

**ST. CLAIR COUNTY COMMUNITY MENTAL
HEALTH AUTHORITY**

Port Huron, Michigan

**ANNUAL FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED
SEPTEMBER 30, 2013**



ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

**TABLE OF CONTENTS
SEPTEMBER 30, 2013**

	<u>Page Number</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Governmental-Wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
General Fund - Balance Sheet	11
Reconciliation of Fund Balance on the Balance Sheet for the General Fund to Net Position of Governmental Activities on the Statement of Net Position	12
General Fund - Statement of Revenues, Expenditures and Changes in Fund Balance	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the General Fund to the Statement of Activities	14
Internal Service Funds -	
Statement of Net Position	15
Statement of Revenues, Expenses, and Changes in Net Position	16
Statement of Cash Flows	17
Fiduciary Fund -	
Statement of Net Position	18
Statement of Changes in Net Position	18
Notes to Basic Financial Statements	19
Required Supplementary Information:	
Statement of General Fund Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	34
Supplementary Financial Data:	
General Fund -	
Combining Schedule of Assets, Liabilities and Fund Balances	35
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	36

Detailed Schedule of St. Clair CMH Operations -	
Detailed Schedule of Revenues	38
Detailed Schedule of Developmental Disabilities Programs Expenditures	39
Detailed Schedule of Mental Illness Programs Expenditures	39
Detailed Schedule of Other Expenditures	40
Detailed Schedule of Contract Agency Expenditures	40
Transportation Expenses	41
Mileage Data (Unaudited)	42
Internal Service Funds -	
Combining Schedule of Net Position	43
Combining Schedule of Revenues, Expenditures and Changes in Net Position	44
Combining Schedule of Cash Flows	45

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors St. Clair County
Community Mental Health Authority
Port Huron, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the General Fund, and the aggregate remaining fund information of the St. Clair County Community Mental Health Authority (the "Authority"), a component unit of St. Clair County, Michigan as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the General Fund, and the aggregate remaining fund information of the St. Clair County Community Mental Health Authority as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-8 and 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the St. Clair County Community Mental Health Authority's basic financial statements. The accompanying supplementary information as listed in the table of contents and presented on pages 35 through 45 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information except the portion marked "unaudited" has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2014 on our consideration of St. Clair County 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering St. Clair County Community Mental Health Authority's internal control over financial reporting and compliance.


Certified Public Accountants

June 4, 2014

**Annual Financial Statements
For the Year Ended September 30, 2013**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This *Management's Discussion and Analysis* has been written by the management team of the St. Clair County Community Mental Health Authority. We offer readers of these financial statements this analysis of the financial activities of the Authority for the fiscal year ended September 30, 2013. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management Discussion and Analysis (MDA) is intended to provide a basis of understanding of the St. Clair County Community Mental Health Authority's basic statements. These statements comprise three components: (1) governmental-wide financial statements, (2) fund (modified accrual) financial statements, and (3) notes to the financial statements. Supplementary information is also provided for additional information purposes.

In reviewing the financial statements the reader must be cognizant of two important budgetary areas. (1) The St. Clair County CMHA operates a region-wide Medicaid, Adult Benefit Waiver program and Autism Benefit Services program, which consists of revenues and expenditures for the **Thumb Alliance PIHP**. As such, the financial statements reflect the financial status of the PIHP (central administration and Access Center); and include the revenues / expenditures for the entire Thumb Alliance provider network, including the PIHP's subcontracts with its major Comprehensive Specialty Services Networks (i.e. CMHs) for Medicaid, Adult Benefit Waiver services and Autism Benefit services, including the St. Clair County CMHA and its sub-network providers and the providers of SUD services. (2) The St. Clair County CMHA also operates a **Program Operations Unit**, which manages programs and services only germane to St. Clair County. Funding for these "St. Clair County only" programs and services include Medicaid, Adult Benefit Waiver and Autism Benefit Services funding received from the PIHP, along with funding from other sources such as Michigan's General Funds (GF), Children's Waiver program, MI-Child program, SED Waiver program and local county funds. As such, the supplementary financial report is broken down into the Thumb-Alliance PIHP provider component, and those financial statements that pertain only to programs and services offered in St. Clair County with an elimination column for revenues and expenses that are duplicated.

Government-Wide Financial Statements

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

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position 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., unused vacation and sick).

Fund (Modified Accrual) Financial Statements

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 is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds (modified accrual) statements with similar information presented for government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions.

The St. Clair County Community Mental Health Authority adopts an annual appropriated budget for the operating fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

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 (modified accrual) financial statements.

FINANCIAL HIGHLIGHTS

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. As shown on the chart below, the Authority's assets exceeded liabilities by \$5,353,492 at the end of the fiscal year.

The net position is separated into three major components: (1) investment in capital assets which amounted to \$756,634 (2) restricted of \$7,242,119 and (3) unrestricted of (\$2,645,261). The restricted amounts are dollars set-aside from state and federal Medicaid funding, which is subject to external restrictions on how it may be used, to provide protection from expected and unexpected cost fluctuations related to its managed care risk contract with the Michigan Department of Community Health.

When comparing this fiscal year to the previous year, net position has increased by \$2,780,192 for current year activities plus \$53,494 for a prior period adjustment.

Statement of Net Position

	<u>FY 2013</u>	<u>FY 2012</u>
Current and other unrestricted assets	\$ 12,852,316	\$ 11,284,697
Restricted assets	7,255,160	4,486,181
Capital Assets	<u>11,281,224</u>	<u>11,957,895</u>
Total Assets	<u>31,388,700</u>	<u>27,728,773</u>
Long-term liabilities outstanding	20,392,726	20,268,727
Other liabilities	<u>5,642,482</u>	<u>4,833,252</u>
Total Liabilities	<u>26,035,208</u>	<u>25,101,979</u>
Net Position:		
Invested in capital assets, net of related debt	756,634	1,172,330
Restricted	7,242,119	3,974,781
Unrestricted	<u>(2,645,261)</u>	<u>(2,520,317)</u>
Total net position	<u>\$ 5,353,492</u>	<u>\$ 2,626,794</u>

