

LENAWEE COMMUNITY MENTAL HEALTH AUTHORITY
FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2005
WITH
INDEPENDENT AUDITORS' REPORT

January 25, 2006

Lenawee Community Mental
Health Authority Board
Adrian, Michigan

The comments and recommendations made in this letter are related to our audit of the financial statements of Lenawee Community Mental Health Authority (LCMHA) for the year ended September 30, 2005. This letter discusses the differences in audited financial statements compared to LCMHA's monthly statements. Also, it discusses the capital assets at New Focus Clubhouse.

Differences in Financial Presentation

The differences between the audited financial statements and LCMHA's monthly statements are:

1. Differences in depreciation expense.
2. Capital assets purchased (including remodeling costs) not shown as expense, but as capitalized assets.

LCMHA started as of October 1, 2002 to capitalize major capital asset purchases and depreciated these assets over their useful lives. This recognition of depreciation is due to a change in reimbursement by Michigan Department of Community Health. On the audited financial statements under full accrual accounting, depreciation of all capital assets including those before October 1, 2002 is recognized.

As stated above, LCMHA as of October 1, 2002 capitalized major capital asset purchases and thus no longer showed them as expenses. On the audited financial statements under modified accrual basis of accounting these capital assets are still shown as expenses.

LCMHA Capital Assets at New Focus

During fiscal year 2004-05, LCMHA turned over all its furniture and equipment at New Focus Clubhouse to Touchstone Innovare. Since LCMHA has given up its ownership of these assets (approximately \$31,100 in cost and insurance coverage of \$33,300), LCMHA should remove the insurance coverage on these assets.

The value of these assets have been removed from LCMHA's accounting records.

Again, we appreciate all assistance provided by LCMHA staff during our audit.

Robertson, Eaton & Owen, PC.

LENAWEE COMMUNITY MENTAL HEALTH AUTHORITY

INDEPENDENT AUDITORS' REPORT

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

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, 2005. 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 \$3,124,774 (*net assets*). Of this amount, \$2,183,781 (*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 \$509,045.
- ◆ As of the close of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of \$2,582,933, an increase of \$344,976 in comparison with the prior year. Of this amount \$2,377,850 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 \$2,377,850, or 14.92% 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.

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 \$3,124,774 at the close of the most recent fiscal year.

A portion of the Lenawee Community Mental Health Authority's net assets (23.6 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, 2005). 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>2005</u>	<u>2004</u>
Current and other assets	\$ 5,063,055	\$ 4,762,349
Capital assets	<u>735,910</u>	<u>552,352</u>
Total assets	<u>5,798,965</u>	<u>5,314,701</u>
Long-term liabilities outstanding	194,069	174,580
Other liabilities	<u>2,480,122</u>	<u>2,524,392</u>
Total liabilities	<u>2,674,191</u>	<u>2,698,972</u>
Net assets:		
Invested in capital assets, net of related debt	735,910	552,352
Restricted	205,083	199,177
Unrestricted	<u>2,183,781</u>	<u>1,864,200</u>
Total net assets	<u>\$ 3,124,774</u>	<u>\$ 2,615,729</u>

An additional portion of the Lenawee Community Mental Health Authority's net assets (6.6 percent) represents resources that are subject to restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$2,183,781) 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>2005</u>	<u>2004</u>
Revenues:		
Program revenues:		
Charges for services	\$ 13,535,429	\$ 11,734,463
Operating grants and contributions	474,604	463,831
General revenues:		
Department of Community Health – General Fund	1,746,391	1,838,998
Other revenues	<u>775,162</u>	<u>1,440,375</u>
 Total revenues	 <u>16,531,586</u>	 <u>15,477,667</u>
Expenses:		
Developmental Disabilities	1,099,923	1,096,346
Mental Illness – Adult	2,607,683	2,364,065
Mental Illness – Child	545,795	421,250
Other:		
Contract Agencies and State Institutions	10,087,762	9,386,623
RICC	715	277
Administration	<u>1,680,663</u>	<u>1,538,954</u>
 Total expenses	 <u>16,022,541</u>	 <u>14,807,515</u>
 Increase in net assets	 509,045	 670,152
 Net assets – beginning of year	 2,615,729	 2,123,126
 Risk reserve elimination	 <u> </u>	 <u>(177,549)</u>
 Net assets – end of year	 <u>\$ 3,124,774</u>	 <u>\$ 2,615,729</u>

Financial Analysis of the Governmental Funds

On the modified accrual basis, the overall revenues increased \$1,053,919 or 6.8% of prior year's revenues, while total expenses increased \$1,076,265 or 7.2% of prior year's expenses in the General Fund.

