

LENAWEE COMMUNITY MENTAL HEALTH AUTHORITY
FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2004
WITH
INDEPENDENT AUDITORS' REPORT

LENAWEE COMMUNITY MENTAL HEALTH AUTHORITY

INDEPENDENT AUDITORS' REPORT

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LENAWEE
Community Mental Health

AUTHORITY

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Our mission is to ensure a full array of quality mental health services

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004

As management of the Lenawee Community Mental Health Authority (LCMHA), we offer readers of the Lenawee Community Mental Health Authority's financial statements this narrative overview and analysis of the financial activities of the Lenawee Community Mental Health Authority for the fiscal year ended September 30, 2004. We encourage readers to consider the information presented here. All amounts, unless otherwise indicated, are expressed in whole dollars.

Financial Highlights

- ◆ The assets of the Lenawee Community Mental Health Authority exceeded its liabilities at the close of the most recent fiscal year by \$2,615,729 (*net assets*). Of this amount, \$1,864,200 (*unrestricted net assets*) may be used to meet the Authority's ongoing obligations to clients and contractors
- ◆ The Authority's total net assets increased by \$492,603.
- ◆ As of the close of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of \$2,237,957, an increase of \$398,807 in comparison with the prior year. Of this amount \$2,038,780 is *available for spending* at the Authority's discretion (*unreserved fund balance*)
- ◆ At the end of the current fiscal year, unreserved fund balance for the general fund was \$2,038,780, or 13.6% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Lenawee Community Mental Health Authority's basic financial statements. The Lenawee Community Mental Health Authority's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Lenawee Community Mental Health Authority's finances, in a manner similar to a private-sector business.



Roger Myers, Executive Director

Mark Jackson, Chairman, Board of Directors

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The *statement of net assets* presents information on all of the Lenawee Community Mental Health Authority's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Lenawee Community Mental Health Authority is improving or deteriorating.

The *statement of activities* presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused leave time).

The government-wide financial statements can be found on pages 5 and 6 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Lenawee Community Mental Health Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds varies from that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Lenawee Community Mental Health Authority maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the Hendershot Fund, both of which are considered to be major funds.

The Lenawee Community Mental Health Authority adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 7 – 12 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 – 22 of this report.

Other information. In addition to the basic financial statements and the accompanying notes, this report also presents schedules of expenditures by program.

These schedules can be found on pages 23 – 27 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the Authority's financial position. Assets exceeded liabilities by \$2,615,729 at the close of the most recent fiscal year.

A portion of the Lenawee Community Mental Health Authority's net assets (21.1 percent) reflects its investment in capital assets (e.g. buildings, equipment, furniture and fixtures, and vehicles), less any related debt (no debt at September 30, 2004). The Lenawee Community Mental Health Authority uses these capital assets to provide services to clients; consequently, these assets are *not* available for future spending.

Lenawee Community Mental Health Authority's Net Assets

	<u>2004</u>	<u>2003</u>
Current and other assets	\$ 4,762,349	\$ 4,266,430
Capital assets	<u>552,352</u>	<u>576,190</u>
Total assets	<u>5,314,701</u>	<u>4,842,620</u>
Long-term liabilities outstanding	174,580	292,214
Other liabilities	<u>2,524,392</u>	<u>2,427,280</u>
Total liabilities	<u>2,698,972</u>	<u>2,719,494</u>
Net assets:		
Invested in capital assets, net of related debt	552,352	489,974
Restricted	199,177	374,579
Unrestricted	<u>1,864,200</u>	<u>1,258,573</u>
Total net assets	<u>\$ 2,615,729</u>	<u>\$ 2,123,126</u>

An additional portion of the Lenawee Community Mental Health Authority's net assets (7.6 percent) represents resources that are subject to restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$1,864,200) may be used to meet the Authority's ongoing obligations to clients and contractors.

Changes in Net Assets:

Lenawee Community Mental Health Authority's Changes in Net Assets

	<u>2004</u>	<u>2003</u>
Revenues:		
Program revenues:		
Charges for services	\$ 11,734,463	\$ 10,785,539
Operating grants and contributions	463,831	486,141
General revenues:		
Department of Community Health – General Fund	1,838,998	1,999,093
Other revenues	<u>1,440,375</u>	<u>1,008,593</u>
 Total revenues	 <u>15,477,667</u>	 <u>14,279,366</u>
 Expenses:		
Developmental Disabilities	1,096,346	1,076,890
Mental Illness – Adult	2,364,065	2,276,409
Mental Illness – Child	421,250	402,558
Other:		
Contract Agencies and State Institutions	9,386,623	8,832,942
RICC	277	584
Administration	<u>1,538,954</u>	<u>1,460,943</u>
 Total expenses	 <u>14,807,515</u>	 <u>14,050,326</u>
 Increase in net assets	 670,152	 229,040
 Net assets – beginning of year	 2,123,126	 1,894,086
 Risk reserve elimination	 <u>(177,549)</u>	 <u> </u>
 Net assets – end of year	 <u>\$ 2,615,729</u>	 <u>\$ 2,123,126</u>

Financial Analysis of the Governmental Funds

On the modified accrual basis, the overall revenues increased \$1,198,301 or 8.3% of prior year's revenues, while total expenses increased \$895,782 or 6.3% of prior year's expenses in the General Fund

In the Hendershot Fund, the fund balance increased by \$2,146 during the year. This increase was the result of interest earned. The year-end fund balance was \$199,177.

General Fund Budgetary Highlights

The final amended budget for fiscal year 2004 was increased significantly (\$365,868) mainly due to the expectation of increased current year Medicaid reimbursements and a recalculation of prior year Medicaid savings

Individual line items on both the revenue and expenditure sides were adjusted on the basis of actual experience as the year progressed

Revenues exceeded expenditures at year-end thus allowing an increase in the fund balance.