Statement of Activities

Revenues		
Intergovernmental	\$ 85,463,106	\$ 86,090,613
Charges for services	<u>1,302,361</u>	<u>1,262,048</u>
Total Revenues	<u>86,765,467</u>	<u>87,352,661</u>
Expenses		
St. Clair County CMH Services	47,629,725	53,629,206
PIHP	33,959,290	36,843,475
Substance Abuse	2,899,438	2,696,690
Interest in Long-term Debt	<u>541,422</u>	<u>554,999</u>
Total Expenses	<u>85,029,875</u>	<u>93,724,370</u>
Increase (decrease) in net position before general revenue	1,735,592	(6,371,709)
County Appropriation	955,672	955,672
Unrestricted Investment Income	<u>88,928</u>	<u>101,282</u>
Increase (decrease) in net position	<u>2,780,192</u>	<u>(5,314,755)</u>
Net Position at beginning of year	2,626,794	7,888,011
Prior Period Adjustment	<u>(53,494)</u>	<u>53,538</u>
Net Position at Beginning of Year, As Restated	<u>2,573,300</u>	<u>7,941,549</u>
Net Position at end of year	<u>\$ 5,353,492</u>	<u>\$ 2,626,794</u>

Financial Analysis of Fund (Modified Accrual) Statements

As noted earlier, the focus of the fund (modified accrual) financial statements is to provide information on the near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the Authority's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Authority reported an ending fund balance of \$6,595,470 which is a decrease of \$1,570,485 from the prior year ending balance. Approximately 27% or \$1,791,318 is unassigned, which is available for spending of the Authority's discretion and 20% or \$1,348,368 is assigned for contingencies, managed care, and Adult Benefit Waiver. Of the remaining fund balance approximately 8% or \$485,919 is classified as unspendable, which are prepaid expenditures; \$1,491,453 or 23% is restricted to indicate that it is not available for new spending because it is reserved to liquidate vacation and sick pay earned in prior periods and reimbursed by funding sources and \$1,478,412 or 22% is restricted for Substance Use Disorder programs only.

BUDGETARY HIGHLIGHTS

The Authority prepares a budget prior to the beginning of the fiscal year and prepares an amended budget prior to year-end. Both budgets are presented to the Board for approval. The actual revenues of \$86,854,395 were 2.5% greater than the original budget and less the 1% lower than the amended budget. In the Federal/State line, the original and amended revenue budget approved by the Board reflected all projected Medicaid revenue as current year income.

The actual expenditures of \$84,445,252 compared to the original budget of \$90,146,463 represents a difference of \$5,701,211 or a 6.7% decrease. The difference between actual expenditures and the amended budget of \$86,448,731 was a decrease of \$2,003,479 or approximately 2.3% under the amended budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Authority had \$11,281,224 in capital assets, net of accumulated depreciation, at September 30, 2013. This is a decrease of \$676,671 from the previous year. The change is a result of accumulated depreciation on buildings and equipment netted with new capital expenditures related to buildings and purchases of equipment, and disposal of fully depreciated equipment in FY 2013. The breakdown of assets at September 30, 2013 and 2012 is as follows:

	<u>FY 2013</u>	<u>FY 2012</u>
Land and Construction in Progress	\$ 1,444,182	\$ 2,105,985
Buildings	12,751,861	11,848,792
Leasehold Improvements	54,980	54,980
Equipment	<u>2,485,920</u>	<u>2,614,817</u>
	16,736,943	16,624,574
Accumulated Depreciation	<u>(5,455,719)</u>	<u>(4,666,679)</u>
	<u>\$ 11,281,224</u>	<u>\$ 11,957,895</u>

Long Term Debt

At September 30, 2013, the Authority had \$20,392,726 in long-term debt compared to \$20,268,727 at September 30, 2012, an increase of \$123,999. The change in long term debt is the result of routine payment of loan and contracts payable in the amount of \$314,469; a decrease in the accrual for Sick and Vacation of \$7,389; and an increase in post employment healthcare benefits of \$445,857 (see Note 9 for further details regarding post employment health care benefits). The following table shows the long-term debt at September 30, 2013 and 2012:

	<u>FY 2013</u>	<u>FY 2012</u>
Notes Payable	\$ 1,446,070	\$ 1,491,038
Contracts Payable	9,150,000	9,425,000
Accrued Vacation and Sick	1,499,397	1,506,786
Post-Employment Benefits	8,368,739	7,922,882
Deferred Amounts for Issuance Discounts	(71,480)	(76,979)
	<u>\$ 20,392,726</u>	<u>\$ 20,268,727</u>

Additional information on the Authority's long-term liabilities can be found in Note 7 – Long-Term Debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The State of Michigan, the primary source of funding for the St. Clair County Community Mental Health Authority continues to face high unemployment rates and budget challenges in FY14. Many specialty programs have been eliminated from the State's budget and funding for continuing programs continues to be scrutinized and reduced. Medicaid PEPM funding increased slightly for the 1st quarter of FY14 but then decreased significantly beginning with the 2nd quarter and the new Regional PIHP realignment. With the new PIHP Regional realignment, St. Clair County Mental Health Authority along with Sanilac CMH and Lapeer CMH has joined with Genesee Health System to form Region 10 PIHP. The Thumb Alliance PIHP ceased to exist as of January 1, 2014. The new Region 10 PIHP agreed to continue funding the Members of the Region at the 1st quarter PEPM Medicaid rates for the remainder of the FY14. The FY14 Total Medicaid revenue is expected to increase by approximately \$124,000 in the form of DHS Incentive Payments and Autism Training Revenue. In addition to the traditional Medicaid, this year St. Clair County Community Mental Health Authority is budgeted to receive approximately \$950,000 in funding from the new Medicaid Expansion plan known as the "Healthy Michigan Plan," which began April 1, 2014. This State funding source is also a PEPM based on the number of enrolled eligible individuals per County.

Medicaid services are broken into three different categories referred to as State Plan Services (1915(b), B-3 Services (1915(b)(3), and Habilitation Waiver Services (1915(c). Medicaid PEPM rates are based on age, gender, eligibility code and geographical factors. Original projections for Medicaid revenues in FY14 were estimated to be very similar to FY13. As in prior years, the projected Medicaid revenue is subject to fluctuation based on HSW enrollments, eligible enrolled beneficiary lives and potential rate changes by MDCH. In light of the significant over expenditure of Medicaid and General Fund revenues in FY12, Management implemented significant cost cutting measures in both Direct-Operated and Contract Agency Systems. Examples of such cost cutting measures include layoffs, union concessions and rate reductions. As a result of the FY13 budget reductions implemented, the Thumb Alliance PIHP was able to fully replenish the PIHP Medicaid ISF used to cover the FY12 deficit and carry-forward \$957,167 of Medicaid Savings to be used in FY14.

The Adult Benefit Waiver benefit plan, which has not been open to new enrollment since early 2011, had an open enrollment in April of 2013 which resulted in over 100 individuals in St. Clair County alone becoming eligible for Adult Benefit Waiver benefits. This resulted in an additional \$385,000 in ABW revenue in FY13. The ABW benefit plan ended April 1, 2014 with the implementation of the Healthy Michigan Plan. Those individuals eligible for ABW were automatically enrolled into the Healthy Michigan Plan as of April 1, 2014.

