

COMMUNITY MENTAL HEALTH SERVICES
OF LENAWEE COUNTY
FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 1986
WITH
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

COMMUNITY MENTAL HEALTH SERVICES
OF LENAWEE COUNTY

ACCOUNTANTS' REPORT

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SCHIPPERS, KINTNER & ROBERTSON, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
121 NORTH MAIN STREET
ADRIAN, MICHIGAN 49221-2785
Telephone 517-265-6154

GEORGE SCHIPPERS, C.P.A.
RUSSELL W. KINTNER, C.P.A.
STANLEY G. ROBERTSON, C.P.A.
GARY E. OWEN, C.P.A.
RONALD G. EATON, C.P.A.

MEMBERS
SEC PRACTICE SECTION
and
PRIVATE COMPANIES PRACTICE SECTION
OF THE AMERICAN INSTITUTE OF C.P.A.'s
and the
MICHIGAN ASSOCIATION OF C.P.A.'s

December 11, 1986

Community Mental Health Board
of Lenawee County
Adrian, Michigan

We have examined the financial statements of the Community Mental Health Services of Lenawee County as of September 30, 1986, as listed in the table of contents. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements of the Community Mental Health Services of Lenawee County for year ended September 30, 1985, were examined by other auditors whose report dated December 17, 1985, was qualified for the reason stated in the following paragraph.

As disclosed in Note 1 to the financial statements, the Community Mental Health Services of Lenawee County records its expenses as goods and services are ordered instead of as received. This procedure is in agreement with Department of Mental Health guidelines and prior years' treatment but is a departure from generally accepted accounting principles.

In our opinion, except for the effect of the item referred to in the preceding paragraph, the financial statements referred to above present fairly the financial position of the Community Mental Health Services of Lenawee County as of September 30, 1986, and the results of its operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination was made for the purpose of forming an opinion on the financial statements taken as a whole. The individual fund schedules, listed in the foregoing table of contents, are presented for purposes of additional analysis and are not a required part of the combined financial statements of the Community Mental Health Services of Lenawee County. Such information has been subjected to the auditing procedures applied in the examination of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Schippers, Kintner & Robertson P.C.
Certified Public Accountants

COMMUNITY MENTAL HEALTH SERVICES
OF LENAWEE COUNTY

COMPARATIVE COMBINED BALANCE SHEETS

September 30, 1986 and 1985

<u>ASSETS</u>	1986			
	<u>General Fund</u>	<u>Hendershot Fund</u>	<u>Fixed Assets Account Group</u>	<u>Long-Term Debt Account Group</u>
Cash on hand and deposited:				
Cash on hand	\$ 625	\$ 500	\$	\$
Certificate of deposit		124,631		
Cash on deposit with the Lenawee County Treasurer	195,995			
Receivables:				
Accounts receivable (net of allowance 1986 - \$100,000, 1985 - \$65,000)	70,400			
Other agencies:				
United Fund of Tecumseh	873			
Maurice Spear Campus	410			
Department of Social Services				
Lenawee ARC	9,188			
Accrued interest receivable		3,067		
Due from other governmental units:				
State of Michigan - Department of Mental Health	21,313			
Lenawee Intermediate School District	9,900			
Lenawee County:				
Health Department	240			
Sheriff Department	2,450			
Revenue Sharing				
Other				
Due from other funds	2,159			
Investments:				
Land		3,600		
Securities		10		
Prepaid expenses:				
Rent	13,111			
Insurance	2,069			
Membership and dues	2,096			
Conferences	1,009			
Fixed assets			146,008	
Amount to be provided for accumulated leave time				51,771
	<u>\$ 331,838</u>	<u>\$ 131,808</u>	<u>\$ 146,008</u>	<u>\$ 51,771</u>

SCHIPPERS, KINTNER & ROBERTSON, P.C.

The accompanying notes are an integral part of the financial statements.

