

Community Mental Health Partnership of Southeast Michigan

Financial Statements
September 30, 2024



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 Audit of the Financial Statements

Opinions

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 PIHP), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the PIHP's basic financial statements as listed in the table of contents.

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 PIHP, as of September 30, 2024, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the PIHP and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the PIHP's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 PIHP's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the PIHP's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 May 27, 2025, on our consideration of the PIHP'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 PIHP'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 PIHP'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

May 27, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS



Community Mental Health Partnership of Southeast Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS
FY2024

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 coverage of mental health, developmental disability and substance use disorder treatment services for those eligible within the:

1. Medicaid State Plan
2. §1915(c) Waiver: Children's Waiver Programs, Habilitation Supports Waiver, Serious Emotional Disturbance Waiver
3. 1915(i) State Plan Waiver
4. §1115 Behavioral Health Demonstration Waiver
5. §1115 Healthy Michigan Plan Demonstration Waiver
6. Substance Use Disorder Service Funding (Medicaid, HMP, Block Grant, PA2)
7. Other public funding within its designated four-county region of Lenawee, Livingston, Monroe, and Washtenaw related to Substance Use Prevention, Gambling, Veterans Service coordination and other programming.

As part of the operation of these programs, the CMHPSM must ensure that it is sufficiently staffed to carry out the administrative requirements and obligations of our revenue contracts.

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.

Community Mental Health Partnership of Southeast Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS
FY2024

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.

The CMHPSM has one Proprietary Fund for recording 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 CMHSPs should expenses increase unexpectedly, 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.

		FY 2024	FY 2023
Assets			
	Cash and Cash Equivalents	17,385,804	36,722,307
	Due from Other Funds	12,557,360	16,508,750
	Receivables	57,812,072	52,376,158
	Prepaid Expenses	34,502	53,680
	Capital Assets	861,729	253,416
Total Assets		88,651,467	105,914,311
Liabilities			
	Accounts Payable and Accrued Liabilities	41,595,005	57,130,807
	Unearned Revenue	21,759,267	13,404,792
	Compensated Balances	84,053	10,967
	Lease Liability	758,717	196,519
Total Liabilities		64,197,042	70,743,085
Net Position			
	Net Investment in Capital Assets	103,012	56,897
	Restricted for Risk Management	22,834,339	17,349,532
	Unrestricted	1,517,074	17,764,797
Total Net Position		24,454,425	35,171,226

Community Mental Health Partnership of Southeast Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS
FY2024

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 9% of the total annual funding. The remaining revenue is State grants, PA2 Tax Revenue and Local Match Drawdown. Local Match Drawdown is collected by the CMHPSM from the CMHSPs and passed on to MDHHS as required by the CMHPSM contract with MDHHS.

Behavioral Health Services represent 89% of annual expenditures, Substance Use Disorder Treatment Services represent 9% of the annual expenses of CMHPSM. Administrative Expense represents less than 1% of annual expenses.

	<u>FY 2024</u>	<u>FY 2023</u>
Revenues		
Medicaid Capitation	195,374,053	185,999,103
Healthy Michigan Plan	14,238,363	27,324,767
Autism	18,395,630	15,871,863
Behavioral Health Home	1,299,276	772,738
Incentives	-	308,529
CCBHC	24,039,326	9,706,435
Opioid Health Homes	738,211	742,285
Substance Use	12,910,720	15,238,368
PA2	1,944,998	1,431,123
State and Federal Grants	9,820,950	9,711,234
Affiliation Charges	-	92,691
Local Match Drawdown	159,180	621,860
MSHHS Risk Corridor		
Investment Income	931,555	588,497
Total Revenues	<u>279,852,260</u>	<u>268,409,493</u>
Expenditures		
Funding for Lenawee CMHSP	25,204,400	23,144,141
Funding for Livingston CMHSP	44,930,704	41,486,074
Funding for Monroe CMHSP	50,709,943	46,996,097
Funding for Washtenaw CMHSP	113,284,221	106,027,565
SUD Expenditures	24,277,308	24,070,380
Hospital Rate Adjuster Payments	11,365,806	5,667,200
IPATax	2,204,554	2,099,550
Local Match Drawdown	159,180	621,860
Administrative Expense	2,843,096	2,428,140
Total Expenditures	<u>274,979,211</u>	<u>252,541,007</u>
Surplus/(Deficit)	<u>4,873,049</u>	<u>15,868,486</u>