In the Hendershot Fund, the fund balance increased by \$5,906 during the year. This increase was the result of interest earned. The year-end fund balance was \$205,083.

General Fund Budgetary Highlights

The final amended budget for fiscal year 2005 was increased significantly (\$808,379) mainly due to increased state hospital utilization, the inclusion of the residential direct care wage increase, and contract rate adjustments for clinical providers.

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, 2005, amounts to \$735,910 (net of accumulated depreciation). This investment in capital assets includes buildings, equipment, furniture and fixtures, and vehicles. In fiscal year 2004-05, office equipment purchases were \$22,189 and remodeling costs were \$229,391.

	Capital Assets (net of depreciation)	
	<u>2005</u>	<u>2004</u>
Buildings	\$ 398,422	\$ 414,761
Leasehold improvements	228,117	
Equipment	91,869	114,595
Furniture and fixtures	3,597	4,455
Vehicles	<u>13,905</u>	<u>18,541</u>
Total	<u>\$ 735,910</u>	<u>\$ 552,352</u>

Additional information on the Lenawee Community Health Authority's capital assets can be found in Note 3 C. on pages 18 and 19 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 \$194,069. This amount was accrued leave time for employees.

**Lenawee Community Mental Health Authority
Long Term Liability**

	<u>2005</u>	<u>2004</u>
Accrued leave	\$ <u>194,069</u>	\$ <u>174,580</u>
Total	<u>\$ 194,069</u>	<u>\$ 174,580</u>

Economic Factors and Next Year's Budget

Current Year – Fiscal Year 2004-2005

As outlined in the financial highlights, Lenawee Community Mental Health Authority (LCMHA) increased its net assets by \$509,045 and overall assets exceeded liabilities by \$3,124,774. Although LCMHA had excess revenues over liabilities of \$344,976, the fund balance contribution is a 1.6% decrease over the previous year. At year end, unreserved fund balance was \$2,377,850 or 14% of the total general fund expenditures. LCMHA provided a 3% Cost of Living increase at June 1, 2005, but employees were asked to contribute an additional 3% of healthcare benefits for a total employee healthcare contribution of 10%.

Anticipated Budget and Economic Factors

Due to MDCH actuary re-basing of the 05/06 Medicaid rates, the Community Mental Health Partnership of Southeast Michigan (CMHPSM) which includes the Community Mental Health Services Providers (CMHSP) of Washtenaw, Monroe, Livingston, and Lenawee Counties, could see an overall reduction of Medicaid and general fund distributions by 2.2 million. Based on year end results and 05/06 budget projections, LCMHA does not anticipate a reduction in funding for 05/06 and the current 06 budget anticipates an increase in expenditures of \$315,015 for ongoing residential rate increases and an increase in state hospital utilization.

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 25, 2006

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 Lenawee Community Mental Health Authority, as of and for the year ended September 30, 2005, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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 Lenawee Community Mental Health Authority, as of September 30, 2005, 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 25, 2006 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

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January 25, 2006

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 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 25, 2006

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

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 Lenawee Community Mental Health Authority, as of and for the year ended September 30, 2005, which collectively comprise Lenawee Community Mental Health Authority's basic financial statements and have issued our report thereon dated January 25, 2006. 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered 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 an opinion 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 that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud 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.

January 25, 2006

Lenawee Community Mental
Health Authority
Adrian, Michigan

COMPLIANCE AND OTHER MATTERS

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

This report is intended solely for the information and use of management of 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.

LENAWEE COMMUNITY MENTAL HEALTH AUTHORITY

STATEMENTS OF NET ASSETS

September 30, 2005 and 2004

	Governmental Activities	
	<u>2005</u>	<u>2004</u>
ASSETS:		
Cash on hand and deposited:		
Cash on hand	\$ 345	\$ 450
Cash management accounts	1,939,904	1,854,612
Cash – certificates of deposit	2,450,446	2,368,304
Receivables:		
Accounts receivable (net of allowance \$20,000 for 2005 and 2004)	90,942	104,119
Other agencies:		
Contract agencies	344,007	184,658
Accrued interest receivable	6,085	1,791
Due from other governmental units:		
State of Michigan – Department of Community Health	83,852	96,090
Investments:		
Land	2,400	2,400
Securities	10	10
Prepaid expenses:		
Rent	27,116	31,730
Insurance	82,289	76,411
Conferences	175	685
Dues	6,790	6,675
Residential and other contracts	28,694	34,414
Capital assets (net of accumulated depreciation):		
Buildings	398,422	414,761
Leasehold improvements	228,117	
Equipment	91,869	114,595
Furniture and fixtures	3,597	4,455
Vehicles	<u>13,905</u>	<u>18,541</u>
Total assets	<u>\$ 5,798,965</u>	<u>\$ 5,314,701</u>
LIABILITIES:		
Accounts payable	\$ 1,944,564	\$ 910,980
Accrued expenses:		
Salaries and wages	109,359	89,095
Due to State of Michigan – Department of Community Health	315,454	256,830
Due to contract agencies	21,867	1,181,837
Deferred revenue	88,878	85,650
Noncurrent Liabilities:		
Due in more than one year	<u>194,069</u>	<u>174,580</u>
Total liabilities	<u>2,674,191</u>	<u>2,698,972</u>
NET ASSETS:		
Invested in capital assets, net of related debt	735,910	552,352
Restricted for:		
Hendershot Fund	205,083	199,177
Unrestricted	<u>2,183,781</u>	<u>1,864,200</u>
Total net assets	<u>\$ 3,124,774</u>	<u>\$ 2,615,729</u>