COMMUNITY MENTAL HEALTH SERVICES
OF LENAWEE COUNTY

COMPARATIVE COMBINED BALANCE SHEETS

September 30, 1986 and 1985

1986	1985			1985	
Totals (Memorandum Only)	General Fund	Hendershot Fund	Fixed Assets Account Group	Long-Term Debt Account Group	Totals (Memorandum Only)
\$ 1,125	\$ 1,693	\$	\$	\$	\$ 1,693
124,631		119,923			119,923
195,995	257,028	500			257,528
70,400	81,441				81,441
873	750				750
410	390				390
	1,845				1,845
9,188	5,000				5,000
3,067		4,217			4,217
21,313	1,058				1,058
9,900					
240	177				177
2,450	4,444				4,444
	944				944
	417				417
2,159	4,097				4,097
3,600		3,600			3,600
10		10			10
13,111	11,256				11,256
2,069	2,123				2,123
2,096	2,096				2,096
1,009	600				600
146,008			120,693		120,693
<u>51,771</u>				<u>43,813</u>	<u>43,813</u>
<u>\$ 661,425</u>	<u>\$ 375,359</u>	<u>\$ 128,250</u>	<u>\$ 120,693</u>	<u>\$ 43,813</u>	<u>\$ 668,115</u>

SCHIPPERS, KINTNER & ROBERTSON, P.C.

The accompanying notes are an integral part of the financial statements.

COMMUNITY MENTAL HEALTH SERVICES
OF LENAWEE COUNTY

COMPARATIVE COMBINED BALANCE SHEETS

September 30, 1986 and 1985

<u>LIABILITIES AND FUND EQUITY</u>	1986			
	<u>General Fund</u>	<u>Hendershot Fund</u>	<u>Fixed Assets Account Group</u>	<u>Long-Term Debt Account Group</u>
Liabilities:				
Accounts payable	\$ 70,592	\$	\$	\$
Accrued expenses:				
Salaries and wages	49,330			
Retirement	35,225			
Due to State of Michigan - Department of Mental Health	60,014			
Due to Teenage Suicide Pre- vention Committee	339			
Due to other fund		2,159		
Deferred revenue	18,361			
Accrued leave time				51,771
Total liabilities	<u>233,861</u>	<u>2,159</u>	<u>-</u>	<u>51,771</u>
Fund equity:				
Investment in fixed assets			146,008	
Fund balance:				
Reserved		129,649		
Unreserved	97,977			
Total fund equity	<u>97,977</u>	<u>129,649</u>	<u>146,008</u>	<u>-</u>
Total liabilities and fund equity	<u>\$ 331,838</u>	<u>\$ 131,808</u>	<u>\$ 146,008</u>	<u>\$ 51,771</u>

SCHIPPERS, KININER & ROBERTSON, P.C.

The accompanying notes are an integral part of the financial statements.

COMMUNITY MENTAL HEALTH SERVICES
OF LENAWEE COUNTY

COMPARATIVE COMBINED BALANCE SHEETS

September 30, 1986 and 1985

1986	1985				1985
Totals (Memorandum Only)	General Fund	Hendershot Fund	Fixed Assets Account Group	Long-Term Debt Account Group	Totals (Memorandum Only)
\$ 70,592	\$ 59,375	\$	\$	\$	\$ 59,375
49,330	42,582				42,582
35,225	32,029				32,029
60,014	126,580				126,580
339	339				339
2,159		4,097			4,097
18,361	1,500				1,500
51,771				43,813	43,813
<u>287,791</u>	<u>262,405</u>	<u>4,097</u>	<u>-</u>	<u>43,813</u>	<u>310,315</u>
146,008			120,693		120,693
129,649		124,153			124,153
97,977	112,954				112,954
<u>373,634</u>	<u>112,954</u>	<u>124,153</u>	<u>120,693</u>	<u>-</u>	<u>357,800</u>
<u>\$ 661,425</u>	<u>\$ 375,359</u>	<u>\$ 128,250</u>	<u>\$ 120,693</u>	<u>\$ 43,813</u>	<u>\$ 668,115</u>

SCHIPPERS, KINTNER & ROBERTSON, P.C.

The accompanying notes are an integral part of the financial statements.