Community Mental Health Partnership of Southeast Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS
FY2024

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 expenses of delivering a wide variety of behavioral health services within the CMHPSM region can be difficult. The CMHPSM region is a long-established partnership that has consistently managed its expenditures within the revenue allocated outside of the period comprised of FY2017-FY2019. The impact of the deficit from FY2017, FY2018 and FY2019 was finally resolved in FY2024 when FY2018, FY2019, FY2020, FY2021 & FY2022 were cost settled with MDHHS. The CMHPSM utilized performance incentive bonus funds and FY2022 internal service funds to resolve past deficits. The Internal Service Fund (ISF) level and significant Medicaid savings carryforward has provided some financial stability as we move from FY2024 to FY2025.

Revenue

The CMHPSM revenue budget for each fiscal year is developed several months prior to Michigan Department of Health and Human Service's (MDHHS) finalization of capitation payment rates and eligible individual projections. 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 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. In FY2024 the CMHPSM region experienced a decrease of individuals eligible for Medicaid and Healthy Michigan coverage through May 2023. With the end of continuous enrollment at the expiration of the COVID-19 public health emergency, the eligible individual population began decreasing in the last quarter of FY2023. This trend continued through the first two quarters of FY2024 and eligible individuals decreased to a monthly average that was at or below pre-pandemic levels. MDHHS issued rate adjustments during FY2024 due to the eligible individual populations coming in at levels lower than the actuarial entity's predictions.

Community Mental Health Partnership of Southeast Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS
FY2024

Expenses

The CMHPSM region has experienced a decrease in our service expenditure levels regionally during FY2020 and FY2021 due to the COVID-19 pandemic. That trend concluded and we have experienced an upward trend in service levels and increased reimbursement rates in both FY2022, FY2023 and FY2024. The CMHPSM continues to monitor expenses within our region, specifically related to inflationary and staffing level pressures within our regional contracted provider network. The amount, scope and duration of many services has continued to trend upwards through FY2024.

Financial Status

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

The financial status of the CMHPSM in FY2024 was positive and includes a solidly funded ISF and Medicaid savings carryforward funds for FY2025. Current and future financial status projections are more closely aligned with our region's positive fiscal history, rather than the outlier period of FY2017 through FY2019.

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 James Colaianne CMHPSM CEO or 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, 2024

	Mental Health Operating	Medicaid Risk Reserve	Total Proprietary Funds
Current assets			
Cash and cash equivalents	\$ 3,958,175	\$ -	\$ 3,958,175
Investments - unrestricted	4,172,581	-	4,172,581
Investments - restricted	-	9,255,048	9,255,048
Due from other funds	-	12,557,360	12,557,360
Due from other agencies	783,266	-	783,266
Due from affiliate partners	46,424,988	-	46,424,988
Due from MDHHS	10,603,818	-	10,603,818
Prepaid expenses	34,502	-	34,502
Total current assets	65,977,330	21,812,408	87,789,738
Noncurrent assets			
Capital assets being depreciated, net	861,729	-	861,729
Total noncurrent assets	861,729	-	861,729
Total assets	66,839,059	21,812,408	88,651,467
Current liabilities			
Accounts payable	2,926,914	-	2,926,914
Accrued payroll and benefits	98,510	-	98,510
Due to other funds	12,557,360	-	12,557,360
Due to other agencies	2,091,786	-	2,091,786
Due to affiliate partners	23,066,760	-	23,066,760
Due to MDHHS	853,675	-	853,675
Unearned revenue	21,759,267	-	21,759,267
Compensated absences, due within one year	12,608	-	12,608
Direct borrowing, due within one year	118,484	-	118,484
Total current liabilities	63,485,364	-	63,485,364
Noncurrent liabilities			
Compensated absences, due beyond one year	71,445	-	71,445
Direct borrowing, due beyond one year	640,233	-	640,233
Total noncurrent liability	711,678	-	711,678
Total liabilities	64,197,042	-	64,197,042
Net position			
Net investment in capital assets	103,012	-	103,012
Restricted for risk management	-	21,812,408	21,812,408
Unrestricted	2,539,005	-	2,539,005
Total net position	\$ 2,642,017	\$ 21,812,408	\$ 24,454,425