During FY13 the MDCH/PIHP Medicaid Autism Benefit Program was started. The CMHSPs received a flat dollar amount per enrolled child for FY13 and the difference between that initial funding and actual expenditures was cost settled with the Department at the end of the fiscal year. For FY13 St. Clair County Mental Health Authority incurred Autism Benefit Services related expenditures of \$53,889. This program is expected to grow significantly in FY14 as staff continues to be trained to serve individuals currently on a waiting list for services.

The FY13 General Fund allocation of \$3,511,683, which included \$220,000 of a Sec. 236 transfer from Genesee Health Systems, was an increase of \$207,650 over the FY12 General Fund allocation. FY13 ended with a General Fund deficit of \$262,861 which then had to be covered with Local Funds. With the implementation of the Healthy Michigan Plan as of April 1, 2014, the FY14 General Fund allocation was significantly reduced from \$3,291,683 to \$2,542,916. St. Clair County Mental Health Authority received a reduction of \$795,736 in the Operations Base portion of the General Fund allocation and an increase of \$46,969 in the State Facilities portion. As a direct result of this reduction, St. Clair County Community Mental Health Authority has found it necessary to begin discharging individuals served with General Fund dollars. St. Clair County Mental Health Authority continues to provide a limited General Fund benefit to eligible individuals as a means of controlling General Fund expenditures. The efforts have made a slight impact on General Fund spending, however, increases in use of State Facilities, increased costs for local hospitalizations and unavoidable service costs in General Fund eligible individuals will likely result in significant over-spending of General Funds in FY14.

MI Child funding in FY14 is expected to be slightly lower than FY13. MI Child funding requires a match of approximately 25% to be covered by either General Fund or Local revenues. In FY13 we received MI Child revenue of \$78,177 to cover expenditures of \$101,871. The General Fund/Local requirement was \$23,970 leaving a balance of \$276 excess revenue. Currently, MI Child revenues plus the match component are not expected to be sufficient to cover the expenditures in FY14; therefore, up to \$10,000 of General Fund/Local could be required to cover the shortfall.

Children's Waiver revenue has historically not been sufficient to cover actual expenditures to children eligible for this benefit. Approximately 75% of all Children's Waiver expenditures have been covered by Children's Waiver payments for services and the remaining 25% needing to be covered using General Fund/Local. This amounted to approximately \$37,000 of uncovered expenditures in FY13. In recent years, additional revenue has been received in the form of a Children's Waiver Adjuster payment. This payment is not guaranteed in future years. It is anticipated that we will again need to use General Fund/Local to cover some portion of Children's Waiver expenditures in FY14.

The SED Waiver revenue was another new revenue source in FY13. St. Clair County Mental Health Authority received \$52,586 in SED Waiver revenue to cover expenditures of \$68,495. The resulting deficit of \$15,909 was covered by funds redirected from General Fund. The FY14 budgeted SED Waiver is expected to break even.

CONTACTING THE AUTHORITY MANAGEMENT

This financial report is designed to provide a general overview of the St. Clair County Community Mental Health Authority's finances and to show accountability. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the St. Clair County Community Mental Health Authority, 3111 Electric Avenue, Port Huron, MI 48060-5416.

BASIC FINANCIAL STATEMENTS

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

STATEMENT OF NET POSITION

SEPTEMBER 30, 2013

Assets:

Cash and cash equivalents	\$ 10,416,224
Accounts receivable (net of allowances)	256,468
Due from other governmental units (net of allowances)	1,693,705
Prepaid expenses	485,919
Restricted Assets -	
Cash and cash equivalents -	
Risk corridor financing	5,763,707
Accrued vacation and sick	1,491,453
Capital Assets, net of depreciation -	
Assets not being depreciated	1,444,182
Assets being depreciated	9,837,042
	<hr/>
Total Assets	31,388,700

Liabilities:

Accounts payable	3,089,666
Accrued payroll and fringes	782,374
Due to other governmental units	677,452
Accrued interest payable	1,755
Unearned revenue	1,091,235
Non-current liabilities -	
Accrued vacation and sick	1,499,397
Net OPEB Obligation	8,368,739
Due within one year	1,568,572
Due in more than one year	8,956,018
Total Liabilities	26,035,208

Net Position:

Net Investment in capital assets	756,634
Restricted	7,242,119
Unrestricted	(2,645,261)
	<hr/>
Total Net Position	\$ 5,353,492

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

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net Revenues (Expenses)</u>
Governmental Activities:					
St. Clair County Mental Health Services	\$ 47,629,725	\$ 1,256,065	\$ 46,762,425	\$ -	\$ 388,765
PIHP	33,959,290	39,558	35,389,437	-	1,469,705
Substance Abuse	2,899,438	6,738	3,311,244	-	418,544
Interest on Long-Term Debt	<u>541,422</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(541,422)</u>
Total Governmental Activities	<u>\$ 85,029,875</u>	<u>\$ 1,302,361</u>	<u>\$ 85,463,106</u>	<u>\$ -</u>	<u>\$ 1,735,592</u>

General Revenues:

County Appropriation	955,672
Unrestricted Investment Income	<u>88,928</u>
Total general revenues	<u>1,044,600</u>
Changes in Net Position	<u>2,780,192</u>
Net Position at Beginning of Year	2,626,794
Prior Period Adjustment	<u>(53,494)</u>
Net Position at Beginning of Year, As Restated	<u>2,573,300</u>
Net Position at End of Year	<u>\$ 5,353,492</u>

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

**GENERAL FUND
BALANCE SHEET
SEPTEMBER 30, 2013**

Assets:

Cash and cash equivalents	\$ 8,243,234
Accounts receivable (net of allowances)	243,078
Due from other governmental units (net of allowances)	1,693,705
Due from other funds	69,093
Prepaid expenditures	485,919
Restricted assets -	
Cash and cash equivalents -	
Accrued vacation and sick	<u>1,491,453</u>
Total Assets	<u><u>\$ 12,226,482</u></u>

Liabilities:

Accounts payable	\$ 3,086,297
Accrued payroll and fringes	776,028
Due to other governmental units	677,452
Unearned revenue	<u>1,091,235</u>
Total Liabilities	<u><u>5,631,012</u></u>

Fund Balance:

Nonspendable -	
Prepaid expenditures	485,919
Restricted -	
Accrued vacation and sick	1,491,453
Substance abuse	1,478,412
Assigned -	
Manage Care	800,000
Adult Benefit Waiver	48,368
Contingencies	500,000
Unassigned	<u>1,791,318</u>
Total Fund Balance	<u><u>6,595,470</u></u>
	<u><u>\$ 12,226,482</u></u>

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

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

**RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR
GENERAL FUND TO NET POSITION OF GOVERNMENTAL ACTIVITIES
ON THE STATEMENT OF NET POSITION**

SEPTEMBER 30, 2013

Fund Balance - General Fund \$ 6,595,470

Amount reported in the governmental activities in the statement of net position
are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the fund statements.