Capital Asset and Debt Administration

Capital assets. The Lenawee Community Mental Health Authority's investment in capital assets as of September 30, 2004, amounts to \$552,352 (net of accumulated depreciation). This investment in capital assets includes buildings, equipment, furniture and fixtures, and vehicles. Office equipment purchases of \$42,546 were all the additions to capital assets in fiscal year 2003-04.

	Capital Assets (net of depreciation)	
	<u>2004</u>	<u>2003</u>
Buildings	\$ 414,761	\$ 431,100
Equipment	114,595	116,601
Furniture and fixtures	4,455	5,313
Vehicles	<u>18,541</u>	<u>23,176</u>
Total	<u>\$ 552,352</u>	<u>\$ 576,190</u>

Additional information on the Lenawee Community Health Authority's capital assets can be found in Note 3. C. on page 18 of this report.

Long term liability. At the end of the current fiscal year, the Lenawee Community Mental Health Authority had total long term liability of \$174,580. This amount was accrued leave time for employees.

Lenawee Community Mental Health Authority Long Term Liability

	<u>2004</u>	<u>2003</u>
Mortgage payable	\$	\$ 124,127
Accrued leave	<u>174,580</u>	<u>168,087</u>
Total	<u>\$ 174,580</u>	<u>\$ 292,214</u>

Economic Factors and Next Year's Budget

Current Year - Fiscal Year 2003-04

As outlined in the financial highlights, Lenawee Community Mental Health Authority increased its net assets by \$492,603 and its assets exceeded liabilities by \$2,615,729. LCMHA also had excess revenues over expenditures of \$574,210 resulting in a 20% increase in fund balance at year end. Although LCMHA did not provide a Cost of Living Increase, it did provide staff a 3% one time bonus.

Economic Factors and Next Year's Budget (Continued)

Anticipated Budget and Economic Factors

Based on the Executive Order 2005-3, mental health providers will not receive an across the board cut in fiscal year 2004-05. There is a proposal that the PIHP (Medicaid Prepaid Inpatient Health Plan) and the Community Mental Health Service Providers (CMHSP's) will incur a 6% provider tax via its "quality improvement and assessment program", which will result in a Medicaid rate increase of 1-1.5%. The total effect of these changes once the General Fund reductions are considered is still largely unknown. Adults Benefit Waiver revenues were reinstated for fiscal year 2005 so these revenues will remain unchanged.

Requests for Information

This financial report is designed to provide a general overview of the Lenawee Community Mental Health Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Lenawee Community Mental Health Authority, 1040 South Winter Street, Suite #1022, Adrian, Michigan 49221.

January 13, 2005

INDEPENDENT AUDITORS' REPORT

Lenawee Community Mental Health Authority
Adrian, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lenawee Community Mental Health Authority, as of and for the year ended September 30, 2004, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Lenawee Community Mental Health Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lenawee Community Mental Health Authority, as of September 30, 2004, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2005 on our consideration of the Lenawee Community Mental Health Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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January 13, 2005

Lenawee Community Mental Health Authority
Adrian, Michigan

The management's discussion and analysis on pages i through vi is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lenawee Community Mental Health Authority's basic financial statements. The schedules of expenditures by program are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures by program have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Robertson, Eaton & Owen, P.C.

Adrian, Michigan

January 13, 2005

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

INDEPENDENT AUDITORS' REPORT

Lenawee Community Mental Health Authority
Adrian, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lenawee Community Mental Health Authority, as of and for the year ended September 30, 2004, which collectively comprise the Lenawee Community Mental Health Authority's basic financial statements and have issued our report thereon dated January 13, 2005. 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

COMPLIANCE

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Lenawee Community Mental Health Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components

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January 13, 2005

Lenawee Community Mental Health Authority
Adrian, Michigan

does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management of the Lenawee Community Mental Health Authority and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robertson, Eaton & Owen, P.C.

Adrian, Michigan

LENAWEE COMMUNITY MENTAL HEALTH AUTHORITY

STATEMENTS OF NET ASSETS

September 30, 2004 and 2003

	Governmental Activities	
	<u>2004</u>	<u>2003</u>
ASSETS:		
Cash on hand and deposited:		
Cash on hand	\$ 450	\$ 225
Cash management accounts	1,854,612	3,550,061
Cash – certificates of deposit	2,368,304	
Cash – risk reserve		177,478
Receivables:		
Accounts receivable (net of allowance \$20,000 for 2004 and 2003)	104,119	84,034
Other agencies:		
Contract agencies	184,658	153,009
Accrued interest receivable	1,791	1,660
Due from other governmental units:		
State of Michigan – Department of Community Health	96,090	98,946
Investments:		
Land	2,400	2,400
Securities	10	10
Prepaid expenses:		
Rent	31,730	31,519
Insurance	76,411	65,016
Conferences	685	310
Dues	6,675	6,543
Residential and other contracts	34,414	95,219
Capital assets (net of accumulated depreciation):		
Buildings	414,761	431,100
Equipment	114,595	116,601
Furniture and fixtures	4,455	5,313
Vehicles	<u>18,541</u>	<u>23,176</u>
Total assets	<u>\$ 5,314,701</u>	<u>\$ 4,842,620</u>
LIABILITIES:		
Accounts payable	\$ 910,980	\$ 635,421
Accrued expenses:		
Salaries and wages	89,095	69,114
Due to State of Michigan – Department of Community Health	256,830	96,509
Due to contract agencies	1,181,837	1,526,026
Deferred revenue	85,650	100,210
Noncurrent Liabilities:		
Due within one year		5,526
Due in more than one year	<u>174,580</u>	<u>286,688</u>
Total liabilities	<u>2,698,972</u>	<u>2,719,494</u>
NET ASSETS:		
Invested in capital assets, net of related debt	552,352	489,974
Restricted for:		
Hendershot Fund	199,177	197,031
Risk reserve		177,548
Unrestricted	<u>1,864,200</u>	<u>1,258,573</u>
Total net assets	<u>\$ 2,615,729</u>	<u>\$ 2,123,126</u>