Community Mental Health Partnership of Southeast Michigan
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended September 30, 2024

	Mental Health Operating	Medicaid Risk Reserve	Total Proprietary Funds
Operating revenues			
Medicaid capitation	\$ 184,008,247	\$ -	\$ 184,008,247
Healthy Michigan	14,238,363	-	14,238,363
Autism	18,395,630	-	18,395,630
Behavioral health home	1,299,276	-	1,299,276
CCBHC	24,039,326	-	24,039,326
HRA	11,365,806	-	11,365,806
Opioid health home	738,211	-	738,211
PA2 revenues	1,944,998	-	1,944,998
Substance use	12,910,720	-	12,910,720
State and federal funding	9,820,950	-	9,820,950
Contributions - local match drawdown	159,180	-	159,180
Total operating revenues	278,920,707	-	278,920,707
Operating expenses			
Funding for affiliate partners			
Lenawee Community Mental Health Authority	25,204,400	-	25,204,400
Community Mental Health Services of Livingston County	44,930,704	-	44,930,704
Monroe Community Mental Health Authority	50,709,943	-	50,709,943
Washtenaw County Community Mental Health	113,284,221	-	113,284,221
Total funding for CMHSP partners	234,129,268	-	234,129,268
Substance use expense			
Contracted services - Opioid health home	595,400	-	595,400
Contracted services - Medicaid	3,567,862	-	3,567,862
Contracted services - Healthy Michigan	8,151,689	-	8,151,689
Contracted services - PA2	1,944,998	-	1,944,998
Contracted services - Block grant prevention	789,751	-	789,751
Contracted services - Block grant treatment & WSS	2,716,698	-	2,716,698
Contracted services - Opioid grants	2,513,309	-	2,513,309
Other grant funded	3,744,065	-	3,744,065
SUD administrative	253,536	-	253,536
Total substance use expense	24,277,308	-	24,277,308
Other contractual obligations			
Hospital Rate Adjuster	11,365,806	-	11,365,806
Use and IPA Tax	2,204,554	-	2,204,554
Local match	159,180	-	159,180
Total other contractual obligations	13,729,540	-	13,729,540
Administrative expense			
Board per diem	1,185	-	1,185
Capital outlay - under \$5,000	112,831	-	112,831
Conferences	17,362	-	17,362
Depreciation	141,134	-	141,134
Dues and memberships	12,783	-	12,783
Insurance	32,417	-	32,417
Legal and accounting	35,574	-	35,574

Community Mental Health Partnership of Southeast Michigan
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended September 30, 2024

	Mental Health Operating	Medicaid Risk Reserve	Total Proprietary Funds
Professional contracts	\$ 637,875	\$ -	\$ 637,875
Salaries and fringes	1,809,764	-	1,809,764
Supplies	8,665	-	8,665
Utilities	33,507	-	33,507
Total administrative expense	2,843,097	-	2,843,097
Total operating expenses	274,979,213	-	274,979,213
Operating income (loss)	3,941,494	-	3,941,494
Nonoperating revenues (expenses)			
Investment income	31,133	906,754	937,887
Interest expense	(6,332)	-	(6,332)
Total nonoperating revenues (expenses)	24,801	906,754	931,555
Transfers			
Transfer in	-	3,556,122	3,556,122
Transfer (out)	(3,556,122)	-	(3,556,122)
Total transfers	(3,556,122)	3,556,122	-
Change in net position	410,173	4,462,876	4,873,049
Net position, beginning of year			
Beginning as previously presented	17,821,694	17,349,532	35,171,226
Adjustment to beginning balance	(15,589,850)	-	(15,589,850)
Beginning as restated	2,231,844	17,349,532	19,581,376
Net position, end of year	\$ 2,642,017	\$ 21,812,408	\$ 24,454,425

Community Mental Health Partnership of Southeast Michigan
Statement of Cash Flows
For the Year Ended September 30, 2024