LENAWEE COMMUNITY MENTAL HEALTH AUTHORITY

STATEMENT OF ACTIVITIES

**For the Fiscal Year Ended September 30, 2005
With Comparative Totals for the Fiscal Year Ended September 30, 2004**

	<u>Program Revenues</u>			<u>Totals Governmental Activities</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>	
				<u>2005</u>	<u>2004</u>
Programs/Functions					
Developmental disabilities	\$ 1,099,923	\$ 1,008,786	\$ 814	\$ (90,323)	\$ (245,619)
Mental illness – adult	2,607,683	2,295,570	1,931	(310,182)	(620,139)
Mental illness – child	545,795	480,469	404	(64,922)	(110,502)
Other:					
Contract Agencies, Block Grants, and State Institutions	10,087,762	8,271,100	469,496	(1,347,166)	(1,367,170)
RICC	715		715	-	-
Administration	<u>1,680,663</u>	<u>1,479,504</u>	<u>1,244</u>	<u>(199,915)</u>	<u>(265,791)</u>
Total	<u>\$ 16,022,541</u>	<u>\$ 13,535,429</u>	<u>\$ 474,604</u>	<u>\$ (2,012,508)</u>	<u>\$ (2,609,221)</u>
 General Revenues:					
Department of Community Health – General Fund				\$ 1,561,046	\$ 1,594,506
Adult benefit waiver				185,345	244,492
Title XX Replacement				1,209	1,209
Lenawee County appropriation				365,686	365,686
Other local				197,676	183,408
Other earned revenue				14,811	24,052
Interest income				110,130	35,207
Miscellaneous				<u>85,650</u>	<u>830,813</u>
Total general revenues				<u>2,521,553</u>	<u>3,279,373</u>
Change in net assets				509,045	670,152
Net assets – beginning of year				2,615,729	2,123,126
Risk reserve elimination				<u> </u>	<u>(177,549)</u>
Net assets – end of year				<u>\$ 3,124,774</u>	<u>\$ 2,615,729</u>

LENAWEE COMMUNITY MENTAL HEALTH AUTHORITY

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2005

With Comparative Totals for September 30, 2004

GOVERNMENTAL ACTIVITIES

<u>ASSETS</u>	<u>General Fund</u>	<u>Hendershot Fund</u>	<u>2005</u>	<u>Totals</u> <u>2004</u>
Cash on hand and deposited:				
Cash on hand	\$ 345	\$	\$ 345	\$ 450
Cash management accounts	1,937,677	2,227	1,939,904	1,854,612
Cash – certificates of deposit	2,250,000	200,446	2,450,446	2,368,304
Receivables:				
Accounts receivable (net of allowance \$20,000 for 2005 and 2004)	90,942		90,942	104,119
Other agencies:				
Contract agencies	344,007		344,007	184,658
Accrued interest receivable	6,085		6,085	1,791
Due from other governmental units:				
State of Michigan – Department of Community Health	83,852		83,852	96,090
Investments:				
Land		2,400	2,400	2,400
Securities		10	10	10
Prepaid expenses:				
Rent	27,116		27,116	31,730
Insurance	82,289		82,289	76,411
Conferences	175		175	685
Dues	6,790		6,790	6,675
Residential and other contracts	28,694		28,694	34,414
Total assets	<u>\$ 4,857,972</u>	<u>\$ 205,083</u>	<u>\$ 5,063,055</u>	<u>\$ 4,762,349</u>