Capital assets	1,920,085
Accumulated depreciation	(1,570,480)

Internal service fund used by management to record risk
corridor financing and the purchasing of various buildings.
The assets and liabilities of the internal service funds are
included with governmental activities in the statement of
net position.

8,268,609

Long-term liabilities that are not due in the current period,
therefore, not reported in the fund statements.

Accrued vacation and sick	(1,491,453)
Net OPEB obligation	(8,368,739)

Net Position of governmental activities \$ 5,353,492

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

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Revenues:

Intergovernmental -	
Federal/State	\$ 83,775,100
Local	1,688,006
Charges for services	1,152,633
Interest and rents	88,928
Other revenue	149,728
	<u>86,854,395</u>

Expenditures:

Developmental Disability Programs	5,506,542
Mental Illness Programs	11,303,386
Administration and Support Services	7,882,028
Grants	247,952
PIHP (Net of St. Clair Medicaid)	33,913,210
Substance Use Disorder	2,885,745
Institutional Care	951,341
Contract Agencies	21,755,048
	<u>84,445,252</u>

Revenues over expenditures	<u>2,409,143</u>
----------------------------	------------------

Other Financing Sources (Uses):

County appropriation	955,672
Transfers out	(4,935,300)
	<u>(3,979,628)</u>

Net Change in Fund Balance	(1,570,485)
----------------------------	-------------

Fund Balance at beginning of year	<u>8,165,955</u>
-----------------------------------	------------------

Fund Balance at end of year	<u><u>\$ 6,595,470</u></u>
-----------------------------	----------------------------

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

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF THE GENERAL FUND
TO THE STATEMENT OF ACTIVITIES

SEPTEMBER 30, 2013

Net Change in Fund Balance - General Fund	\$(1,570,485)
---	----------------

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 expenses.

Capital outlay	27,681
Depreciation expenses	(200,418)

Internal service funds used by management to record risk corridor financing and the purchase and rent of various buildings. The net revenues (expenses) attributable to those funds is reportable with governmental activities.	4,958,744
---	-----------

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 funds.

Decrease in accrued vacation and sick	10,527
Increase in other postemployment benefits	(<u>445,857</u>)

Change in Net Position of governmental activities	<u><u>\$ 2,780,192</u></u>
---	----------------------------

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

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

**INTERNAL SERVICE FUNDS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013**

Assets:

Current Assets:

Cash and cash equivalents \$ 2,172,990

Restricted Assets:

Cash and cash equivalents -
Risk corridor financing 5,763,707

Noncurrent Assets:

Capital Assets, net of depreciation -
Assets not being depreciated 1,444,182
Assets being depreciated 9,487,437
Total Noncurrent Assets 10,931,619

Total Assets 18,868,316

Liabilities:

Current Liabilities:

Accounts payable 3,369
Accrued payroll and fringes 6,346
Due to other funds 55,703
Accrued interest payable 1,755
Notes/contracts payable (current portion) 1,568,572

Total Current Liabilities 1,635,745

Long-Term Liabilities:

Accrued vacation and sick 7,944
Notes/contracts payable 8,956,018
Total Long-Term Liabilities 8,963,962

Total Liabilities 10,599,707

Net Position:

Net Investment in capital assets 407,029
Restricted for Risk Corridor Financing 5,763,707
Unrestricted 2,097,873
Total Net Position \$ 8,268,609

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

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY
INTERNAL SERVICE FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Operating Revenues:		
Interest and rents	\$ 1,452,736	<u> </u>
Operating Expenses:		
Administration and Support Services	155,296	
Depreciation	<u>745,200</u>	<u> </u>
		<u>900,496</u>
Operating Income		<u>552,240</u>
Non-Operating Revenues (Expenses)		
Interest expense	(541,422)	
Interest on investments	<u>12,626</u>	
		<u>(528,796)</u>
Net Income Before Transfers		23,444
Transfers:		
Transfers from other funds		<u>4,935,300</u>
Change in Net Position		<u>4,958,744</u>
Net Position at beginning of year		3,363,359
Prior Period Adjustment		<u>(53,494)</u>
Net Position at beginning of year, restated		<u>3,309,865</u>
Net Position at end of fiscal year		<u><u>\$ 8,268,609</u></u>

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

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

**INTERNAL SERVICE FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Cash Flows From Operating Activities:	
Cash receipts from interfund services	\$ 1,437,324
Cash receipts from customers	15,420
Cash payments to employees/suppliers	(173,015)
Net Cash Provided by Operating Activities	<u>1,279,729</u>
Cash Flows From Noncapital Financing Activities:	
Transfers from other funds	<u>4,935,300</u>
Cash Flows From Capital and Related Financing Activities:	
Advances from other funds	(183,809)
Interest payments	(536,222)
Principal payments on loans	(319,968)
Acquisition and construction of capital assets	(241,266)
Net Cash Used by Capital and Related Financing Activities	<u>(1,281,265)</u>
Cash Flows From Investing Activities:	
Interest earned	<u>12,626</u>
Net Increase in Cash and Cash Equivalents for the year	4,946,390
Cash and Cash Equivalents at Beginning of Year	<u>2,990,307</u>
Cash and Cash Equivalents at End of Year	<u>\$ 7,936,697</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 552,240
Adjustments to reconcile operating income to net cash provided by operating activities-	
Depreciation	745,200
Changes in assets and liabilities:	
Accounts receivable	8
Accounts payable and accruals	(17,719)
Net Cash Provided by Operating Activities	<u>\$ 1,279,729</u>

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

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

**OTHER EMPLOYEE BENEFIT TRUST FUND
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2013**

Assets:		
Investments		\$ 1,021,961
Liabilities:		
Due to other funds		<u>13,390</u>
Net Position:		
Restricted for other postemployment benefits		<u>\$ 1,008,571</u>

**OTHER EMPLOYEE BENEFIT TRUST FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Additions:		
Net appreciation in fair value of investments		<u>\$ 67,830</u>
Deductions:		
Insurance Premiums		5,040
Professional Fees		<u>8,350</u>
		<u>13,390</u>
Net increase in net position available for other postemployment benefits		54,440
Net Position - Restricted for Other Postemployment Benefits -		
Beginning of year		<u>954,131</u>
End of year		<u>\$ 1,008,571</u>

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

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting methods and procedures adopted by the St. Clair County Community Mental Health Authority (the "Authority") conform in all material respects to U.S. generally accepted accounting principles as applied to governmental entities and the Uniform Accounting Manual for County Mental Health Boards as prescribed by the State of Michigan. The following Notes to the Financial Statements are an integral part of the Authority's financial statements.