	Mental Health Operating	Medicaid Risk Reserve	Total Proprietary Funds
Cash flows from operating activities			
Receipts from the State and other governments	\$ 274,078,936	\$ -	\$ 274,078,936
Payments to employees	(1,797,586)	-	(1,797,586)
Payments to affiliates and other governments	(268,485,116)	-	(268,485,116)
Payments to suppliers and providers	(23,877,043)	-	(23,877,043)
Net cash provided by operating activities	(20,080,809)	-	(20,080,809)
Cash flows from capital and related financing activities			
Acquisition of capital assets	(749,447)	-	(749,447)
Proceeds from direct borrowing	688,958	-	688,958
Payment of direct borrowing	(126,760)	-	(126,760)
Payment of interest	(6,332)	-	(6,332)
Net cash provided by capital and related financing activities	(193,581)	-	(193,581)
Cash flows from noncapital financing activities			
Transfers from other funds	(7,507,512)	7,507,512	-
Net cash provided by noncapital financing activities	(7,507,512)	7,507,512	-
Cash flows from investment activities			
Sale (purchase) of investments	(4,172,581)	(9,255,048)	(13,427,629)
Investment income	31,133	906,754	937,887
Net cash provided by investment activities	(4,141,448)	(8,348,294)	(12,489,742)
Net change in cash and cash equivalents	(31,923,350)	(840,782)	(32,764,132)
Cash and cash equivalents, beginning of year	35,881,525	840,782	36,722,307
Cash and cash equivalents, end of year	<u>\$ 3,958,175</u>	<u>\$ -</u>	<u>\$ 3,958,175</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ 3,941,494	\$ -	\$ 3,941,494
Depreciation expense	141,134	-	141,134
Changes in assets and liabilities:			
Accounts receivable	40	-	40
Due from other agencies	(346,967)	-	(346,967)
Due from affiliate partners	(12,583,890)	-	(12,583,890)
Due from MDHHS	7,494,903	-	7,494,903
Prepaid expenses	19,178	-	19,178
Accounts payable	1,273,286	-	1,273,286
Accrued payroll and benefits	1,240	-	1,240
Due to other agencies	(14,963,836)	-	(14,963,836)
Due to affiliate partners	(8,042,418)	-	(8,042,418)
Due to MDHHS	(5,380,386)	-	(5,380,386)
Unearned revenue	8,354,475	-	8,354,475
Compensated absences	10,938	-	10,938
Net cash provided by operating activities	<u>\$ (20,080,809)</u>	<u>\$ -</u>	<u>\$ (20,080,809)</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 PIHP) 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 PIHP.

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 PIHP 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 PIHP are charges related to serving its customers (including primarily "per member per month" capitation and state and county appropriations). Operating expenses for the PIHP 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 PIHP 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 PIHP reports the following major enterprise fund:

Mental Health Operating Fund – 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 PIHP accounts for its general operations.

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

Medicaid Risk Reserve Fund – 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.

During the course of operations, the PIHP has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. Further, certain activity occurs during the year involving transfers of resources between funds reported at gross amounts as transfers in/out.

Basis of Accounting and Measurement Focus

The accounting and financial reporting treatment is determined by the applicable basis of accounting and measurement focus. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*.

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, regardless of the timing of related cash flows. 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.

Cash and Cash Equivalents

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

Investments

Investments for the PIHP are reported at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

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 PIHP 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 tangible and intangible assets, defined by the PIHP 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 (except for intangible right-to-use assets, the measurement of which is discussed in the lessee policy below). Donated capital assets are recorded at estimated acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible capital assets in the appropriate capital asset class.

The costs of normal maintenance and repairs that do not increase the asset's capacity or efficiency or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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Land and construction in process, if any, are not depreciated. Right to use assets of the PIHP are amortized using the straight-line method over the shorter of the lease period or the estimated useful lives. The other tangible and intangible property, plant, equipment, and the right to use assets of the PIHP are depreciated/amortized using the straight-line method over the following estimated useful lives:

Description	Years
Computers and software	5
Right to use - building	4

The PIHP 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 PIHP 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 PIHP 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 PIHP has legal claim to the resources, the liability for unearned revenue is removed and the revenue is recognized.

Compensated Absences

The PIHP’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 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/expenditure) until then. The PIHP has no items that qualify for reporting in this category.

Deferred Inflows of Resources

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 PIHP has no items that qualify for reporting in this category.