LENAWEE COMMUNITY MENTAL HEALTH AUTHORITY

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended September 30, 2004
With Comparative Totals for the Fiscal Year Ended September 30, 2003

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Totals</u> <u>Governmental Activities</u>	
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>	
				<u>2004</u>	<u>2003</u>
Programs/Functions					
Developmental disabilities	\$ 1,096,346	\$ 849,714	\$ 1,013	\$ (245,619)	\$ (351,972)
Mental illness – adult	2,364,065	1,741,742	2,184	(620,139)	(738,492)
Mental illness – child	421,250	310,359	389	(110,502)	(129,016)
Other:					
Contract Agencies, Block Grants, and State Institutions	9,386,623	7,560,906	458,547	(1,367,170)	(948,328)
RICC	277		277	-	
Administration	<u>1,538,954</u>	<u>1,271,742</u>	<u>1,421</u>	<u>(265,791)</u>	<u>(610,798)</u>
Total	<u>\$ 14,807,515</u>	<u>\$ 11,734,463</u>	<u>\$ 463,831</u>	<u>\$ (2,609,221)</u>	<u>\$ (2,778,606)</u>

General Revenues:

Department of Community Health – General Fund	\$ 1,594,506	\$ 1,999,093
Adult benefit waiver	244,492	
Title XX Replacement	1,209	1,209
Lenawee County appropriation	365,686	369,349
Other local	183,408	108,314
Other earned revenue	24,052	23,041
Interest income	35,207	25,649
Miscellaneous	<u>830,813</u>	<u>481,031</u>
Total general revenues	<u>3,279,373</u>	<u>3,007,686</u>
Change in net assets	670,152	229,080
Net assets – beginning of year	2,123,126	1,894,046
Risk reserve elimination	<u>(177,549)</u>	
Net assets – end of year	<u>\$ 2,615,729</u>	<u>\$ 2,123,126</u>

LENAWEE COMMUNITY MENTAL HEALTH AUTHORITY

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2004

With Comparative Totals for September 30, 2003

GOVERNMENTAL ACTIVITIES

<u>ASSETS</u>	<u>General Fund</u>	<u>Hendershot Fund</u>	<u>2004</u>	<u>Totals</u>	<u>2003</u>
Cash on hand and deposited:					
Cash on hand	\$ 450	\$	\$ 450	\$	225
Cash management accounts	1,849,565	5,047	1,854,612		3,550,161
Cash – certificates of deposit	2,176,584	191,720	2,368,304		
Cash – risk reserve					177,478
Receivables:					
Accounts receivable (net of allowance \$20,000 for 2004 and 2003)	104,119		104,119		84,034
Other agencies:					
Contract agencies	184,658		184,658		153,009
Accrued interest receivable	1,791		1,791		1,660
Due from other governmental units:					
State of Michigan – Department of Community Health	96,090		96,090		98,946
Investments:					
Land		2,400	2,400		2,400
Securities		10	10		10
Prepaid expenses:					
Rent	31,730		31,730		31,519
Insurance	76,411		76,411		65,016
Conferences	685		685		310
Dues	6,675		6,675		6,543
Residential and other contracts	<u>34,414</u>		<u>34,414</u>		<u>95,219</u>
Total assets	<u>\$ 4,563,172</u>	<u>\$ 199,177</u>	<u>\$ 4,762,349</u>		<u>\$ 4,266,530</u>

LIABILITIES AND FUND BALANCE

Liabilities:					
Accounts payable	\$ 910,980	\$	\$ 910,980	\$	635,421
Accrued expenses:					
Salaries and wages	89,095		89,095		69,114
Due to State of Michigan - Depart- ment of Community Health	256,830		256,830		96,509
Due to contract agencies	1,181,837		1,181,837		1,526,026
Deferred revenue	<u>85,650</u>		<u>85,650</u>		<u>100,210</u>
Total liabilities	<u>2,524,392</u>	<u>-</u>	<u>2,524,392</u>		<u>2,427,280</u>
Fund balance:					
Reserved for:					
Hendershot Fund		199,177	199,177		197,031
Risk Reserve					177,548
Unreserved	<u>2,038,780</u>		<u>2,038,780</u>		<u>1,464,571</u>
Total fund balance	<u>2,038,780</u>	<u>199,177</u>	<u>2,237,957</u>		<u>1,839,150</u>
Total liabilities and fund balance	<u>\$ 4,563,172</u>	<u>\$ 199,177</u>	<u>\$ 4,762,349</u>		<u>\$ 4,266,430</u>

LENAWEE COMMUNITY MENTAL HEALTH AUTHORITY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

September 30, 2004

Amounts reported for governmental activities in the Statement of Net Assets (page 5)
are different because:

Total fund balance – Governmental Funds (page 7)	\$ 2,237,957
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund statements	552,352
Long term liabilities not a use of current financial resources and, therefore, are not reported in the fund statements.	<u>(174,580)</u>
Net assets of Governmental Activities (Page 5)	<u>\$ 2,615,729</u>