A. Reporting Entity -

The St. Clair County Community Mental Health Services Board, a component unit of St. Clair County, provides mental health services to residents of St. Clair County and is the Prepaid Inpatient Health Plan for the three County regions comprised of St. Clair, Lapeer and Sanilac counties. The Board was originally established in 1965 under the provision of Act 54 PA 1963, as amended, and on January 1, 2000 adopted authority status under Public Act 290 of the Public Acts of 1995. The Board assumed the responsibilities as the Prepaid Inpatient Health Plan (PIHP) for the Thumb Region as of October 1, 2002.

B. Government-wide and fund financial statements -

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. County appropriations and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for the General Fund, proprietary funds (Internal Service Fund), and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation -

The government-wide financial statements (i.e. the Statement of Net Position and Statement of Activities) are reported using the *economic resource measurement focus* and the *accrual basis of accounting*. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grant and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The General Fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized when it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences and claims and judgments are recorded only when payment is due.

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Charges for services, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual, and therefore 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 government.

The Authority's operating activities are all reported in the General Fund. It is used to account for all activities except those required to be accounted for in another fund.

Additionally, the Authority reports the following fund types:

Internal Services Funds - are used to account for and finance potential uninsured risk of loss related to managed care, and the purchase and operations of administrative building and residential homes.

Pension Trust and Other Employee Trust Fund - is used to accumulate resources for the payment of other postemployment benefits for employees not covered under the St. Clair County system.

Proprietary Funds (Internal Service Funds) distinguish operating revenue and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivery goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government's internal service funds are charged to other funds for services provided. Operating expenses include cost of operations, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues.

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

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then the unrestricted resources as needed.

D. Assets, Liabilities, and Net Position or Equity -

Cash and Cash Equivalents - The Authority's cash and cash equivalents are cash on hand, demand deposits, certificates of deposits with original maturities of three months or less from the date of acquisition, and investment trust funds which have the general characteristics of demand deposit accounts in that the Authority may deposit additional cash and effectively withdraw cash at any time without prior notice or penalty.

Investments - Investments are stated at fair value, which is determined as follows: (a) short-term investments are reported at cost, which approximates fair value; (b) securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates; (c) investments that do not have established market values are reported at estimated fair value; and (d) cash deposits are reported at their carrying amount which reasonably approximates fair value.

Receivables - All receivables are shown net of allowances for uncollectible amounts.

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Prepaid Items - Certain payments to vendors reflect cost applicable to future fiscal years and are recorded as prepaid expenditures in the fund (modified accrual) statements and government-wide financial statements.

Restricted Assets - The Michigan Department of Community Health (DCH) provides funding for accrued vacation and sick time as it is earned, regardless of when paid, however requires the amounts to be maintained in separate bank accounts. In addition DCH allows mental health organizations to establish a separate account to cover the risk exposure under the Managed Care Specialty Services Program.

Capital Assets - Are reported in the government-wide statements. The Authority defines capital assets as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Building	30
Building Improvements	5-30
Equipment	3-7

Accrued Vacation and Sick Pay - In accordance with contracts negotiated with the various employee groups, individual employees have a vested right upon termination of employment to receive payments for unused vacation and sick leave under formulas and conditions specified in the contracts. All amounts vested are accrued in the government-wide statements. A liability for these amounts is only reported in the fund (modified accrual) statements if they have matured, for example, as a result of employee resignations and/or retirement.

Unearned Revenues - In both the government-wide statements and in the fund (modified accrual) financial statements revenues received or recorded before it is earned is recorded as unearned revenue.

Fund Balance - In the fund financial statements, governmental funds have reported fund balances in one or more of the following classifications:

Nonspendable fund balance – the portion of fund balance that cannot be spent based on its form or because it must be maintained intact.

Restricted fund balance – the portion of the fund balance that has limitations imposed on use by external sources.

Committed fund balance – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action via Board resolution (e.g. to establish, modify or rescind) of the highest level of decision-making authority (Board).

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Assigned fund balance – the portion of fund balance that reflects the Board’s intended use of resources. Such intent currently must be determined by the Board.

Unassigned fund balance – the portion of fund balance in the General Fund that cannot be classified into one of the four categories above.

When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first, and then unrestricted resources as they are needed. If unrestricted resources are used and the expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the Authority’s policy to use committed first, then assigned, and then unassigned.

Upcoming Accounting Pronouncements - The Governmental Accounting Standards Board (GASB) issued the GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* was issued in June 2012 and will become effective for the Authority’s September 30, 2015 fiscal year. The statement requires governments providing defined benefit plans to report the net pension liability in their statement of net position. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. The Statement also will improve the comparability and consistency of how governments calculate the pension liabilities and expenses. The Authority is currently evaluating the implications of each of the pronouncements.

Estimates - In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

Federal Programs - The Authority has not integrated its Single Audit Report and Schedule of Expenditures of Federal Awards as part of the annual financial report. The Single Audit will be issued prior to June 30, 2014, under a separate cover as supplementary information.

NOTE 2 - CASH AND INVESTMENTS:

As of September 30, 2013, the Authority’s deposits and investments are as follows:

	<u>Primary Government</u>	<u>Fiduciary Unit</u>	<u>Reporting Entity</u>
Cash and cash equivalents			
Petty Cash	\$ 3,260	\$ -	\$ 3,260
Deposits with Financial Institutions -			
Checking/Savings/Money Market	<u>17,668,124</u>	<u>-</u>	<u>17,668,124</u>
Total Cash and Cash Equivalents	<u>17,671,384</u>	<u>-</u>	<u>17,671,384</u>

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 2 - CASH AND INVESTMENTS - (cont'd):

	<u>Primary Government</u>	<u>Fiduciary Unit</u>	<u>Reporting Entity</u>
Investments			
Money market (broker) accounts	\$ -	\$ 41,995	\$ 41,995
Stocks			
Domestic	-	258,822	258,822
International	-	3,128	3,128
Mutual Funds			
Commodities	-	31,053	31,053
Equity	-	167,259	167,259
International	-	136,683	136,653
Fixed	-	303,758	303,758
Other	-	79,263	79,263
Total Investments	<u>-</u>	<u>1,021,961</u>	<u>1,021,961</u>
Total Cash and Investments	<u>\$ 17,671,384</u>	<u>\$ 1,021,961</u>	<u>\$ 18,693,345</u>

The primary objectives, in priority order of the St. Clair County Community Mental Health Authority's investment activities are safety, diversification, liquidity and return on investment.