LIABILITIES AND FUND BALANCE

Liabilities:				
Accounts payable	\$ 1,944,564	\$	\$ 1,944,564	\$ 910,980
Accrued expenses:				
Salaries and wages	109,359		109,359	89,095
Due to State of Michigan - Depart- ment of Community Health	315,454		315,454	256,830
Due to contract agencies	21,867		21,867	1,181,837
Deferred revenue	88,878		88,878	85,650
Total liabilities	<u>2,480,122</u>	<u>-</u>	<u>2,480,122</u>	<u>2,524,392</u>
Fund balance:				
Reserved for:				
Hendershot Fund		205,083	205,083	199,177
Risk Reserve				
Unreserved	2,377,850		2,377,850	2,038,780
Total fund balance (See Note 6)	<u>2,377,850</u>	<u>205,083</u>	<u>2,582,933</u>	<u>2,237,957</u>
Total liabilities and fund balance	<u>\$ 4,857,972</u>	<u>\$ 205,083</u>	<u>\$ 5,063,055</u>	<u>\$ 4,762,349</u>

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

September 30, 2005

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

Total fund balance – Governmental Funds (page 7)	\$ 2,582,933
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund statements	735,910
Long term liabilities are not a use of current financial resources and, therefore, are not reported in the fund statements.	<u>(194,069)</u>
Net assets of Governmental Activities (Page 5)	<u>\$ 3,124,774</u>

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

For the Fiscal Year Ended September 30, 2005
With Comparative Totals for the Fiscal Year Ended September 30, 2004

	<u>GOVERNMENTAL ACTIVITIES</u>			
	<u>General Fund</u>	<u>Hendershot Fund</u>	<u>2005</u>	<u>Totals 2004</u>
Revenues				
Grants and appropriations:				
State of Michigan:				
Department of Community Health	\$ 1,561,046	\$	\$ 1,561,046	\$ 1,594,506
DCH carry forward	85,650		85,650	98,210
DCH Medicaid savings				732,603
RICC	715		715	277
Title XX Replacement	1,209		1,209	1,209
Adult benefit waiver	185,345		185,345	244,492
Federal Government:				
Block Grants	205,938		205,938	229,018
Lenawee County:				
County appropriation	365,686		365,686	365,686
Contract Agencies Match	107,115		107,115	67,887
Miscellaneous donations	4,393		4,393	5,007
Other local	197,676		197,676	183,408
	<u>2,714,773</u>	<u>-</u>	<u>2,714,773</u>	<u>3,522,303</u>
Earned revenues and reimbursements:				
Charge for services – self-pay and insurance - net of discount	40,399		40,399	121,732
State of Michigan – Medicaid reimbursements	13,495,030		13,495,030	11,612,731
OBRA	156,443		156,443	161,642
Other earned revenue	14,811		14,811	24,052
	<u>13,706,683</u>	<u>-</u>	<u>13,706,683</u>	<u>11,920,157</u>
Interest income	104,224	5,906	110,130	35,207
Total revenues	<u>16,525,680</u>	<u>5,906</u>	<u>16,531,586</u>	<u>15,477,667</u>
Expenditures:				
Developmental disabilities	1,085,233		1,085,233	1,079,268
Mental illness – adult	2,590,035		2,590,035	2,359,532
Mental illness – child	544,600		544,600	427,573
Other:				
Contract Agencies, Block Grants, and State Institutions	10,087,762		10,087,762	9,508,084
RICC	715		715	277
Administration	1,626,685		1,626,685	1,484,031
Total expenditures	<u>15,935,030</u>	<u>-</u>	<u>15,935,030</u>	<u>14,858,765</u>
Excess of revenues over expenditures	590,650	5,906	596,556	618,902
Remodeling and capital asset purchases	(251,580)		(251,580)	(42,546)
Net change	339,070	5,906	344,976	576,356
Fund balances at beginning of year	2,038,780	199,177	2,237,957	1,839,150
Risk reserve elimination				(177,549)
Fund balances at end of year	<u>\$ 2,377,850</u>	<u>\$ 205,083</u>	<u>\$ 2,582,933</u>	<u>\$ 2,237,957</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, 2005

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) \$ 344,976

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 capital outlay expense exceeded depreciation for
the current period.

183,558

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).

