>th</sup> consists of the following:

Description	Amount
Due from MDHHS - DCW	84,042
Due from MDHHS - PBIP Bonus	1,742,245
Due from MDHHS - PIHP Withhold	262,158
Due from MDHHS - FY18 State Shared Risk	7,517,412
Due from MDHHS - FY19 State Shared Risk	3,479,703
Due from MDHHS - HRA 4th Quarter	1,139,908
Grants Receivable	1,602,228
Totals	15,827,696

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**NOTE 7 - CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets being depreciated					
Computers and software	78,000	-	-	-	78,000
Total capital assets being depreciated	78,000	-	-	-	78,000
Accumulated depreciation					
Computers and software	(65,000)	(13,000)	-	-	(78,000)
Total accumulated depreciation	(65,000)	(13,000)	-	-	(78,000)
Capital assets being depreciated, net	13,000	(13,000)	-	-	-

**NOTE 8 - DUE TO OTHER AGENCIES**

Due to other agencies as of September 30<sup>th</sup> consists of the following:

Description	Amount
Hospital Rate Adjustment (HRA)	1,139,908
Other	3,972
Total	1,143,880

**NOTE 9 - DUE TO AFFILIATE PARTNERS**

Due to Affiliate Partners as of September 30<sup>th</sup> consists of the following:

Description	Amount
Monroe Community Mental Health Authority	3,545,221
Washtenaw County Community Mental Health	7,016,216
Total	10,561,437

**NOTE 10 - DUE TO MDHHS**

Due to MDHHS as of September 30<sup>th</sup> consists of the following:

Description	Amount
Due to MDHHS – IPA tax	452,537
Due to MDHHS – HSW	1,058,431
Due to MDHHS – DCW lapse	148,564
Total	1,659,532

**NOTE 11 - UNEARNED REVENUE**

The amount reported as unearned revenue represents revenues received in advance of the period earned as follows:

Description	Amount
Unearned PA2 revenues	6,188,817
Medicaid carryforward	11,013,346
Healthy Michigan carryforward	81,324
Total	17,283,487

**NOTE 12 - LONG-TERM LIABILITIES**

**Summary of Long-Term Debt**

The changes in long-term debt during the fiscal year are as follows:

	Beginning Balance	Additions	(Deletions)	Ending Balance	Due within one year
Compensated absences	-	57,830	-	57,830	57,830

**NOTE 13 – RETIREMENT PLANS**

**Defined Contribution Retirement Plan – 401(a)**

Plan Description

The Entity offers all employees a retirement plan created in accordance with the Internal Revenue Code, Section 401(a). The assets of the plan were held in trust for the exclusive benefit of the participants (employees) and their beneficiaries. United of Omaha Life Insurance Company acts as the custodian for the plan and holds the custodial account for the beneficiaries of this Section 401(a) plan.

The assets may not be diverted to any other use. United of Omaha Life Insurance Company are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. Plan balances and activities are not reflected in the Entity's financial statements.

Plan provisions are established or amended by Board resolution. This plan is funded solely by employer contributions.

Eligibility

All employees are eligible once they are over the age of 21.

Contributions

The Entity matches (into the 401(a) plan) the first 3.0% of the employee contribution into the 457 plan. An additional employer match of up to 3.0% is available if the employee contributes up to an additional 3.0%. Maximum employer match is 6.0% with employee contribution of 6.0%.

Normal Retirement Age & Vesting

Retirement age as defined by the plan is 59 1/2 years of age. Contributions are vested immediately.

Forfeitures

Contributions are 100% vested immediately. Therefore, there are no forfeitures.

Funding

For the year ended September 30<sup>th</sup>, employer contributions amounted to \$59,242. The outstanding liability to the plan at year-end was \$2,912.

**Deferred Compensation Retirement Plan – 457**

Plan Description

The Entity offers all employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plan were held in trust, as described in IRC Section 457 for the exclusive benefit of the participants (employees) and their beneficiaries. United of Omaha Life Insurance Company acts as the custodian for the plan and holds the custodial account for the beneficiaries of this plan.

The assets may not be diverted to any other use. United of Omaha Life Insurance Company is the agent of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the Entity's financial statements.

Plan provisions are established or amended by Board resolution. Under the plan, employees may elect to defer a portion of their wages, subject to Internal Revenue Service limits.

This plan is funded solely by employee contributions.

Eligibility

All employees are eligible once they are over the age of 21.

Contributions

The Entity matches (into the 401(a) plan) the first 3.0% of the employee contribution into the 457 plan. An additional employer match of up to 3.0% is available if the employee contributes up to an additional 3.0%. Maximum employer match is 6.0% with employee contribution of 6.0%.

Normal Retirement Age & Vesting

Retirement age as defined by the plan is 59 1/2 years of age. Contributions are vested immediately.

Forfeitures

Contributions are 100% vested immediately. Therefore, there are no forfeitures.

Funding

For the year ended September 30<sup>th</sup>, contributions by employees amounted to \$89,275. The outstanding liability to the plan at year-end was \$3,573.

**NOTE 14 - OPERATING LEASES**

The Entity has entered into various operating leases for the use of real and personal property. Operating leases do not give rise to property rights or lease obligations, and therefore, the results of the lease agreements are not reflected in the financial statements. Lease expense for the fiscal year was approximately \$122,699.

The future minimum lease obligations as of September 30<sup>th</sup>, were as follows:

Year Ending September 30 <sup>th</sup>	Amount
2022	126,380
2023	130,171
2024	134,076
2025	33,765



**NOTE 15 - RISK MANAGEMENT**

Commercial Insurance

The Entity is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker’s compensation), as well as medical benefits provided to employees. The Entity has purchased commercial insurance from independent insurance providers. Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage obtained through commercial insurance during the past year.