The Authority's investment policy and Act 217 PA 1982, as amended, authorizes the Authority to deposit in certificates of deposit, savings accounts, depository accounts or depository receipts of a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act 105 of the Public Acts of 1855, as amended, being section 21.145 and 21.146 of the Michigan Compiled Laws.

Custodial Credit Risk -

Deposits - is the risk that in the event of a bank failure, the Authority's deposit may not be returned. As an indication of the level of deposit custodial credit risk assumed by the Authority, as of September 30, 2013, the bank balance of the Authority's deposits was \$18,150,435, of which, \$600,002 was covered by depository insurance with the remaining balance uninsured and uncollateralized.

Investments -

	<u>Fair Value</u>	<u>Average Credit Quality Rating</u>	<u>Average Weighted Maturity</u>	<u>Fund Type</u>
Money Market Fund				
Federated Prime Obligation (1)	\$ 41,995	AAAm	43	Money Market
Fixed Mutual Funds				
Oppenheimer SR Floating Rate	38,555	NA	NA	Fixed Income
T. Rowe Price High Yield	42,586	NR	6.92	Fixed Income
Vanguard Fixed Income	204,847	NR	3.3	Fixed Income
Victory Fund for Income	17,770	AAA	4.5	Fixed Income
Franklin Templeton Global Bond	73,982	NR	2.59	International Fixed Income

(1) Invests primarily in short-term, high quality, fixed income securities issued by bonds, corporations and the U.S. government, rates in the highest short-term category or of comparable quality.

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 2 - DEPOSITS AND INVESTMENTS - (cont'd):

Custodial Credit Risk - is the risk that in the event of a failure of the counterparty, the Authority may not be able to recover the value of its investments that are in the possession of another party. The Authority does not have a policy regarding custodial credit risk.

Interest Rate Risk - is the risk that the market value of securities in the Authority's portfolio will fall due to changes in market increases. The Authority's policy indicates the portfolio shall be designed with the objective of obtaining a rate of return throughout the budgetary and economic cycles taking into account the investment risk constraints and the cash flow of the portfolio.

Credit Risk - is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. State law and the Authority's investment policy limits the types of investments that can be purchased.

Concentration of Credit Risk - is the risk of loss attributed to the magnitude of the Authority's investments in a single issuer. The Authority's policy specifies that investments be diversified by security type and institution in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

NOTE 3 - RECEIVABLES:

Receivables as of September 30, 2013 are as follows:

Accounts Receivable -		
Fees	\$	333,885
Contract Agencies		3,336
Other		2,600
Due From Fiduciary Fund		<u>13,390</u>
		353,211
Allowance for Doubtful Accounts	(<u>96,743)</u>
		<u>256,468</u>
Intergovernmental -		
Federal/State		263,733
Local		<u>1,434,972</u>
		1,698,705
Allowance for Doubtful Accounts	(<u>5,000)</u>
		<u>1,693,705</u>
	\$	<u><u>2,108,413</u></u>

Both the government-wide and the fund (modified accrual) statements defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current year, the various components of unearned revenue were as follows:

Medicaid Saving	\$	957,167
Grants		80,553
Other		<u>53,515</u>
	\$	<u><u>1,091,235</u></u>

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 4 - CAPITAL ASSETS:

Capital assets activity for the current year was as follows:

	October 1, 2012 <u>Balance</u>	<u>Additions</u>	Disposals/ <u>Adjustments</u>	September 30, 2013 <u>Balance</u>
Capital assets not being depreciated -				
Land	\$ 1,874,182	\$ -	\$ 430,000	\$ 1,444,182
Construction in progress	<u>231,803</u>	<u>224,452</u>	<u>456,255</u>	<u>-</u>
	<u>2,105,985</u>	<u>224,452</u>	<u>886,255</u>	<u>1,444,182</u>
Capital assets being depreciated -				
Building	11,848,792	473,069	(430,000)	12,751,861
Leasehold improvements	54,980	-	-	54,980
Equipment and Furniture	<u>2,614,817</u>	<u>27,681</u>	<u>156,578</u>	<u>2,485,920</u>
	<u>14,518,589</u>	<u>500,750</u>	<u>(273,422)</u>	<u>15,292,761</u>
Less accumulated depreciation for -				
Building	2,817,333	670,076	-	3,487,409
Leasehold improvements	52,231	2,749	-	54,980
Equipment	<u>1,797,115</u>	<u>272,793</u>	<u>156,578</u>	<u>1,913,330</u>
	<u>4,666,679</u>	<u>945,618</u>	<u>156,578</u>	<u>5,455,719</u>
Net capital assets being depreciated	<u>9,851,910</u>	<u>(444,868)</u>	<u>(430,000)</u>	<u>9,837,042</u>
Total capital assets net of depreciation	<u>\$ 11,957,895</u>	<u>\$(220,416)</u>	<u>\$ 456,255</u>	<u>\$ 11,281,224</u>

Depreciation expense of \$179,023 was charged to the St. Clair County Mental Health Services, \$21,395 to the PIHP, and \$745,200 was in the Internal Service Fund.

NOTE 5 - PAYABLES:

Payables at September 30, 2013, are as follows:

Payables -	
Accounts	\$ 191,874
Contract Agencies	2,224,196
Group/Foster Care Homes	49,970
Community Inpatient	<u>623,626</u>
	<u>3,089,666</u>
Accrued Payroll and Taxes -	
Wages and Taxes	<u>782,374</u>
Intergovernmental -	
Federal/State	563,718
Local	<u>113,734</u>
	<u>677,452</u>
	<u>\$ 4,707,332</u>

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

Advances From/To Other Fund -

As of September 30, 2013, the Internal Service Fund owed the General Fund and the Other Employer Benefit Trust \$55,703 and \$13,390, respectively. The amount owed is to reimburse the General Fund for expenditures paid on their behalf.

Transfers From/To Other Funds -

The General Fund transferred \$2,164,907 to the Building Internal Service Fund for prior year funded rents by MDCH and \$2,770,393 for the Risk Corridor Financing.