(19,489)

Change in net assets of Governmental Activities (page 6)

\$ 509,045

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, 2005

	<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	\$ 1,791,295	\$ 1,883,561	\$ 1,561,046	\$ (322,515)
DCH carry forward	85,430	85,650	85,650	
Medicaid savings	486,900			
RICC			715	715
Title XX Replacement	1,209	1,209	1,209	
Adult benefit waiver	248,901	185,345	185,345	
Federal Government:				
Block Grants	210,216	210,216	205,938	(4,278)
Lenawee County:				
County appropriation	365,686	365,686	365,686	
Contract Agencies Match	75,000	107,000	107,115	115
Miscellaneous donations	4,000	4,000	4,393	393
Other local	<u>217,585</u>	<u>197,000</u>	<u>197,676</u>	<u>676</u>
	<u>3,486,222</u>	<u>3,039,667</u>	<u>2,714,773</u>	<u>(324,894)</u>
Earned revenues and reimbursements:				
Charge for services - self-pay and insurance - net of discount	80,000	44,000	40,399	(3,601)
State of Michigan - Medicaid reimbursements	12,475,000	13,717,058	13,495,030	(222,028)
OBRA	170,000	156,000	156,443	443
Other earned revenue	<u>20,850</u>	<u>14,726</u>	<u>14,811</u>	<u>85</u>
	<u>12,745,850</u>	<u>13,931,784</u>	<u>13,706,683</u>	<u>(225,101)</u>
Interest income	<u>35,000</u>	<u>104,000</u>	<u>104,224</u>	<u>224</u>
Total revenues	<u>16,267,072</u>	<u>17,075,451</u>	<u>16,525,680</u>	<u>(549,771)</u>
Expenditures:				
Compensation and fringes:				
Salaries and wages	2,861,194	2,861,194	2,602,110	(259,084)
Fringes	1,320,163	1,320,163	1,147,142	(173,021)
Per diem expenditures	<u>20,000</u>	<u>22,000</u>	<u>18,520</u>	<u>(3,480)</u>
Total compensation and fringes carried forward	<u>\$ 4,201,357</u>	<u>\$ 4,203,357</u>	<u>\$ 3,767,772</u>	<u>\$ (435,585)</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, 2005

	<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	\$ 4,201,357	\$ 4,203,357	\$ 3,767,772	\$ (435,585)
State Institutions, Contract Agencies, and Other:				
State Institutions	183,083	486,157	486,157	
Hope Community Center	10,000	10,000	10,000	
Community Psychiatric Inpatient	325,000	325,000	267,918	(57,082)
Residential Services	5,970,385	6,408,000	6,111,505	(296,495)
Drop In Center	65,000	65,000	52,952	(12,048)
Wraparound Services	128,471	128,471	128,471	
Clinical Services	2,458,858	2,813,858	2,623,160	(190,698)
MRS – Cash Match	7,000			
Recipient Rights	87,000	87,000	69,275	(17,725)
Local Match Obligation	152,631	152,631	152,631	
Community Action Agency	45,000	46,101	46,101	
NYPUM	15,000	15,000	13,350	(1,650)
Client transportation	150,000	125,000	120,990	(4,010)
Total State Institutions, Contract Agencies, and Other	9,597,428	10,662,218	10,082,510	(579,708)
General expenditures:				
Office supplies	15,000	15,000	13,852	(1,148)
Computer software	50,000	5,000	4,026	(974)
Operating supplies	35,000	35,000	29,832	(5,168)
Client services	4,000	5,000	4,369	(631)
Professional services	1,109,000	1,294,120	1,249,322	(44,798)
Communication	110,000	110,000	94,475	(15,525)
Travel	54,000	70,000	65,658	(4,342)
Printing and publishing	30,000	30,000	19,997	(10,003)
Insurance	173,000	29,529	27,462	(2,067)
Software/hardware maintenance	189,000	100,000	88,904	(11,096)
Equipment maintenance	30,000	30,000	29,758	(242)
Building rental	325,397	325,397	325,397	
Membership and dues	11,000	11,000	9,247	(1,753)
Equipment	5,000	50,000	35,928	(14,072)
Staff development	30,000	35,000	33,945	(1,055)
Recruitment	2,500	3,500	3,317	(183)
Miscellaneous medical	15,000	5,000	3,512	(1,488)
Public relations/marketing	20,000	20,000	19,919	(81)
Computer hardware	70,000	30,000	19,498	(10,502)
Vehicles	10,644	6,330	6,330	
Total general expenditures	2,288,541	2,209,876	2,084,748	(125,128)
Total expenditures	16,087,326	17,075,451	15,935,030	(1,140,421)
Excess of revenues over expenditures	179,746		590,650	
Remodeling and capital asset purchases			(251,580)	
Net change			339,070	
Fund balance at beginning of year			2,038,780	
Fund balance at end of year			\$ 2,377,850	

LENAWEE COMMUNITY MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

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, 2005

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 another fund.

The *Hendershot 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, 2005

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 \$1,500 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
Leasehold improvements	15
Furniture and Fixtures	10
Office Equipment	5
Vehicles	7

LENAWEE COMMUNITY MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

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, 2005 was \$194,069 and \$174,580 at September 30, 2004.