LENAWEE COMMUNITY MENTAL HEALTH AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Fiscal Year Ended September 30, 2004
With Comparative Totals for the Fiscal Year Ended September 30, 2003

	<u>GOVERNMENTAL ACTIVITIES</u>			
	<u>General</u> <u>Fund</u>	<u>Hendershot</u> <u>Fund</u>	<u>2004</u>	<u>Totals</u> <u>2003</u>
Revenues				
Grants and appropriations:				
State of Michigan:				
Department of Community Health	\$ 1,594,506	\$	\$ 1,594,506	\$ 1,999,093
DCH carry forward	98,210		98,210	101,613
DCH Medicaid savings	732,603		732,603	379,418
RICC	277		277	584
Title XX Replacement	1,209		1,209	1,209
Adult benefit waiver	244,492		244,492	
Federal Government:				
Block Grants	229,018		229,018	206,960
Lenawee County:				
County appropriation	365,686		365,686	369,349
Contract Agencies Match	67,887		67,887	95,806
Miscellaneous donations	5,007		5,007	6,030
Other local	183,408		183,408	108,314
	<u>3,522,303</u>	<u>-</u>	<u>3,522,303</u>	<u>3,268,376</u>
Earned revenues and reimbursements:				
Charge for services – self-pay and insurance - net of discount	121,732		121,732	34,309
State of Michigan – Medicaid reimbursements	11,612,731		11,612,731	10,751,230
OBRA	161,642		161,642	176,761
Other earned revenue	24,052		24,052	23,041
	<u>11,920,157</u>	<u>-</u>	<u>11,920,157</u>	<u>10,985,341</u>
Interest income	33,061	2,146	35,207	25,649
Total revenues	<u>15,475,521</u>	<u>2,146</u>	<u>15,477,667</u>	<u>14,279,366</u>
Expenditures:				
Developmental disabilities	1,079,268		1,079,268	1,064,872
Mental illness – adult	2,359,532		2,359,532	2,268,548
Mental illness – child	427,573		427,573	401,843
Other:				
Contract Agencies, Block Grants, and State Institutions	9,508,084		9,508,084	8,832,942
RICC	277		277	584
Administration	1,526,577		1,526,577	1,436,740
Total expenditures	<u>14,901,311</u>	<u>-</u>	<u>14,901,311</u>	<u>14,005,529</u>
Excess of revenues over expenditures	574,210	2,146	576,356	273,837
Fund balances at beginning of year	1,642,119	197,031	1,839,150	1,565,313
Risk reserve elimination	(177,549)		(177,549)	
Fund balances at end of year	<u>\$ 2,038,780</u>	<u>\$ 199,177</u>	<u>\$ 2,237,957</u>	<u>\$ 1,839,150</u>

LENAWEE COMMUNITY MENTAL HEALTH AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

September 30, 2004

Amounts reported for governmental activities in the Statement Revenues, Expenditures and Changes in Fund Balances (page 9) are different because:

Net change in fund balances – total Governmental Funds (page 9)	\$ 576,356
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay for the current period.	(23,838)
The issuance of long-term debt (e.g. mortgages) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets	124,127
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds (net accrued leave time)	<u>(6,493)</u>
Change in net assets of Governmental Activities (page 6)	<u>\$ 670,152</u>

LENAWEE COMMUNITY MENTAL HEALTH AUTHORITY

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Grants and appropriations:				
State of Michigan:				
Department of Community Health	\$ 1,689,366	\$ 1,705,865	\$ 1,594,506	\$ (111,359)
DCH carry forward	98,258	98,210	98,210	
DCH Medicaid savings	600,502	728,582	732,603	4,021
RICC			277	277
Title XX Replacement	1,209	1,209	1,209	
Adult benefit waiver	219,700	244,492	244,492	
Federal Government:				
Block Grants	292,020	253,220	229,018	(24,202)
Lenawee County:				
County appropriation	365,686	365,686	365,686	
Contract Agencies Match	84,650	67,500	67,887	387
Miscellaneous donations	5,805	4,800	5,007	207
Other local	<u>165,476</u>	<u>182,976</u>	<u>183,408</u>	<u>432</u>
	<u>3,522,672</u>	<u>3,652,540</u>	<u>3,522,303</u>	<u>(130,237)</u>
Earned revenues and reimbursements:				
Charge for services - self-pay and insurance - net of discount	35,000	80,000	121,732	41,732
State of Michigan - Medicaid reimbursements	11,639,720	11,835,020	11,612,731	(222,289)
OBRA	176,000	160,000	161,642	1,642
Other earned revenue	<u>19,300</u>	<u>21,000</u>	<u>24,052</u>	<u>3,052</u>
	<u>11,870,020</u>	<u>12,096,020</u>	<u>11,920,157</u>	<u>(175,863)</u>
Interest income	<u>20,000</u>	<u>30,000</u>	<u>33,061</u>	<u>3,061</u>
Total revenues	<u>15,412,692</u>	<u>15,778,560</u>	<u>15,475,521</u>	<u>(303,039)</u>
Expenditures:				
Compensation and fringes:				
Salaries and wages	2,654,500	2,654,500	2,532,731	(121,769)
Fringes	1,270,932	1,270,932	1,057,214	(213,718)
Per diem expenditures	<u>24,000</u>	<u>20,000</u>	<u>14,120</u>	<u>(5,880)</u>
Total compensation and fringes carried forward	<u>\$ 3,949,432</u>	<u>\$ 3,945,432</u>	<u>\$ 3,604,065</u>	<u>\$ (341,367)</u>