Lessee

The PIHP is a lessee for a variety of noncancelable leases. The PIHP recognizes a lease liability and an intangible right-to-use lease asset in the financial statements. The PIHP recognizes lease liabilities in accordance with the capital asset policy discussed above.

At the commencement of a lease, the PIHP initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases include how the PIHP determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The PIHP uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the PIHP generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the PIHP is reasonably certain to exercise.

The PIHP monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term obligations on the statement of net position.

Net Position

The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- *Net investment in capital assets* consist of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- *Restricted* net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- *Unrestricted* net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the PIHP will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the PIHP's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Restrictions on Net Position

Medicaid Risk Reserve

The PIHP 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 PIHP serves as the Pre-Paid Inpatient Health Plan for the area that includes Lenawee, Livingston, Monroe and Washtenaw Counties. The PIHP 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

Custodial Credit Risk

In the case of deposits, this is the risk that, in the event of a bank's failure, the PIHP's deposits may not be returned to it. The PIHP evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories. The PIHP bank balance was \$3,958,175 and \$3,708,175 of that amount was exposed to custodial credit risk because it was uninsured by FDIC.

Investments

State statutes authorize investments in obligations of the U.S. Treasury and U.S. Agencies, mutual funds with

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portfolios of securities issued or guaranteed by the United States Government, or agreements to repurchase these same obligations, negotiable and non-negotiable certificates of deposit, municipal bonds, commercial paper, corporate bonds, and the State Investment Pools.

A reconciliation of carrying amounts (shown above) to the basic financial statements follows:

Description	Amount
Investments – unrestricted	4,172,581
Investments – restricted	9,255,048
Total	13,427,629

Investments - Restricted

Investments are restricted in the Internal Service Fund to cover overspending of Medicaid Managed Care Specialty Services Program Contract.

Interest Rate Risk

Under state statutes, investment in commercial paper is limited to maturities of not more than 270 days after the date of purchase. The PIHP's investment policy does not place any further limitations on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Description	Less than 1 year	1 - 5	6 - 10	Total
U.S. Treasury Bills	10,622,728			10,622,728

Credit Risk

State statutes limit investments in commercial paper to be rated at the time of purchase within the three highest classifications established by not less than two standard rating services. Investments in obligations of the State of Michigan or its political subdivisions must be rated as investment grade by not less than one rating service. Investments in bonds, obligations, or repurchase agreements must be made with the U.S. Treasury and banker's acceptances with United States banks. The PIHP's investment policy limits investments to be made with prudent judgment as to the safety of the invested capital and probable outcome of income.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the PIHP will not be able to recover the value of its investments that are in the possession of an outside party. The PIHP requires all security transactions, including collateral for repurchase agreements, to be made on a cash basis or a delivery vs. payment basis. Securities may be held by a third-party custodian and must be evidenced by safekeeping receipts. The PIHP does not have any additional policies for custodial credit risk over investments.

Concentration of Credit Risk

The PIHP's investment policy places no limit on the amount it may invest in any one issuer. At September 30th, concentrations in securities of any one issuer greater than 5% of investment fair value were as follows:

Description	Issuer	% of Portfolio
U.S. Treasury Bills	U.S Treasury	79%

Fair Value of Investments

The PIHP measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

Debt and equity securities classified as Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using the following approaches: debt securities are

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normally valued based on price data obtained from observed transactions and market price quotations from broker dealers and/or pricing vendors; equity securities are valued using fair value per share for each fund. Certificates of deposit classified in level 2 are valued using broker quotes that utilize observable market inputs. Securities classified as Level 3 have limited trade information, these securities are priced or using the last trade price or estimated using recent trade prices.

At year-end, the PIHP had the following recurring fair value measurements:

Description	Value as of Sept 30 th	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
U.S. Treasury Bills	10,622,728	10,622,728	-	-
Money market held in investment account	2,804,901	2,804,901	-	-
Total	13,427,629	13,427,629	-	-

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivable and payable shown on the fund financial statements as of September 30th, are as follows:

Description	Purpose	Due from Other Funds	Due to Other Funds
Mental health operating	Cover overspending of Medicaid Managed Care Specialty Services Program Contract	-	12,557,360
Medicaid risk reserve		12,557,360	-

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system and 3) payments between funds are made.