5. LONG-TERM OBLIGATIONS

In the governmental-wide financial statements, any 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 2004-05.

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. CASH AND INVESTMENTS

At year end, the carrying value of Community Mental Health's deposits in cash management accounts was \$1,939,904 and bank balance was \$2,806,134. Of the bank balance, \$100,000 was covered by federal depository insurance and the remainder was uninsured. All deposits are with banks located in Michigan as required by statutes.

Lenawee Community Mental Health Authority invests only in investments allowed under State law.

LENAWEE COMMUNITY MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

A. CASH AND INVESTMENTS (Continued)

The Authority limits its exposure to interest rate risk and credit rate risk by investing in conservative instruments like certificates of deposits with terms of six months or less. There is exposure to custodial credit risk since all investments are with two institutions and investments are not fully covered by insurance. Only \$200,000 of the total certificate of deposit investment of \$2,450,446 is covered by depository insurance.

Cash/investments in the General Fund are as follows:

	<u>2005</u>	<u>2004</u>
United Bank & Trust		
Cash Management Accounts – 2.59%	\$ 1,937,677	\$ 1,849,565
Bank of Lenawee		
Certificates of Deposit –		
at 3.9810%, due 11/01/05	750,000	
at 3.9880%, due 11/15/05	750,000	
at 4.0320%, due 11/29/05	750,000	
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		176,584
	<u>\$ 4,187,677</u>	<u>\$ 4,026,149</u>

Cash/investments in the Hendershot Fund are as follows:

	<u>2005</u>	<u>2004</u>
United Bank & Trust		
Cash Management Account – 2.59%	\$ 2,227	\$ 5,047
Bank of Lenawee		
Certificate of Deposit –		
at 4.0290%, due 11/22/05	200,446	
Certificate of Deposit –		
at 2.26%, 35 days, due 11/02/04		191,720
	<u>\$ 202,673</u>	<u>\$ 196,767</u>
Other:		
Land:		
Two lots located in Tecumseh, Michigan	\$ 2,400	\$ 2,400
Security:		
One share of Lenawee Farm Bureau Oil Cooperative	\$ 10	\$ 10

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, 2005

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

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

The breakdown is:

	<u>2005</u>	<u>2004</u>
Reimbursement Under OBRA	\$ 31,511	\$ 23,526
Children Respite Block Grant	473	476
Drop In Center Block Grant		2,072
Wraparound Block Grant	21,867	26,858
FAS Grant	2,885	4,122
Gerontology Block Grant	16,285	15,387
New Focus Block Grant	10,831	13,020
Co-occurring Block Grant		<u>10,629</u>
	<u>\$ 83,852</u>	<u>\$ 96,090</u>

C. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2005 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	\$ 229,391	\$ -	\$ 490,169
Leasehold improvements				229,391
Furniture and fixtures	76,129		8,564	67,565
Office equipment	434,294	22,189		456,483
Vehicles	<u>32,446</u>			<u>32,446</u>
Total capital assets, being depreciated	<u>1,033,038</u>	<u>251,580</u>	<u>8,564</u>	<u>1,276,054</u>
Less: Accumulated depreciation for:				
Buildings	75,408	16,339		91,747
Leasehold improvements		1,274		1,274
Furniture and fixtures	71,674	858	8,564	63,968
Office equipment	319,699	44,915		364,614
Vehicles	<u>13,905</u>	<u>4,636</u>		<u>18,541</u>
Total accumulated depreciation	<u>480,686</u>	<u>68,022</u>	<u>8,564</u>	<u>540,144</u>
Total capital assets, being depreciated, net	<u>\$ 552,352</u>	<u>\$ 183,558</u>	<u>\$ -</u>	<u>\$ 735,910</u>

LENAWEE COMMUNITY MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

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>2005</u>	<u>2004</u>
Developmental Disabilities	\$ 10,853	\$ 10,853
Mental Illness – Adult	10,122	10,122
Administration	<u>47,047</u>	<u>44,220</u>
	<u>\$ 68,022</u>	<u>\$ 65,195</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, 2005 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, 2005 and 2004 of amounts billed for the State Institution charges for County residents.

	<u>2005</u>	<u>2004</u>
Unpaid State Institution and Residential		
Charges for County Residents	\$ 81,817	\$ 89,754
DCH cost settlement	233,637	111,139
Share of insurance deduction		
(risk reserve)		30,888
ISF	<u> </u>	<u>25,049</u>
	<u>\$ 315,454</u>	<u>\$ 256,830</u>

LENAWEE COMMUNITY MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

E. LEASE COMMITMENTS

Community Mental Health currently leases its main facility from Lenawee County on a sixty month lease ending February 28, 2011 with monthly payments of \$27,116.