LENAWEE COMMUNITY MENTAL HEALTH AUTHORITY

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Total compensation and fringes carried forward	\$ 3,949,432	\$ 3,945,432	\$ 3,604,065	\$ (341,367)
State Institutions, Contract Agencies, and Other:				
State Institutions	252,320	252,447	236,133	(16,314)
Hope Community Center	6,100	6,100	6,100	
Community Psychiatric Inpatient	275,000	350,000	344,437	(5,563)
Residential Services	5,908,645	5,968,645	5,965,590	(3,055)
Drop In Center	88,585	85,000	78,853	(6,147)
Wraparound Services	128,471	128,471	128,471	
Clinical Services	2,076,280	2,175,000	2,173,662	(1,338)
MRS – Cash Match	7,000	7,000	7,000	
Recipient Rights	83,000	85,000	83,519	(1,481)
Local Match Obligation	152,631	152,631	152,631	
Community Action Agency		45,000	45,000	
NYPUM	20,000	20,000	6,800	(13,200)
Total State Institutions, Contract Agencies, and Other	<u>8,998,032</u>	<u>9,275,294</u>	<u>9,228,196</u>	<u>(47,098)</u>
General expenditures:				
Office supplies	13,000	15,000	14,080	(920)
Computer software	54,000	50,000	26,312	(23,688)
Operating supplies	50,000	47,000	27,747	(19,253)
Client services	7,000	4,000	155	(3,845)
Professional services	877,000	1,029,200	998,753	(30,447)
Communication	105,000	110,000	101,508	(8,492)
Travel	54,000	54,000	51,623	(2,377)
Printing and publishing	30,000	30,000	20,304	(9,696)
Insurance	173,000	88,000	49,701	(38,299)
Software/hardware maintenance	105,360	98,000	55,883	(42,117)
Equipment maintenance	25,000	30,000	25,327	(4,673)
Building rental	378,224	379,490	379,488	(2)
Membership and dues	10,000	11,000	9,727	(1,273)
Equipment acquisitions	20,644	16,644	15,657	(987)
Staff development	50,000	50,000	31,043	(18,957)
Client transportation	140,000	155,000	150,814	(4,186)
Recruitment	1,000	2,500	2,219	(281)
Miscellaneous medical	10,000	12,000	11,351	(649)
Public relations/marketing	36,000	25,000	24,993	(7)
Computer hardware	50,000	75,000	72,365	(2,635)
Total general expenditures	<u>2,189,228</u>	<u>2,281,834</u>	<u>2,069,050</u>	<u>(212,784)</u>
Total expenditures	<u>15,136,692</u>	<u>15,502,560</u>	<u>14,901,311</u>	<u>(601,249)</u>
Excess of revenues over expenditures	276,000	276,000	574,210	298,210
Fund balance at beginning of year			1,642,119	
Risk reserve elimination			<u>(177,549)</u>	
Fund balance at end of year			<u>\$ 2,038,780</u>	

LENAWEE COMMUNITY MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Lenawee Community Mental Health Authority (LCMHA) conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies.

A. REPORTING ENTITY

The Lenawee Community Mental Health Authority is a member of the Community Mental Health Partnership of Southeast Michigan. This partnership is composed of the community health programs in Lenawee, Livingston, Monroe, and Washtenaw Counties and was formed under the authority of the Intergovernmental Contracts Between Municipal Corporations Act.

The partnership was formally created by written agreement and official approval of the boards of the partners commencing on January 1, 2002. The agreement established a legal mechanism for the preparation, submission, and implementation of a "Consolidated Application to the Michigan Department of Community Health" for a "Medicaid Prepaid Health Plan". Said plan was to ensure the continuation of necessary funding to each of the partners to provide services to the Medicaid-eligible persons in their respective communities. The Community Mental Health Partnership of Southeast Michigan was successful in its application to MDCH.

The partnership continues to operate under its original agreement. An "Affiliation Executive Committee" (AEC) supervises and administers the execution of the agreement. The AEC is comprised of the Executive Director from each participating organization, the Executive Director of the Washtenaw Community Health Organization (WCHO) and a representative from the University of Michigan. The WCHO is designated as the lead agency for the partnership. Operating under a master contract with Michigan Department of Community Health for Medicaid Capitation Funds, the WCHO executes its fiduciary responsibilities for the receipt, management, and distribution of the Medicaid funds for the region through individual sub-contracts with each of the partners.

The Lenawee Community Mental Health Authority is still a separate entity accounting for its own financial activity, except as reported above for Medicaid.

The Hendershot Fund is a Permanent Fund where Community Mental Health acts in a trustee capacity in handling designated assets, which are to be used in the research of causes and treatment of mental illness.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the Authority.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific program. *Program revenues* include 1) charges to clients for services provided by a given program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Items not properly included among program revenues are reported instead as *general revenues*.

LENAWEE COMMUNITY MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Separate financial statements are provided for governmental funds. Major individual funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period, usually defined as within 90 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt expenditures are recorded only when payment is due.

Amounts due from the State and services provided associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Authority.

The Authority reports the following major governmental funds:

The *General Fund* is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in an other fund.

The *Henderson Fund* is a permanent fund which restricts the use of funds for the research of causes and treatment of mental illness. These purposes are in line with Lenawee Community Mental Health Authority's functions.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* included 1) charges to clients or State for services provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

LENAWEE COMMUNITY MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ESTIMATES

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

E. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

1. CASH AND INVESTMENTS

Cash includes amounts in cash on hand, demand deposits, as well as short-term investments with a maturity date within three months of the date acquired by the Authority.

Investments are shown in Note 3.

2. 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.

3. CAPITAL ASSETS

Capital assets, which include buildings, furniture and fixtures, office equipment, and vehicles are reported in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the Authority are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30
Furniture and Fixtures	10
Office Equipment	5
Vehicles	7

LENAWEE COMMUNITY MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)

4. 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, 2004 was \$174,580.