COMMUNITY MENTAL HEALTH SERVICES
OF LENAWEE COUNTY

COMPARATIVE COMBINED STATEMENT OF CHANGES IN FUND BALANCE

For the years ended September 30, 1986 and 1985

	<u>General Fund</u>	<u>Hendershot Fund</u>
Fund balance - October 1, 1984	\$ 156,284	\$ 121,516
Excess of revenues and other sources over (under) expenditures for year	<u>(43,330)</u>	<u>2,637</u>
Fund balance - September 30, 1985	112,954	124,153
Excess of revenues and other sources over (under) expenditures for year	<u>(14,977)</u>	<u>5,496</u>
Fund balance - September 30, 1986	<u>\$ 97,977</u>	<u>\$ 129,649</u>

The accompanying notes are an integral part of the financial statements.

COMMUNITY MENTAL HEALTH SERVICES
OF LENAWEЕ COUNTY

COMPARATIVE COMBINED STATEMENTS OF REVENUES AND EXPENDITURES

For the years ended September 30, 1986 and 1985

	1986		
	General Fund	Hendershot Fund	Totals (Memorandum Only)
Revenues:			
Grants and appropriations	\$ 1,995,071	\$	\$ 1,995,071
Earned revenue and reimbursements	453,956		453,956
Interest income	13,450	8,790	22,240
Total revenues	2,462,477	8,790	2,471,267
Expenditures:			
Compensation and fringe benefits	1,237,663		1,237,663
State institutions, contract agencies, and other	788,521		788,521
General expenditures	447,361	8	447,369
Total expenditures	2,473,545	8	2,473,553
Excess of revenues over (under) expenditures before other financing sources (uses)	(11,068)	8,782	(2,286)
Other financing sources (uses):			
Transfer from (to) other fund	3,286	(3,286)	
Community Mental Health Grant Fund - net	(7,195)		(7,195)
Total financing sources (uses)	(3,909)	(3,286)	(7,195)
Excess of revenues and other financing sources over (under) expenditures	\$ (14,977)	\$ 5,496	\$ (9,481)

SCHIPPERS, KININER & HUBERTSON, P.C.

The accompanying notes are an integral part of the financial statements.

COMMUNITY MENTAL HEALTH SERVICES
OF LENAWEE COUNTY

COMPARATIVE COMBINED STATEMENTS OF REVENUES AND EXPENDITURES

For the years ended September 30, 1986 and 1985

1985		
General Fund	Hendershot Fund	Totals (Memorandum Only)
<p>\$ 1,579,706</p> <p style="padding-left: 40px;">356,159</p> <p style="padding-left: 40px;"><u>28,477</u></p> <p style="padding-left: 40px;"><u>1,964,342</u></p> <p style="padding-left: 40px;">997,127</p> <p style="padding-left: 40px;">675,734</p> <p style="padding-left: 40px;"><u>337,806</u></p> <p style="padding-left: 40px;"><u>2,010,667</u></p> <p style="padding-left: 40px;"><u>(46,325)</u></p> <p style="padding-left: 40px;">4,097</p> <p style="padding-left: 40px;"><u>(1,102)</u></p> <p style="padding-left: 40px;"><u>2,995</u></p> <p style="padding-left: 40px;"><u>\$ (43,330)</u></p>	<p>\$</p> <p style="padding-left: 40px;"><u>11,741</u></p> <p style="padding-left: 40px;"><u>11,741</u></p> <p style="padding-left: 40px;">5,000</p> <p style="padding-left: 40px;"><u>7</u></p> <p style="padding-left: 40px;"><u>5,007</u></p> <p style="padding-left: 40px;"><u>6,734</u></p> <p style="padding-left: 40px;">(4,097)</p> <p style="padding-left: 40px;"><u>(4,097)</u></p> <p style="padding-left: 40px;"><u>(4,097)</u></p> <p style="padding-left: 40px;"><u>\$ 2,637</u></p>	<p>\$ 1,579,706</p> <p style="padding-left: 40px;">356,159</p> <p style="padding-left: 40px;"><u>40,218</u></p> <p style="padding-left: 40px;"><u>1,976,083</u></p> <p style="padding-left: 40px;">997,127</p> <p style="padding-left: 40px;">680,734</p> <p style="padding-left: 40px;"><u>337,813</u></p> <p style="padding-left: 40px;"><u>2,015,674</u></p> <p style="padding-left: 40px;"><u>(39,591)</u></p> <p style="padding-left: 40px;"><u>(1,102)</u></p> <p style="padding-left: 40px;"><u>(1,102)</u></p> <p style="padding-left: 40px;"><u>(40,693)</u></p>

The accompanying notes are an integral part of the financial statements.