Eleven residential facilities are leased from independent third parties on three to six year terms Lease payments currently total \$20,945 per month.

Annual future lease commitments are as follows:

<u>Fiscal Year</u>	<u>Commitment</u>
2005-2006	\$ 576,732
2006-2007	490,309
2007-2008	418,267
2008-2009	371,784
2009-2010	354,565
After 9/30/10	<u>187,031</u>
	<u>\$ 2,398,688</u>

F. LONG-TERM LIABILITY

Long-term liability activity for the year ended September 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Accrued leave	<u>\$ 174,580</u>	<u>\$ 19,489</u>	<u>\$ -</u>	<u>\$ 194,069</u>
Governmental activity - long-term liability	<u>\$ 174,580</u>	<u>\$ 19,489</u>	<u>\$ -</u>	<u>\$ 194,069</u>

LENAWEE COMMUNITY MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE 4. OTHER INFORMATION

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.

Annual Pension Cost

For the year ended September 30, 2005, the Authority's annual pension cost was \$282,881, 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 2005-06 is \$252,000.

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%
1/1/05	4,229,749	4,488,460	258,711	94.24%	2,590,482	9.99%

LENAWEE COMMUNITY MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE 4. OTHER INFORMATION (Continued)

RETIREMENT PLAN (Continued)

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%
9/30/05	282,881	100%

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

	<u>2005</u>	<u>2004</u>
Total expenditures – General Fund (Page 12)	\$ 15,935,030	\$ 14,858,765
Add: Depreciation expense on only items capitalized in fiscal year 2004-05, 2003-04	<u>18,309</u>	<u>9,199</u>
Total expenditures per DCH cost settlement	<u>\$ 15,953,339</u>	<u>\$ 14,867,964</u>

**NOTE 6. RECONCILIATION OF FUND BALANCE OF GENERAL FUND
TO LCMHA FUND BALANCE**

	<u>Year Ended September 30</u>	
	<u>2005</u>	<u>2004</u>
Fund balance – General Fund (Page 7)	\$ 2,377,850	\$ 2,038,780
Add: Capital assets (after October 1, 2002) net of accumulated depreciation	<u>295,578</u>	<u>62,307</u>
Fund balance – LCMHA	<u>\$ 2,673,428</u>	<u>\$ 2,101,087</u>

LENAWEE COMMUNITY MENTAL HEALTH AUTHORITY

GENERAL FUND

SCHEDULE OF EXPENDITURES BY PROGRAM

For the Year Ended September 30, 2005

	<u>ADMINISTRATION</u>		
	<u>Executive Board</u>	<u>Fiscal</u>	<u>MIS</u>
Compensation and fringes:			
Salaries and wages	\$ 511,583	\$ 209,308	\$ 60,331
Fringes	246,202	87,580	26,057
Per diem expenditures	<u>18,520</u>		
Total compensation and fringes	<u>776,305</u>	<u>296,888</u>	<u>86,388</u>
General expenditures:			
Office supplies	4,010	1,568	3,894
Computer software			4,025
Operating supplies	13,966	370	2,094
Professional services	17,792		9,511
Communication	27,450	8,199	3,631
Travel	17,111	7,252	
Printing and publishing	19,996		
Insurance	5,930	2,517	617
Software/hardware maintenance		84,405	4,498
Equipment maintenance	9,444	2,528	549
Building rental	43,943	57,033	12,779
Membership and dues	9,247		
Equipment acquisitions	31,043	3,933	
Computer hardware			19,498
Staff development	15,467	830	
Public relations/marketing	19,919		
Recruitment	<u>1,902</u>	<u>153</u>	
Total general expenditures	<u>237,220</u>	<u>168,788</u>	<u>61,096</u>
Subtotal - direct expenditures	1,013,525	465,676	147,484
Administrative expense allocation	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 1,013,525</u>	<u>\$ 465,676</u>	<u>\$ 147,484</u>

LENAWEE COMMUNITY MENTAL HEALTH AUTHORITY

GENERAL FUND

SCHEDULE OF EXPENDITURES BY PROGRAM

For the Year Ended September 30, 2005

	<u>DEVELOPMENTAL DISABILITIES</u>	
	<u>Support Services</u>	<u>Supports Coordination</u>
Compensation and fringes:		
Salaries and wages	\$ 300,888	\$ 293,997
Fringes	<u>128,533</u>	<u>140,998</u>
Total compensation and fringes	<u>429,421</u>	<u>434,995</u>
General expenditures:		
Office supplies	568	991
Operating supplies	508	1,226
Professional services		106,942
Communication	8,068	11,143
Travel	5,036	5,925
Insurance	2,687	3,242
Equipment maintenance	2,390	2,884
Building rental	26,319	35,496
Staff development	2,626	1,254
Miscellaneous medical	<u>3,512</u>	<u> </u>
Total general expenditures	<u>51,714</u>	<u>169,103</u>
Subtotal - direct expenditures	481,135	604,098
Administrative expense allocation	<u>173,387</u>	<u>217,699</u>
Total expenditures	<u>\$ 654,522</u>	<u>\$ 821,797</u>