5. LONG-TERM OBLIGATIONS

In the governmental-wide financial statements, long-term debt and other long-term obligations are reported as liabilities.

6. FUND EQUITY

In the fund financial statements, the Authority reports reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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 budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America.

The approved budget of Community Mental Health was adopted at the functional level (total expenditure figure). Total actual expenditures do not exceed budget for fiscal year 2003-04.

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. CASH AND INVESTMENTS

At year end, the carrying value of Community Mental Health's deposits was \$4,223,366 and bank balance was \$4,735,460. Of the bank balance and investments, \$200,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. All deposits are with banks located in Michigan as required by statutes.

LENAWEE COMMUNITY MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

A. CASH AND INVESTMENTS (Continued)

Investments in the General Fund are as follows:

	<u>2004</u>	<u>2003</u>
United Bank & Trust		
Cash Management Accounts – .91%	\$ 1,849,565	\$ 2,777,367
Bank of Lenawee		
Certificates of Deposit –		
at 2.27%, due 11/30/04	750,000	
at 2.26%, due 11/02/04	750,000	
at 2.26%, due 11/16/04	500,000	
at 2.26%, due 11/02/04	<u>176,584</u>	
	<u>\$ 4,026,149</u>	<u>\$ 2,777,367</u>

Investments in the Hendershot Fund are as follows:

	<u>2004</u>	<u>2003</u>
United Bank & Trust		
Cash Management Account – .91%	\$ 5,047	\$ 194,621
Bank of Lenawee		
Certificate of Deposit – 2.26%, 35 days, due 11/2/04	<u>191,720</u>	
	<u>\$ 196,767</u>	<u>\$ 194,621</u>
Other:		
Land:		
Two lots located in Tecumseh, Michigan	<u>\$ 2,400</u>	<u>\$ 2,400</u>
Security:		
One share of Lenawee Farm Bureau Oil Cooperative	<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.

LENAWEE COMMUNITY MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

B. DUE FROM STATE OF MICHIGAN – DEPARTMENT OF COMMUNITY HEALTH

The breakdown is:

	<u>2004</u>	<u>2003</u>
Reimbursement Under OBRA	\$ 23,526	\$ 41,236
Children Respite Block Grant	476	5,043
Drop In Center Block Grant	2,072	3,468
Wraparound Block Grant	26,858	23,643
FAS Grant	4,122	1,875
Gerontology Block Grant	15,387	
New Focus Block Grant	13,020	
Co-occurring Block Grant	10,629	
PCP Block Grant		3,626
Juvenile Justice Block Grant		9,645
Anti Stigma Block Grant		<u>10,410</u>
	<u>\$ 96,090</u>	<u>\$ 98,946</u>

C. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, being depreciated:				
Buildings	\$ 490,169	\$	\$	\$ 490,169
Furniture and fixtures	76,129			76,129
Office equipment	392,937	42,546	(1,189)	434,294
Vehicles	<u>32,446</u>			<u>32,446</u>
Total capital assets, being depreciated	<u>991,681</u>	<u>42,546</u>	<u>(1,189)</u>	<u>1,033,038</u>
Less: Accumulated depreciation for:				
Buildings	59,069	16,339		75,408
Furniture and fixtures	70,816	858		71,674
Office equipment	276,336	43,363		319,699
Vehicles	<u>9,270</u>	<u>4,635</u>		<u>13,905</u>
Total accumulated depreciation	<u>415,491</u>	<u>65,195</u>	<u>-</u>	<u>480,686</u>
Total capital assets, being depreciated, net	<u>\$ 576,190</u>	<u>\$ (22,649)</u>	<u>\$ (1,189)</u>	<u>\$ 552,352</u>

LENAWEE COMMUNITY MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

C. CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs of the Authority as follows:

	<u>2004</u>	<u>2003</u>
Developmental Disabilities	\$ 10,853	\$ 10,852
Mental Illness – Adult	10,122	10,122
Administration	<u>44,220</u>	<u>59,448</u>
	<u>\$ 65,195</u>	<u>\$ 80,422</u>

D. DUE TO STATE OF MICHIGAN - DEPARTMENT OF COMMUNITY HEALTH

Lenawee Community Mental Health Authority contracted with the State under a managed specialty supports and services contract. Community Mental Health is the fiscal agent for the 'General Fund' funding covering the applicable programs of Lenawee County overseen by the State Department of Community Health.

Community Mental Health had incurred liabilities to the Department of Community Health at September 30, 2004 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 Community Health.

Community Mental Health has separately incurred a liability to the Department of Community Health at September 30, 2004 and 2003 of amounts billed for the State Institution charges for County residents

	<u>2004</u>	<u>2003</u>
Unpaid State Institution and Residential		
Charges for County Residents	\$ 89,754	\$ 29,900
DCH cost settlement	111,139	48,064
Share of insurance deduction		
(risk reserve)	30,888	
ISF	25,049	
Residential hone leases		18,199
RICC grant settlement	<u> </u>	<u>346</u>
	<u>\$ 256,830</u>	<u>\$ 96,509</u>

LENAWEE COMMUNITY MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

E. LEASE COMMITMENTS

Community Mental Health currently leases its main facility from Lenawee County on a year-to-year basis.

Thirteen residential facilities are leased from independent third parties on three to ten year terms. Lease payments currently total \$27,781 per month.