SCHIPPERS, KINTNER & ROBERTSON, P.C.

COMMUNITY MENTAL HEALTH SERVICES
OF LENAWEE COUNTY

NOTES TO FINANCIAL STATEMENTS

September 30, 1986

1. Summary of Significant Accounting Policies

The accounting policies of Community Mental Health Services of Lenawee County conform to generally accepted accounting principles, except as noted below, as applicable to governmental units. The accounting records are maintained on the modified accrual basis of accounting.

A. Departure from Generally Accepted Accounting Principles

Community Mental Health records its expenses as goods and services are ordered instead of when received. This procedure is not in conformity with generally accepted accounting principles. The procedure is in agreement with the Department of Mental Health guidelines and prior years' treatment. If this procedure had not been used, the effect on the financial statements would have been:

	<u>1986</u>	<u>1985</u>
Increase (decrease) in expenditures	\$ 270	\$ 8,021
Increase (decrease) in fund balance at year end	5,458	5,728

B. Fund Accounting

The accounts of Community Mental Health are organized on the basis of funds and account groups. The operations of each fund are accounted for with a separate set of self-balancing accounts.

General Fund is the general operating fund of Community Mental Health.

The Hendershot Fund is a trust fund where Community Mental Health acts in a trustee capacity in handling designated assets.

Fixed assets are accounted for in the Fixed Assets Account Group, rather than in the General Fund. All fixed assets are valued at cost. Donated assets are valued at their estimated fair value on the date donated. No depreciation has been taken on fixed assets.

Long-term liabilities (accumulated leave time) are accounted for in the Long-Term Debt Account Group.

The two account groups are not 'funds'. They are concerned only with the measurement of financial position. They are not involved with the measurement of results of operations.

See accountants' report.

COMMUNITY MENTAL HEALTH SERVICES
OF LENAWEE COUNTY

NOTES TO FINANCIAL STATEMENTS

September 30, 1986

1. Summary of Significant Accounting Policies (continued)

C. Investments

Investments are stated at cost, which approximates market.

D. Inventory

Inventory in the General Fund consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time the items are purchased. Therefore, no inventory is shown on the books.

E. Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in Community Mental Health's financial position and operations. However, comparative data have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

F. Total Columns on Combined Statements

Total columns on the Combined Statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

G. Community Mental Health Services of Lenawee County - Reporting Entity

NCGA Statement 3 establishes criteria for defining the reporting entity to clarify the organizations which should be included in the GPFS of that governmental agency. The criteria established by NCGA for determining what is included in the reporting entity's financial statements include oversight responsibility, scope of service and financial relationships.

Community Mental Health Services has its own Board which is appointed by the Lenawee County Board of Commissioners. However, Community Mental Health is financially responsible for itself and receives the majority of its funding from the State. As such, Community Mental Health is a separate reporting entity.

The State of Michigan contends that a county mental health agency is part of the county governmental entity. As such, Community Mental Health Services of Lenawee County would be part of Lenawee County.

See accountants' report.

COMMUNITY MENTAL HEALTH SERVICES
OF LENAWEE COUNTY

NOTES TO FINANCIAL STATEMENTS

September 30, 1986

2. Investments

Investments in the Hendershot Fund are as follows:

<u>Certificates of Deposit:</u>	<u>Due Date</u>	<u>Interest Rate</u>	<u>1986</u>	<u>1985</u>
Jipson-Carter State Bank	October 14, 1986	6.6%	\$ 100,000	\$
United Savings Bank	October 24, 1986	5.5	24,631	
Jipson-Carter State Bank	October 15, 1985	9.0		100,000
Onsted State Bank	October 21, 1985	7.2	<u> </u>	<u>19,923</u>
			<u>\$ 124,631</u>	<u>\$ 119,923</u>
Other: (Hendershot Fund)				
Land:				
2 lots located in Luna County, New Mexico			\$ 1,200	\$ 1,200
2 lots located in Tecumseh, Michigan			<u>2,400</u>	<u>2,400</u>
			<u>\$ 3,600</u>	<u>\$ 3,600</u>
Security:				
One share of Lenawee Farm Bureau Oil Co-operative			<u>\$ 10</u>	<u>\$ 10</u>

The two lots located in Tecumseh are not served with a sanitary sewer system, therefore, residential construction is not permitted.