NOTE 4 - DUE FROM OTHER AGENCIES

Due from other agencies as of September 30th consists of the following:

Description	Amount
Lenawee County PA2	61,626
Livingston County PA2	191,786
Monroe County PA2	178,697
Washtenaw County PA2	351,116
Other	41
Total	783,266

NOTE 5 - DUE FROM AFFILIATE PARTNERS

Due from other affiliate partners as of September 30th consists of the following:

Description	Amount
Lenawee Community Mental Health Authority	8,150,471
Community Mental Health Services of Livingston County	8,839,947
Monroe Community Mental Health Authority	4,605,278
Washtenaw County Community Mental Health	24,829,292
Totals	46,424,988

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NOTE 6 - DUE FROM MDHHS

Due from MDHHS as of September 30th consists of the following:

Description	Amount
FY 24 PBIP	1,784,348
FY 24 CCBHC Supplemental	2,653,696
FY 24 HRA	2,091,786
FY 24 Payment in October	1,454,471
FY 24 Grants	2,619,517
Totals	10,603,818

NOTE 7 - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

Description	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets not being depreciated/amortized					
Construction in process	66,816	-	-	-	-
Total capital assets not being depreciated/amortized	66,816	-	-	(66,816)	-
Capital assets being depreciated/amortized					
Computers and software	78,000	60,489	-	66,816	205,305
Right to use - building	435,400	688,958	-	-	1,124,358
Total capital assets being depreciated/amortized	513,400	749,447	-	66,816	1,329,663
Accumulated depreciation/amortization					
Computers and software	(78,000)	(14,309)	-	-	(92,309)
Right to use - building	(248,800)	(126,825)	-	-	(375,625)
Total accumulated depreciation/amortization	(326,800)	(141,134)	-	-	(467,934)
Capital assets being depreciated/amortized, net	186,600	608,313	-	66,816	861,729
Net investment in capital assets	253,416	608,313	-	-	861,729

NOTE 8 - DUE TO OTHER AGENCIES

Due to other agencies as of September 30th consists of the following:

Description	Amount
Hospital Rate Adjustment (HRA)	2,091,786

NOTE 9 - DUE TO AFFILIATE PARTNERS

Due to Affiliate Partners as of September 30th consists of the following:

Description	Amount
Lenawee Community Mental Health Authority	295,808
Community Mental Health Services of Livingston County	2,877,523
Monroe Community Mental Health Authority	7,529,263
Washtenaw County Community Mental Health	12,364,166
Total	23,066,760

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NOTE 10 - DUE TO MDHHS

Due to MDHHS as of September 30th consists of the following:

Description	Amount
FY 2024 Q4 IPA Tax	558,675
FY 2024 Q4 Local Match	39,795
FY 2024 OHH Recoupment	255,205
Total	853,675

NOTE 11 - UNEARNED REVENUE

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

Description	Amount
Public Act 2	6,317,462
Medicaid carryforward	10,467,735
Healthy Michigan carryforward	1,473,805
PBIP	3,500,265
Total	21,759,267

NOTE 12 – LONG-TERM LIABILITIES

Long-term debt

Direct borrowings

The detail of direct borrowings for the fiscal year is as follows:

Description	Original Borrowing	Interest Rates	Final Maturity	Outstanding at Year-end
Boardwalk lease	789,144	2.59%	2030	758,717

The PIHP's outstanding loans from direct borrowings related to mental health operations contain provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

Summary of long-term debt

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

Description	Beginning Balance	Additions	(Deletions)	Ending Balance	Due within one year
Compensated absences	73,115	21,905	(10,967)	84,053	12,608
Direct borrowing	196,519	688,958	(126,760)	758,717	118,484
Total	269,634	710,863	(137,727)	842,770	131,092

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The future principal and interest lease payments as of year-end were as follows:

Year Ended September 30	Direct Borrowings	
	Principal	Interest
2025	118,484	18,264
2026	125,741	15,110
2027	133,312	11,764
2028	141,210	8,218
2029	149,447	4,464
2030 – 2034	90,523	811
Total long-term debt	758,717	58,631

NOTE 13 – RETIREMENT PLANS

Defined Contribution Retirement Plan – 401(a)

Plan Description

The PIHP 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 PIHP'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 PIHP 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 30th, employer contributions amounted to \$118,139. The outstanding liability to the plan at year-end was \$0.