LENAWEE COMMUNITY MENTAL HEALTH AUTHORITY

GENERAL FUND

SCHEDULE OF EXPENDITURES BY PROGRAM

For the Year Ended September 30, 2005

	<u>MENTAL ILLNESS – ADULT</u>		
	<u>Supports Coordination</u>	<u>Access</u>	<u>Medication Clinic</u>
Compensation and fringes:			
Salaries and wages	\$ 417,057	\$ 373,593	\$ 169,477
Fringes	<u>182,448</u>	<u>165,359</u>	<u>60,163</u>
Total compensation and fringes	<u>599,505</u>	<u>538,952</u>	<u>229,640</u>
General expenditures:			
Office supplies	1,291	749	276
Operating supplies	1,047	2,909	2,135
Professional services			1,011,182
Client services	4,369		
Communication	14,337	11,862	2,820
Travel	14,285	4,777	109
Client transportation	4,139		
Insurance	5,417	3,565	1,358
Equipment maintenance	5,690	3,172	1,208
Building rental	35,044	38,790	34,518
Equipment expense	6,330	200	753
Staff development	2,230	7,066	131
Recruitment			<u>179</u>
Total general expenditures	<u>94,179</u>	<u>73,090</u>	<u>1,054,669</u>
Subtotal - direct expenditures	693,684	612,042	1,284,309
Administrative expense allocation	<u>249,983</u>	<u>220,562</u>	<u>462,827</u>
Total expenditures	<u>\$ 943,667</u>	<u>\$ 832,604</u>	<u>\$ 1,747,136</u>

LENAWEE COMMUNITY MENTAL HEALTH AUTHORITY

GENERAL FUND

SCHEDULE OF EXPENDITURES BY PROGRAM

For the Year Ended September 30, 2005

MENTAL ILLNESS – CHILD

Supports
Coordination

Compensation and fringes:	
Salaries and wages	\$ 263,695
Fringes	<u>109,802</u>
Total compensation and fringes	<u>373,497</u>
General expenditures:	
Office supplies	503
Operating supplies	847
Professional services	101,505
Communication	6,963
Travel	10,944
Insurance	2,129
Equipment maintenance	1,894
Building rental	41,476
Staff development	3,758
Recruitment	<u>1,084</u>
Total general expenditures	<u>171,103</u>
Subtotal - direct expenditures	544,600
Administrative expense allocation	<u>196,258</u>
Total expenditures	<u>\$ 740,858</u>

LENAWEE COMMUNITY MENTAL HEALTH AUTHORITY

GENERAL FUND

SCHEDULE OF EXPENDITURES BY PROGRAM

For the Year Ended September 30, 2005

	<u>OTHER</u>		
	<u>Block Grants</u>	<u>RICC</u>	<u>Contract Agencies</u>
State Institutions, Contract Agencies, and Other:			
State Institutions	\$	\$	\$ 486,157
Hope Community Center			10,000
Community Psychiatric Inpatient			267,918
Residential Services			6,111,505
Drop In Center			52,952
Wraparound Services			128,471
Clinical Services	109,080		2,514,080
Recipient Rights			69,275
Local Match Obligation			152,631
Community Action Agency			46,101
NYPUM			<u>13,350</u>
 Total State Institutions, Contract Agencies, and Other	 <u>109,080</u>	 <u>-</u>	 <u>9,852,440</u>
 Compensation:			
Salaries and wages	<u>2,180</u>		
 Total compensation	 <u>2,180</u>	 <u>-</u>	 <u>-</u>
 General expenditures:			
Operating supplies	4,731		
Professional services	2,391		
Client transportation			116,851
Travel	5	215	
Staff development	<u>84</u>	<u>500</u>	
 Total general expenditures	 <u>7,211</u>	 <u>715</u>	 <u>116,851</u>
 Subtotal - direct expenditures	 118,471	 715	 9,969,291
 Administrative expense allocation	 <u>3,384</u>	 <u>-</u>	 <u>124,775</u>
 Total expenditures	 <u>\$ 121,855</u>	 <u>\$ -</u>	 <u>\$ 10,094,066</u>