3. Due from State of Michigan - Department of Mental Health Breakdown is:

	<u>1986</u>	<u>1985</u>
Reimbursements from the Community Mental Health Grant Fund	\$ 3,433	\$ 1,058
Reimbursement from State DD Council for Independent Living Program	9,216	
Reimbursement from Prevention Grant	<u>8,664</u>	<u> </u>
	<u>\$ 21,313</u>	<u>\$ 1,058</u>

See accountants' report.

COMMUNITY MENTAL HEALTH SERVICES
OF LENAWEE COUNTY

NOTES TO FINANCIAL STATEMENTS

September 30, 1986

4. Due to State of Michigan - Department of Mental Health

Community Mental Health had incurred a liability to the Department of Mental Health at September 30, 1986 and 1985 resulting from an excess of advances from the Department over the State's share of costs incurred from community services. The State's share of net matchable costs is determined by preparation of a cost settlement by Community Mental Health's management, and is subject to audit and possible adjustment by the Department of Mental Health. The Department has performed audits for periods beginning after July 1 1975 through September 30, 1979. Adjustments were proposed and accepted by the Community Mental Health.

Community Mental Health has separately incurred a liability to the Department of Mental Health at September 30, 1986 and 1985 of amounts billed for the County's share of State Institution charges for County residents.

	<u>1986</u>	<u>1985</u>
Excess of advances received from the Department of Mental Health over expenditures	\$ 31,524	\$ 79,207
Unpaid County share of State Institution and Residential charges for County residents	22,001	45,610
Due to State for unexpended RICC funds	767	
Due to Community Mental Health Grant Fund for September billing	<u>5,722</u>	<u>1,763</u>
	<u>\$ 60,014</u>	<u>\$ 126,580</u>

5. Lease Obligations

The office facilities and the adult activity center are leased whereby the lessor is responsible for paying costs of utilities, maintenance, insurance, and property taxes. Minimum lease commitments are as follows:

1986-87	\$ 165,336
1987-88	<u>73,100</u>
	<u>\$ 238,436</u>

The lease on the main office facilities expires on March 30, 1988 and is cancellable only in the event the purpose for which the lease was entered into ceases to exist, or if funds are not made available for the location, or if space is provided in a government owned building.

See accountants' report.

COMMUNITY MENTAL HEALTH SERVICES
OF LENAWEE COUNTY

NOTES TO FINANCIAL STATEMENTS

September 30, 1986

5. Lease Obligations (continued)

If the lease is cancelled prior to March 30, 1988, the Community Mental Health will be responsible to pay the lessor, in the form of rent, an amount not to exceed \$74,300.

6. Accrued Leave Time

All regular full-time employees and all regular part-time employees are eligible for paid leave. Paid leave may be used for vacation, sickness, or personal days. An employee accrues leave time according to the number of years of services rendered and the number of hours worked per week. The accrued leave is payable to an employee at the time of termination. The accrued leave as of September 30, 1986 and 1985 was \$51,771 and \$43,813, respectively, and is shown on the balance sheet in the Long-Term Debt Account Group.

7. Contingent Liabilities

The Community Mental Health Services of Lenawee County may have a contingent liability to other Michigan counties for patient service fees provided by Community Mental Health Boards in other counties. The amount of potential loss which could result from this event is not determinable.

The Community Mental Health Services of Lenawee County may have a contingent liability with respect to findings noted during the March 1985 self-audit of agency's billings under Title XIX during the month of February 1984. As a result of that review, the agency has determined that approximately \$1,600 may be payable to the State for the Federal portion of funds. In addition, the agency has determined as a result of this self-audit, that a receivable from the State would also exist for approximately \$1,450.

8. County Retirement Plan

All employees of the Community Mental Health Services of Lenawee County are eligible to participate in the County Retirement Plan. The total pension expenditures for the years ended September 30, 1986 and 1985 were \$45,901 and \$42,428, respectively. The County makes contributions each year equal to the normal cost and prior service costs as amortized over 30 years. Community Mental Health is then billed by the County for its share of the annual contribution requirement.