Deferred Compensation Retirement Plan – 457

Plan Description

The PIHP 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.

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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 PIHP'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 PIHP 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 30th, contributions by employees amounted to \$152,612. The outstanding liability to the plan at year-end was \$0.

NOTE 14 - NET INVESTMENT IN CAPITAL ASSETS

As of September 30th, the composition of net investment in capital assets was comprised of the following:

Description	Amount
Capital assets being depreciated, net	861,729
Capital related long-term liabilities	(758,717)
Net investment in capital assets	103,012

NOTE 15 - RISK MANAGEMENT

Commercial Insurance

The PIHP 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 PIHP 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 PIHP covers the costs up to 105% of the annual Medicaid and Healthy Michigan contract. The PIHP 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 PIHP 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 PIHP 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 PIHP expects such amounts, if any, to be immaterial.

NOTE 17 – ECONOMIC DEPENDENCE

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

NOTE 18 – TRANSFERS

The Mental Health Fund transferred \$3,556,122 to the Medicaid Risk Reserve Fund during the year for the purpose of covering the risk of future overspending of the Medicaid Managed Care Specialty Services Program Contract.

NOTE 19 – ADJUSTMENTS TO BEGINNING NET POSITION

During the year, a change in accounting estimate resulted in adjustments to beginning net position as follows:

Description	Mental Health Operating
Net position - beginning as previously presented	17,821,694
Adjustment for 2023 cost settlement	(15,589,850)
Net position – beginning as restated	2,231,844

NOTE 20 - UPCOMING ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 101, *Compensated Absences*, was issued by the GASB in June 2022 and will be effective for fiscal year 2025. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements.

GASB Statement No. 102, *Certain Risk Disclosures*, was issued by the GASB in December of 2023 and will be effective for fiscal year 2025. This Statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of circumstances disclosed and the government's vulnerability to the risk of substantial impact.

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GASB Statement No. 103, *Financial Reporting Model Improvements*, was issued by the GASB in April of 2024 and will be effective for fiscal year 2026. This Statement establishes new accounting and financial reporting requirements—or modifies existing requirements—related to the following:

- a. Management's discussion and analysis (MD&A);
 - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
 - 1) Overview of the Financial Statements,
 - 2) Financial Summary,
 - 3) Detailed Analyses,
 - 4) Significant Capital Asset and Long-Term Financing Activity,
 - 5) Currently Known Facts, Decisions, or Conditions;
 - ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
 - iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- b. Unusual or infrequent items;
- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
 - i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
 - ii. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;
- d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
- e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.



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 PIHP), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the PIHP's basic financial statements, and have issued our report thereon dated May 27, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the PIHP's internal control over financial reporting (internal control) as a basis for designing 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 PIHP's internal control. Accordingly, we do not express an opinion on the effectiveness of the PIHP'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 PIHP'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the PIHP'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 financial statements. 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 PIHP'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 PIHP's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,

Roslund, Prestage & Company, P.C.

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

May 27, 2025



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 PIHP) for the year ended September 30, 2024. 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 letter to you 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 PIHP are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the PIHP 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 PIHP's financial statements were:

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

Management's allocation of current and noncurrent compensated absences is based on an estimate of the percentage of employee's use of compensated absences.

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.

Management's estimated incremental borrowing rate used to discount future lease payments under GASB 87 is based on the PIHP's current borrowing rate. We evaluated the key factors and assumptions used to develop the estimated intrinsic borrowing rate in determining that it is 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. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

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 PIHP'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 PIHP'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 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.

During the audit it was noted that the PIHP does not currently have a written information technology (IT) disaster recovery plan. We encourage the PIHP to implement a written information technology (IT) disaster recovery plan and test this plan in order to strengthen information technology vulnerabilities.

Restriction on Use

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

Sincerely,

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

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



RPC
Roslund Prestage & Company
CERTIFIED PUBLIC ACCOUNTANTS

**Community Mental Health Partnership of Southeast Michigan
Financial Statements
September 30, 2024**