NOTE 7 - LONG-TERM DEBT:

The following is a summary of changes in long-term debt (including current portions) for the year ended September 30, 2013:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes Payable	\$ 1,491,038	\$ -	\$ 44,968	\$ 1,446,070	\$ 1,274,071
Contracts Payable	9,425,000	-	275,000	9,150,000	300,000
Accrued Vacation and Sick	1,506,786	1,276,512	1,283,901	1,499,397	1,300,000
Other Postemployment Benefits	7,922,882	1,000,463	554,606	8,368,739	-
Deferred Amounts for Issuance Discounts	(76,979)	-	(5,499)	(71,480)	(5,499)
	<u>\$ 20,268,727</u>	<u>\$ 2,276,975</u>	<u>\$ 2,152,976</u>	<u>\$ 20,392,726</u>	<u>\$ 2,868,572</u>

Notes Payable -

In August 2007, the Authority entered into a loan agreement for \$1,250,000 for the purchase of six homes, which will be used to provide mental health services. The loan calls for 119 monthly payments of \$7,503, including interest of 5.19% with a final payment of \$939,864 on August 21, 2017 however, is due on demand. \$ 1,071,578

On May 3, 2011, the Authority entered into a promissory note for the purchase of the Allen Road Home for \$124,000. The note is to be repaid in monthly installments of \$917, including interest of 4.0%, through May 3, 2016, at which time the remaining is due. The note is secured by the home. 109,430

On June 28, 2011, the Authority entered into a promissory note for the Strawberry Lane Home for \$86,400. The note is to be repaid in 180 monthly payments of \$743, including interest at the Treasury Security Rate plus 4.633%. 73,421

On July 27, 2012, the Authority entered into a promissory note for the purchase and development of Real Estate for up to \$600,000. The note was due on September 5, 2013 plus interest of 3.25%. The Authority had only drawn a portion of the loan at September 30, 2013. On October 1, 2013 a new term loan was entered into for \$191,641. The loan calls for 59 monthly payments of \$1,540 including interest of 5.17% with a final payment of \$145,108 on October 1, 2018. The note is secured by the property, however, is due on demand. 191,641

\$ 1,446,070

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 7 - LONG-TERM DEBT - (cont'd):

Contracts Payable -

The Authority has entered into a lease agreement with St. Clair County for the acquisition, construction, and equipping of a new consolidated office building. The County has issued bonds for the project, and the debt service payments will be paid through the lease with the Authority. Upon retirement of the bond debt, the site will be deeded to the Authority. The bonds dated April 1, 2007 are due in annual installments of \$300,000 to \$950,000 through April 1, 2026 with interest ranging from 4.0% to 4.3%, payable semi-annually.

\$ 9,150,000

Accrued Vacation and Sick -

In accordance with contracts negotiated with various employee groups of the Authority, individual employees have vested rights upon termination of employment to receive payments for unused vacation and sick leave under formulas and conditions specified in the contract. As of September 30, 2013 the vested benefits amounted to \$1,499,397 and are generally liquidated by the general fund.

Other Postemployment Benefits -

In addition to pension benefits, the Authority provides postemployment health care benefits for eligible retirees as described in Note 9.

Annual debt requirements to pay the debt outstanding at September 30, 2013 (excluding accrued vacation and sick and other postemployment benefits) are as follows:

Year Ending September 30,	Notes Payable		Contracts Payable	
	Principal*	Interest*	Principal	Interest
2014	\$ 54,188	\$ 72,714	\$ 300,000	\$ 374,175
2015	57,782	70,659	400,000	360,175
2016	149,085	65,873	450,000	343,175
2017	975,072	55,175	500,000	324,175
2018	16,005	11,397	600,000	302,175
2019-2023	175,739	13,251	4,100,000	1,048,512
2024-2026	18,199	2,089	2,800,000	182,525
	<u>\$ 1,446,070</u>	<u>\$ 291,158</u>	<u>\$ 9,150,000</u>	<u>\$ 2,934,912</u>

* The annual debt requirement for the August 2007 note assumes the banks will not demand repayment early. Also it is based on the amount due from the October 1, 2013 note.

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 8 - RETIREMENT SYSTEM:

Plan Description

Full-time employees, except for contract management personnel, of the St. Clair County Mental Health Authority, are covered under the St. Clair County Retirement System. The Retirement system is a single employer, defined benefit pension plan, which was established by County ordinance in 1964 to provide retirement and pension benefits for substantially all employees of St. Clair County, the St. Clair County Road Commission, and the St. Clair County Mental Health Authority. Effective for the year ended December 31, 2005, actuarial information is maintained separately for the three groups of plan members. The system is administered, managed and operated by a Board composed of 9 trustees, which is composed of the Chairperson of the Board of Commissioners, Chairperson of the St. Clair County Road Commission Board, one appointed citizen, one elected by the Community Mental Health Authority Board and four elected employees. The benefit provisions are governed by Michigan Public Act of 1984, as amended. The plan may be amended by the County Board of Commissioners.

The County issues publicly available annual financial statements that include financial statements for the plan. That report may be obtained from St. Clair County by writing to the Administrator/ Controller's office, 200 Grand River, Port Huron, Michigan 48060 or by calling (810) 989-6900.

Funding Policy

The obligation to contribute and maintain the retirement system for the employees was established by negotiations with the collective bargaining units and by personnel policy for non-represented employees. The actuarial rate for the period October 1, through December 31, 2012 was 10.36% and for the period January 1, through September 30, 2013 was 11.86%. Plan members are required to contribute 5% of their annual covered salary.

Annual Pension Costs

During the year ended September 30, 2013, the Authority's annual pension cost of \$1,201,712 was equal to the Authority's required and actual contributions.

The required contribution rates were determined as part of the December 31, 2011 and December 31, 2010 actuarial valuations using the individual entry age normal cost method. The actuarial assumption included (a) 7.5% net investment rate of return and (b) 5% pay inflation plus merit and longevity. There are no projected cost of living adjustments. The actuarial value was determined using techniques that smooth the effect of short-term volatility in the market value of investment over a five-year period. The plan unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open period, with a remaining amortization period as of December 31, 2011 of 20 years.

Trend Information

Schedule of Funding Progress -

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) Accrued Liability (UAAL) (b-a)	Funded Ratio (AAL) (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c
12/31/2010	\$ 27,466,252	\$ 32,247,972	\$ 4,781,720	85.2 %	\$ 12,524,463	38.18 %
12/31/2011	27,992,242	34,053,485	6,061,243	82.2	12,503,821	48.48
12/31/2012	28,855,330	35,581,825	6,726,495	81.1	11,495,716	58.51

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 8 - RETIREMENT SYSTEM - (cont'd):

Schedule of Employer Contributions -

<u>Year Ended</u>	<u>Annual Pension Costs (APC)</u>	<u>Percentage of APC Contribution</u>	<u>Net Pension Obligation</u>
September 30, 2011	\$ 1,072,530	100 %	\$ -
September 30, 2012	1,166,461	100	-
September 30, 2013	1,201,712	100	-

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS:

ST. CLAIR COUNTY RETIREMENT SYSTEM EMPLOYEES -

Plan Description -

St. Clair County Mental Health Authority provides other postemployment benefits for those employees that are part of the St. Clair County Retirement System as described in Note 8. These benefits consist of health, dental and prescription drug coverage.