See accountants' report.

COMMUNITY MENTAL HEALTH SERVICES
OF LENAWEE COUNTY

NOTES TO FINANCIAL STATEMENTS

September 30, 1986

8. County Retirement Plan (continued)

The present value of accumulated plan benefits and value of plan assets at December 31, 1985 and 1984 follows:

	<u>December 31, 1985</u>	<u>December 31, 1984</u>
Present value of Accumulated Plan Benefits		
Vested benefits	\$ 2,299,080	\$ 1,988,900
Nonvested benefits	<u>537,501</u>	<u>504,516</u>
	2,836,581	2,493,416
Value of plan assets	<u>4,209,993</u>	<u>3,517,827</u>
Excess plan assets over present value of accumulated plan benefits	<u>\$ 1,373,412</u>	<u>\$ 1,024,411</u>

9. Shared Management Interest Revenue

Community Mental Health receives advances from the Department of Mental Health for the payment of State Institution and Residential charges of County residents. Prior to payment of the above charges, the Community Mental Health is permitted to invest the proceeds received for approximately 45 days.

10. Trust - Hendershot Fund

The Hendershot Fund was established on December 15, 1975, when \$61,340.31 was received from the Glenn C. Hendershot Estate. The Lenawee County Mental Health Services Board was named as residual legatee in the last will and testament of Glenn C. Hendershot. Subsequent distribution included securities, real estate, and cash valued at \$24,565.56 (valued per the estate tax return of Glenn C. Hendershot, deceased). The bequest was provided "to assist in research in the causes and treatment of mental illness".

All revenue pertaining to the bequest has been retained in the Hendershot Fund, until designated for a specific project or projects in compliance with the last will and testament of Glenn C. Hendershot and the policy established by the Board of Directors at the December 16, 1976 Board meeting.

See accountants' report.

SCHIPPERS, KINTNER & ROBERTSON, P.C.

COMMUNITY MENTAL HEALTH SERVICES
OF LENAWEE COUNTY

NOTES TO FINANCIAL STATEMENTS

September 30, 1986

11. Changes in Fixed Assets

	<u>Balance</u> <u>October 1, 1985</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>September 30, 1986</u>
Office equipment	\$ 30,353	\$ 7,373	\$ 725	\$ 37,001
Furniture and fixtures	41,355	7,176		48,531
Audio visual equipment	39,443	4,353	849	42,947
Program equipment	7,695	7,867		15,562
Appliances	<u>1,966</u>	<u> </u>	<u> </u>	<u>1,966</u>
	<u>\$ 120,812</u>	<u>\$ 26,769</u>	<u>\$ 1,574</u>	<u>\$ 146,007</u>

12. Budget

P.A. 621 of 1978, Section 18 (1), as amended, provides that a governmental unit shall not incur expenditures in excess of the amount appropriated.

The approved budget of Community Mental Health was adopted at the functional level (total expenditure figure). Total actual expenditures did not exceed budget for fiscal years 1984-85 or 1985-86.

See accountants' report.

SCHIPPERS, KINTNER & ROBERTSON, P.C.

COMMUNITY MENTAL HEALTH SERVICES
OF LENAWEE COUNTY

GENERAL FUND

COMPARATIVE SCHEDULE OF REVENUES

For the years ended September 30, 1986 and 1985

	<u>1986</u>	<u>1985</u>
Grants and appropriations:		
State of Michigan:		
Department of Mental Health	\$ 1,699,496	\$ 1,353,212
R.I.C.C.	1,847	2,450
Prevention Grant	20,164	
D D Council - LSS	8,449	
D D Council - ILP	9,216	
Michigan Rehabilitation Services - ILP	7,348	
Lenawee County:		
Community Services	101,519	83,227
State Institutions	90,391	109,720
Federal Revenue Sharing	4,006	944
Lenawee County Sheriff Department	27,669	22,113
Community Fund of Tecumseh	3,500	3,000
Lenawee ARC	9,188	5,000
Call Someone Concerned	2,961	
Lenawee Intermediate School District	3,004	
Miscellaneous donations	<u>6,313</u>	<u>40</u>
	<u>\$ 1,995,071</u>	<u>\$ 1,579,706</u>
Earned revenues and Reimbursements:		
Charge for services - self-pay and insurance	\$ 65,919	\$ 52,897
State of Michigan - Medicaid reim- bursements - net of discounts of \$200,960 in 1986 and \$56,004 in 1985	381,259	282,721
Maurice Spear Campus	4,920	4,680
Department of Social Services	1,058	15,061
Headstart	<u>800</u>	<u>800</u>
	<u>\$ 453,956</u>	<u>\$ 356,159</u>

See attached letter.