Annual future lease commitments are as follows:

<u>Fiscal Year</u>	<u>Commitment</u>
2004-2005	\$ 251,727
2005-2006	123,395
2006-2007	57,097
2007-2008	46,387
2008-2009	46,387
After 9/30/09	<u>77,172</u>
	<u>\$ 602,165</u>

F. MORTGAGE PAYABLE

Lenawee Community Mental Health Authority purchased a house (975 Riverside Avenue, Adrian, Michigan) using mortgage financing through an independent third party. The mortgage has an interest rate of 7.5% per annum and payable in monthly payments of \$1,220.00, commencing May 10, 2002. This mortgage was paid off 2/3/04. Interest charged to expense in fiscal year 2003-04 was \$2,214.

Long-term liability activity for the year ended September 30, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Mortgage payable	\$ 124,127	\$	\$ 124,127	\$ -	\$ -
Accrued leave	<u>168,087</u>	<u>8,423</u>	<u>1,930</u>	<u>174,580</u>	<u>-</u>
Governmental activity - long-term liability	<u>\$ 292,214</u>	<u>\$ 8,423</u>	<u>\$ 126,057</u>	<u>\$ 174,580</u>	<u>\$ -</u>

LENAWEE COMMUNITY MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE 4. OTHER INFORMATION

A. RISK RESERVE

Lenawee Community Mental Health Authority's risk reserve account was maintained for the sole purpose of carrying the deductible for risk reinsurance through the Michigan Municipal Risk Management Authority (MMRMA). Because MMRMA did not cover risk insurance for fiscal year 2003-04, the balance in this account has been dissolved.

Activity for year:

Balance -- September 30, 2003	\$ 177,549
Interest earned	1,988
Transfers:	
State of Michigan -- ISF	(25,049)
WCHO -- Med share -- ISF	(119,580)
State of Michigan - insurance deductible	(30,888)
Transfer to General Fund	<u>(4,020)</u>
Balance -- September 30, 2004	<u>\$ -</u>

B. RETIREMENT PLAN

Plan Description

The Authority maintains a single-employer defined benefit plan (Lenawee Community Mental Health Authority Pension Plan) that covers all eligible employees through a private insurance company that acts as investment and administrative agent for the Authority. The insurance company issues an actuarial report annually, which is available at the Authority's office.

Summary of Significant Accounting Policies

The Authority's contributions are recognized when due and a formal commitment to provide the contributions has been made.

Funding Policy

Employees contribute 2.5% of annual compensation. The contribution requirements for the Authority are determined by the actuary. The employer contribution consists of the actuarial determined normal cost and a portion of unfunded liability (thirty (30) year amortization) plus an 8% interest factor.

LENAWEE COMMUNITY MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE 4. OTHER INFORMATION (Continued)

B. RETIREMENT PLAN (Continued)

Annual Pension Cost

For the year ended September 30, 2004, the Authority's annual pension cost was \$273,366, which equals the required contribution. The required contribution was determined by using projected unit credit cost method. The actuarial assumptions included (a) 8% investment rate of return (b) projected salary increases of 4% per year. The unfunded actuarial accrued liability is being amortized over a thirty (30) year period. The required employer contribution for fiscal year 2004-05 is \$240,654.

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets [a]</u>	<u>Actuarial Accrued Liability (AAL) Entry Age [b]</u>	<u>Unfunded AAL (UAAL) [b-a]</u>	<u>Funded Ratio [a/b]</u>	<u>Covered Payroll [c]</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
1/1/03	\$ 2,647,539	\$ 3,536,738	\$ 889,199	74.85%	\$ 2,468,200	36.02%
1/1/04	3,574,191	3,870,771	296,580	92.34%	2,503,340	11.85%

Schedule of Employer Contributions

<u>Fiscal Year Ending</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Recognized</u>
9/30/04	\$ 273,366	100%

NOTE 5. RECONCILIATION OF GENERAL FUND TOTAL EXPENDITURES TO DCH COST SETTLEMENT TOTAL EXPENDITURES

	<u>2004</u>	<u>2003</u>
Total expenditures – General Fund (Page 12)	\$ 14,901,311	\$ 14,005,529
Less: Items purchased in fiscal year 2003-04 that were capitalized	(42,546)	(36,200)
Add: Depreciation expense on only items capitalized in fiscal year 2003-04, 2002-03	<u>9,199</u>	<u>7,240</u>
Total expenditures per DCH cost settlement	<u>\$ 14,867,964</u>	<u>\$ 13,976,569</u>

LENAWEE COMMUNITY MENTAL HEALTH AUTHORITY

GENERAL FUND

SCHEDULE OF EXPENDITURES BY PROGRAM

For the Year Ended September 30, 2004

	<u>ADMINISTRATION</u>		
	<u>Executive Board</u>	<u>Fiscal</u>	<u>MIS</u>
Compensation and fringes:			
Salaries and wages	\$ 460,156	\$ 222,534	\$ 55,556
Fringes	199,962	91,206	23,788
Per diem expenditures	<u>14,120</u>	<u> </u>	<u> </u>
Total compensation and fringes	<u>674,238</u>	<u>313,740</u>	<u>79,344</u>
General expenditures:			
Office supplies	4,188	2,168	2,156
Computer software			26,312
Operating supplies	14,351	211	583
Professional services	16,882		10,208
Communication	27,635	8,476	3,191
Travel	15,978	4,338	24
Printing and publishing	20,304		
Insurance	6,209	3,884	10,661
Software/hardware maintenance		52,051	3,832
Equipment maintenance	6,507	2,307	631
Building rental	32,833	52,161	11,584
Membership and dues	9,727		
Equipment acquisitions	2,668	259	503
Computer hardware			72,364
Staff development	7,032	587	
Public relations/marketing	24,993		
Recruitment	<u>1,457</u>	<u> </u>	<u> </u>
Total general expenditures	<u>190,764</u>	<u>126,442</u>	<u>142,049</u>
Subtotal - direct expenditures	865,002	440,182	221,393
Administrative expense allocation	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>\$ 865,002</u>	<u>\$ 440,182</u>	<u>\$ 221,393</u>