Risk Reserve Fund

The Entity covers the costs up to 105% of the annual Medicaid and Healthy Michigan contract. The Entity and MDHHS equally share the costs between 105% to 110% of the contract amounts. Costs in excess of 110% of the contract are covered entirely by MDHHS.

The Entity has established a Medicaid Risk Reserve Fund, in accordance with Michigan Department of Health and Human Services guidelines, to assist in managing risk under the terms of its contract with the MDHHS.

**NOTE 16 – CONTINGENT LIABILITIES**

Under the terms of various federal and state grants and regulatory requirements, the Entity is subject to periodic audits of its agreements, as well as a cost settlement process under the full management contract with the state. Such audits could lead to questioned costs and/or requests for reimbursement to the grantor or regulatory agencies. Cost settlement adjustments, if any, as a result of compliance audits are recorded in the year that the settlement is finalized. The amount of expenses which may be disallowed, if any, cannot be determined at this time, although the Entity expects such amounts, if any, to be immaterial.

**NOTE 17 – ECONOMIC DEPENDENCE**

The Entity receives over 95% of its revenues directly from MDHHS.

**NOTE 18 – RESTATEMENT OF NET POSITION**

As of year-end, the beginning net position of the Mental Health Operating Fund was restated as follows:

Balance September 30, 2020 Previously Reported	Restatement	Balance September 30, 2020 as Restated
(12,931,835)	14,909,241	1,977,406

As of year-end, the beginning net position of the Medicaid Risk Reserve was restated as follows:

Balance September 30, 2020 Previously Reported	Restatement	Balance September 30, 2020 as Restated
11,054,816	(14,909,241)	(3,854,425)

A restatement of beginning net position was made to move the risk associated with fiscal year 2018 (in the amount of \$4,286,744) and fiscal year 2019 (in the amount of \$10,622,497) operations from the Mental Health Operating Fund to the Medicaid Risk Reserve Fund.

**NOTE 19 - UPCOMING ACCOUNTING PRONOUNCEMENTS**

GASB Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the Entity’s fiscal year September 30, 2022. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and

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liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB Statement No. 96, *Subscription-based Information Technology Arrangements*, was issued by the GASB in May 2020 and will be effective for the Entity's fiscal year ending September 30, 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.



INDEPENDENT AUDITOR'S 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 Members of the Board  
Community Mental Health Partnership of Southeast Michigan  
Ann Arbor, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of Community Mental Health Partnership of Southeast Michigan (the Entity) as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Entity's basic financial statements, and have issued our report thereon dated April 12, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Entity's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control.

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

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,

A handwritten signature in dark blue ink that reads "Roslund, Prestage &amp; Company, P.C." in a cursive style.

Roslund, Prestage & Company, P.C.  
April 12, 2022



## Communication with Those Charged with Governance at the Conclusion of the Audit

To the Members of the Board  
Community Mental Health Partnership of Southeast Michigan  
Ann Arbor, Michigan

We have audited the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of Community Mental Health Partnership of Southeast Michigan (the Entity) for the year ended September 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our previously issued letter (*Communication with Those Charged with Governance during Planning*). Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Matters

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Entity are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was changed as discussed in Note 18. We noted no transactions entered into by the Entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the payout of employee compensated absences upon their retirement is based on expected payout. We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimated lives of capital assets are based on the expected life of the asset. We evaluated the key factors and assumptions used to develop the estimated lives of capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Attached is a listing of material misstatements detected as a result of audit procedures which were corrected by management.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### Other Matters

We applied certain limited procedures to the management's discussion and analysis which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

#### Restriction on Use

This information is intended solely for the information and use of the members of the board and management of the Entity and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,



Roslund, Prestage & Company, P.C.  
Certified Public Accountants

Community Mental Health Partnership of Southeast Michigan  
Communications with Those Charged with Governance at the Conclusion of the Audit  
Schedule of Material Misstatements  
09/30/2021

The following material misstatements were detected as a result of audit procedures and corrected by management:

AJE Ref.	Account Number	Account	Debit	Credit
39026	10-000-00-39999	Mental Health Net position		11,524,662
39026	10-105-10-60400	ISF Transfer Out	11,524,662	
39026	10-000-00-39999	Mental Health Net position		7,355,906
39026	10-105-10-60400	ISF Transfer Out	7,355,906	
39026	20-000-00-39999	ISF Net position	11,524,662	
39026	20-100-10-90000	ISF Transfer In		11,524,662
39026	20-000-00-39999	ISF Net position	7,355,906	
39026	20-100-10-90000	ISF Transfer In		7,355,906
		(To move current year ISF transfers to income statement)		
39026	20-000-00-13000	Due From Other Funds	14,909,241	
39026	10-000-00-23000	Due To Other Funds		14,909,241
		(To balance funds as a result of prior period adjustments)		
39026	10-000-00-13000	Due From Other Funds	18,880,568	
39026	10-000-00-23000	Due To Other Funds		18,880,568
39026	20-000-00-23000	Due To Other Funds	10,937,914	
39026	20-000-00-13000	Due From Other Funds		10,937,914
		(To net interfund Due froms and Due tos)		
39122	10-000-00-13020	Due From Affiliate	3,439,492	
39122	10-000-00-23020	Due To Affiliate		3,439,492
		(To reclassify receivable included with liabilities)		
39124	10-000-00-13020	Due From Affiliate	82,152	
39124	10-000-00-23020	Due To Affiliate		82,152
		(To reclassify receivable included with liabilities)		



**RPC**  
Roslund Prestage & Company  
CERTIFIED PUBLIC ACCOUNTANTS

**Community Mental Health Partnership of Southeast Michigan  
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