SCHIPPERS, KINTNER & ROBERTSON, P.C.

COMMUNITY MENTAL HEALTH SERVICES
OF LENAWEE COUNTY

GENERAL FUND

COMPARATIVE SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

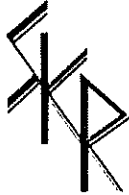
For the year ended September 30, 1986

	1986		Variance Favorable (Unfavorable)	1985
	Actual	Budget		Actual
Compensation and fringes:				
Salaries and wages	\$ 995,370	\$ 1,071,810	\$ 76,440	\$ 836,921
Fringes	233,618	246,371	12,753	152,356
Per diem expenditures	8,675	8,000	(675)	7,850
Total compensation and fringes	1,237,663	1,326,181	88,518	997,127
State Institutions, Contract Agencies and Other:				
State Institutions	103,841	103,841		168,273
Call Someone Concerned	71,822	55,377	(16,445)	63,439
Goodwill Industries - LARC	166,130	160,181	(5,949)	148,618
H.O.P.E. Recreation	10,865	6,132	(4,733)	5,953
Family Counseling	12,800	30,200	17,400	19,857
Lenawee ARC - Respite Care	20,000	20,000		23,606
Residential Services	402,296	461,835	59,539	244,762
CEI - Hearing Impaired	767	655	(112)	
Child placement		27,038	27,038	1,226
Adult placement		3,949	3,949	
MRS W40 Contract		3,000	3,000	
Total State Institutions, Contract Agencies & Other	788,521	872,208	83,687	675,734
General expenditures:				
Office supplies	8,055	6,325	(1,730)	4,454
Operating supplies	17,902	15,215	(2,687)	12,335
Professional services	118,015	116,286	(1,729)	72,393
Communications	17,589	17,020	(569)	14,756
Travel	15,805	14,856	(949)	10,542
Public information	239	3,000	2,761	
Printing and publishing	1,180	1,050	(130)	666
Insurance	12,908	9,500	(3,408)	6,653
Buildings & ground maintenance	13,606	13,786	180	11,051
Equipment maintenance	1,081	500	(581)	3,309
Building rental	156,766	163,111	6,345	139,867
Equipment rental	14,602	11,267	(3,335)	10,458
Books, magazines & periodicals	1,523	1,865	342	1,073
Memberships and dues	2,795	2,795		2,285
Staff development	5,241	6,993	1,752	3,678
Equipment acquisitions	26,769	28,224	1,455	25,781
Client transportation	30,318	19,625	(10,693)	14,268
Recruitment	1,819	1,550	(269)	3,878
Bad debt write-offs	1,148		(1,148)	359
Total general expenditures	447,361	432,968	(14,393)	337,806
Total expenditures	\$ 2,473,545	\$ 2,631,357	\$ 157,812	\$ 2,010,667

See attached letter.

	<u>Contract Agencies</u>	<u>Totals</u>
Compensation and fringes:		
Salaries and wages	\$	\$ 995,370
Fringes		233,618
Per diem expenditures		8,675
Total compensation	-	<u>1,237,663</u>
State Institutions, Contra:		
State Institutions		103,841
Call Someone Concerned	71,822	71,822
Goodwill Industries - LAI	166,130	166,130
H.O.P.E. Recreation	10,865	10,865
Family Counseling	12,800	12,800
Lenawee Arc - Respite Ca	20,000	20,000
Residential services	402,296	402,296
CEI - Hearing	767	767
Total State Insti Agencies, & Oth	<u>684,680</u>	<u>788,521</u>
General expenditures:		
Office supplies		8,055
Operating supplies		17,902
Professional services		118,015
Communications		17,589
Travel		15,805
Printing and publishing		1,180
Insurance		12,908
Building and ground maint		13,606
Equipment maintenance		1,081
Building rental		156,766
Equipment rental		14,602
Books, magazines and peri		1,523
Membership and dues		2,795
Equipment acquisitions		26,769
State development		5,241
Client transportation		30,318
Recruitment		1,819
Bad debts		1,148
Public information		239
Total general exp	-	<u>447,361</u>
Total expenditure	<u>\$ 684,680</u>	<u>\$ 2,473,545</u>

See attached letter.