LENAWEE COMMUNITY MENTAL HEALTH AUTHORITY

GENERAL FUND

SCHEDULE OF EXPENDITURES BY PROGRAM

For the Year Ended September 30, 2004

	<u>DEVELOPMENTAL DISABILITIES</u>	
	<u>Support Services</u>	<u>Supports Coordination</u>
Compensation and fringes:		
Salaries and wages	\$ 297,429	\$ 302,079
Fringes	<u>127,979</u>	<u>138,356</u>
Total compensation and fringes	<u>425,408</u>	<u>440,435</u>
General expenditures:		
Office supplies	704	1,351
Operating supplies	455	1,384
Professional services		100,327
Communication	9,817	12,178
Travel	3,888	4,588
Insurance	3,477	4,710
Equipment maintenance	1,936	2,550
Building rental	21,118	29,221
Staff development	3,227	1,144
Miscellaneous medical	<u>11,350</u>	<u> </u>
Total general expenditures	<u>55,972</u>	<u>157,453</u>
Subtotal - direct expenditures	481,380	597,888
Administrative expense allocation	<u>176,032</u>	<u>218,591</u>
Total expenditures	<u>\$ 657,412</u>	<u>\$ 816,479</u>

LENAWEE COMMUNITY MENTAL HEALTH AUTHORITY

GENERAL FUND

SCHEDULE OF EXPENDITURES BY PROGRAM

For the Year Ended September 30, 2004

	<u>MENTAL ILLNESS – ADULT</u>		
	<u>Supports Coordination</u>	<u>Access</u>	<u>Medication Clinic</u>
Compensation and fringes:			
Salaries and wages	\$ 416,512	\$ 390,342	\$ 171,669
Fringes	<u>173,932</u>	<u>164,563</u>	<u>54,363</u>
Total compensation and fringes	<u>590,444</u>	<u>554,905</u>	<u>226,032</u>
General expenditures:			
Office supplies	1,123	901	615
Operating supplies	1,471	1,543	2,123
Professional services			801,954
Client services	155		
Communication	12,232	11,873	5,796
Travel	14,077	4,492	339
Insurance	6,993	4,126	4,050
Equipment maintenance	4,389	2,367	1,928
Building rental	25,186	31,889	31,888
Equipment acquisitions	11,578	290	359
Staff development	<u>1,941</u>	<u>2,369</u>	<u>103</u>
Total general expenditures	<u>79,145</u>	<u>59,850</u>	<u>849,155</u>
Subtotal - direct expenditures	669,589	614,755	1,075,187
Administrative expense allocation	<u>244,748</u>	<u>224,812</u>	<u>393,491</u>
Total expenditures	<u>\$ 914,337</u>	<u>\$ 839,567</u>	<u>\$ 1,468,678</u>

LENAWEE COMMUNITY MENTAL HEALTH AUTHORITY

GENERAL FUND

SCHEDULE OF EXPENDITURES BY PROGRAM

For the Year Ended September 30, 2004

MENTAL ILLNESS – CHILD

	<u>Supports Coordination</u>
Compensation and fringes:	
Salaries and wages	\$ 213,542
Fringes	<u>83,064</u>
Total compensation and fringes	<u>296,606</u>
General expenditures:	
Office supplies	875
Operating supplies	943
Professional services	67,480
Communication	10,310
Travel	3,060
Insurance	5,592
Equipment maintenance	2,710
Building rental	37,355
Staff development	1,880
Recruitment	<u>762</u>
Total general expenditures	<u>130,967</u>
Subtotal - direct expenditures	427,573
Administrative expense allocation	<u>156,237</u>
Total expenditures	<u>\$ 583,810</u>

LENAWEE COMMUNITY MENTAL HEALTH AUTHORITY

GENERAL FUND

SCHEDULE OF EXPENDITURES BY PROGRAM

For the Year Ended September 30, 2004

	<u>OTHER</u>		
	<u>Block Grants</u>	<u>RICC</u>	<u>Contract Agencies</u>
State Institutions, Contract Agencies, and Other:			
State Institutions	\$	\$	\$ 236,133
Hope Community Center			6,100
Community Psychiatric Inpatient			344,437
Residential Services			5,965,590
Drop In Center	14,472		64,381
Wraparound Services	87,467		41,004
Clinical Services	104,258		2,069,404
MRS - Cash Match			7,000
Recipient Rights			83,519
Local Match Obligation			152,631
Community Action Agency			45,000
NYPUM			6,800
	<u> </u>	<u> </u>	<u> </u>
Total State Institutions, Contract Agencies, and Other	<u>206,197</u>	<u>-</u>	<u>9,021,999</u>
Compensation and fringes:			
Salaries and wages	2,913		
Fringe benefits			
	<u> </u>	<u> </u>	<u> </u>
Total compensation and fringes	<u>2,913</u>	<u>-</u>	<u>-</u>
General expenditures:			
Operating supplies	4,683		
Professional services	1,903		
Client transportation			150,814
Building rental			106,252
Travel	757	82	
Staff development	12,566	195	
	<u> </u>	<u> </u>	<u> </u>
Total general expenditures	<u>19,909</u>	<u>277</u>	<u>257,066</u>
Subtotal - direct expenditures	229,019	277	9,279,065
Administrative expense allocation	27,299	-	85,368
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>\$ 256,318</u>	<u>\$ 277</u>	<u>\$ 9,364,433</u>