SCHIPPERS, KINTNER & ROBERTSON, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

121 NORTH MAIN STREET
ADRIAN, MICHIGAN 49221-2785
Telephone 517-265-6154

GEORGE SCHIPPERS, C.P.A.
RUSSELL W. KINTNER, C.P.A.
STANLEY G. ROBERTSON, C.P.A.
GARY E. OWEN, C.P.A.
RONALD G. EATON, C.P.A.

MEMBERS
SEC PRACTICE SECTION
and
PRIVATE COMPANIES PRACTICE SECTION
OF THE AMERICAN INSTITUTE OF C.P.A.'s
and the
MICHIGAN ASSOCIATION OF C.P.A.'s

December 11, 1986

Community Mental Health Board
of Lenawee County
Adrian, Michigan

Our letter of comments and recommendations discusses the need for 1099's to be issued; developing a procedure for write-down of Medicaid billings; our findings concerning contracted agencies and a statement on internal control.

Form 1099

The Internal Revenue Services requires that an agency such as Community Mental Health file information forms, Form 1099, on nonemployee compensation of at least \$600.00 paid to any individual or organization other than a corporation. Community Mental Health should adhere to this requirement.

Recognition of Discount on Medicaid Billings

Community Mental Health does not receive full reimbursement on its Medicaid billings, and the discount amounts are not collectible from other sources. Under these circumstances, Community Mental Health should consider an accounting procedure that would recognize these discounts at the time Medicaid billings are recorded as revenue.

A suggested procedure would be to have an approximate percentage of discount determined for each major program having third party billings. On a monthly basis, calculate a discount amount by applying the percentages to monthly total of Medicaid billings. Record the discount to the 'allowance for doubtful accounts' and the contra-revenue account monthly. This procedure will provide a realistic accounting on a regular basis of revenues actually to be received and help avoid large adjustments to receivables at year end.

Contracted Agencies

We have reviewed the provisions of contracts between Community Mental Health and contracted agencies. We visited Call Someone Concerned, Goodwill Industries of Southeastern Michigan - LARC, H.O.P.E. Recreation Center, Family Counseling Services of Lenawee County, and New Horizons. The areas reviewed were:

Contracted Agencies (continued)

1. Records retention
2. Equipment inventory control
3. Guarantee of services
4. Criteria for identification of CMH clients
5. Non-discrimination of employment
6. Submission of recent audit reports
7. Submission of budgets and regular financial information
8. Compliance with accounting standards and procedures
9. Allocation of costs

All agencies were found to be in compliance with their applicable contract provisions. All agencies submitted their audit reports and have provided Community Mental Health the necessary financial information on a regular basis. Overall, the allocations used by the agencies were found to be reasonable and supportive of the contracted costs paid by Community Mental Health.

Internal Control

As part of our examination, we made a study and evaluation of the Community Mental Health's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the company's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of Community Mental Health is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weakness in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Community Mental Health taken as a whole. However, our study and evaluation

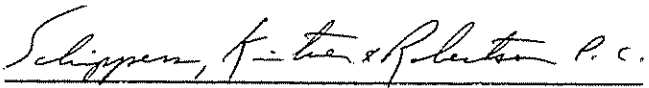
Internal Control (continued)

disclosed no material weaknesses of internal control other than the inherent weakness of a high concentration of accounting functions on one individual.

This report is intended solely for the use of the Board and should not be used for any other purpose.

We appreciate the time and cooperation provided by Community Mental Health's staff in helping us during the audit. We look forward to working with you in the future.

Sincerely,



Schippers, Kintner & Robertson, P.C.