The County issues publicly available annual financial statements that include financial statements for the plan. That report may be obtained from St. Clair County by writing to the Administrator/Controller's office, 200 Grand River, Port Huron, Michigan 48060 or by calling (810) 989-6900.

Contribution and Funding Policy -

The funding policy provides for periodic employer contributions at actuarially determined rates. The plan requires no member contributions of 2% for Authority employees.

During the year ended December 31, 2013, employer contributions of \$554,606 were made by the Authority. The actuarial valuation dated December 31, 2012 determined an annual contribution of \$1,000,463 for 2013 or approximately 11.0% of covered payroll.

The required contribution rate was determined as part of the December 31, 2012 actuarial valuation using the individual entry age actuarial cost method. The actuarial assumptions included (a) 5.0% net investment rate of return, (b) projected salary increases of 3.5% to 8.0% per year, which includes pay inflation at 3.0%, and (c) projected healthcare premiums for pre-Medicare at initial rate of 9.0%, decreasing to an ultimate rate of 5% in 8 years and for post-Medicare using actual increases to 2014 followed by rate of 8.5% decreasing to an ultimate rate of 5% in 7 years. The plan unfunded actuarial accrued liability is being amortized by level percent-of-payroll contributions over 17 years.

The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS - (cont'd):

Annual OPEB Cost and Net OPEB Obligation -

The Authority's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents the level of funding necessary to cover the normal cost each year and the amortization of any unfunded actuarial liabilities (or funding excess) amortized over a period of thirty years. The Authority's OPEB cost for the year, the amount actually contributed, and changes in the net OPEB obligation are as follows:

Annual required contribution	\$ 1,152,011
Interest on net OPEB obligation	396,144
Adjustment to annual required contribution	<u>(547,692)</u>
Annual OPEB cost (expense)	1,000,463
Contributions made	<u>(554,606)</u>
Increase in net OPEB obligation	445,857
NET OPEB obligation - beginning of year	<u>7,922,882</u>
NET OPEB obligation - end of year	<u>\$ 8,368,739</u>

Trend Information

Schedule of Funding Progress -

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) Accrued Liability (UAAL) (b-a)	Funded Ratio (AAL) (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c
12/31/2010	\$ 8,052,170	\$ 40,220,174	\$ 32,168,004	20.0 %	\$ 11,360,057	283 %
12/31/2011	8,494,244	34,541,978	26,047,734	32.6	11,341,334	230
12/31/2012*	3,521,725	18,273,076	9,751,351	46.6	10,455,228	93

* Assumptions and plan provisions changed

The significant reduction to the actuarial accrued liability for December 31, 2012 was primarily the result of a \$19 million gain due to the Medicare Advantage plan implementation. This was offset by an increase of \$4 million to the December 31, 2012 actuarial accrued liability due to changes to the mortality, turnover, retirement, healthcare trend rates, and percentage of employees electing coverage at retirement assumptions.

Schedule of Employer Contributions -

Year Ended	Annual OPEB Cost	Percentage Contributed	Change In Net OPEB Obligation	Net OPEB Obligation
September 30, 2011	\$ 2,433,274	28.00 %	\$ 1,751,769	\$ 5,993,262
September 30, 2012	2,295,907	15.95	1,929,620	7,922,882
September 30, 2013	1,000,463	55.43	455,857	8,378,739

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS - (cont'd):

MANAGEMENT PERSONNEL -

Plan Description -

The Authority also provides health insurance benefits to the management personnel not covered by the St. Clair County Retirement System. To be eligible, the employee must have a certain number of years of service based on their contract and be at least 55 years of age; however, employees can opt out of the benefit and receive a cash benefit in lieu of the benefits.

The Authority has established a Trust Fund to record the assets set aside for these benefits. The Other Employee Benefit Trust Fund is included in the financial statements of the Authority.

Funding Policy -

The Authority has elected to fund these benefits on an actuarial basis. The actuarially determined rate for the period was 0% of covered payroll. As of the last actuarial report, the plan covered three (3) active members.

Annual Postemployment Benefit Costs -

For the year ended September 30, 2013, there was no employer contribution required.

The required contribution rate was determined as part of the December 31, 2010 actuarial valuation report using the individual entry-age actuarial cost method. The actuarial assumptions included (a) 7.5% net investment rate of return, (b) projected salary increases of 5.0% to 8.50% per year, and (c) projected health care premium increases of 5.0% to 9.0% per year. The plan unfunded actuarial accrued liability is being amortized by level percent of payroll over a one-year period.

The actuarial assumptions and determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Annual OPEB Cost and Net OPEB Obligation -

The Authority's annual other postemployment benefit (OPEB) cost for this plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents the level of funding necessary to cover the normal cost each year and the amortization of any unfunded actuarial liabilities (or funding excess) amortized over a two-year period. For the year ended September 30, 2012 there was no annual required contribution.

Schedule of Funding Progress -

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) Accrued Liability (UAAL) (b-a)	Funded Ratio (AAL) (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c
12/31/2007	\$ 779,348	\$ 814,456	\$ 35,108	95.7 %	\$ 553,684	6.3 %
12/31/2009	790,412	513,051	(277,361)	154.1	456,992	(60.7)
12/31/2011	882,351	529,852	(352,499)	166.5	499,789	(70.5)

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS - (cont'd):

Schedule of Employer Contributions -

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Amount Contributed</u>	<u>Change In Net OPEB Obligation</u>	<u>Net OPEB Obligation</u>
September 30, 2011	\$ -	100 %	\$ -	\$ -	\$ -
September 30, 2012	-	100	-	-	-
September 30, 2013	-	100	-	-	-

NOTE 10 - DEFERRED COMPENSATION:

The Authority offers all its employees deferred compensation plans created in accordance with the Internal Revenue Code, Section 457. The assets of the plans are held in trust, as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof, for the exclusive benefit of the participants, holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the employer for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Authority's financial statements.

NOTE 11 - STATE OF MICHIGAN SETTLEMENT:

As is common for Mental Health Authorities, the St. Clair County Community Mental Health Authority receives a significant portion of its revenues through contracts with the State of Michigan Department of Community Health, with a settlement reached at the end of each fiscal year. The settlement is based on accumulated reimbursable cost of the Authority and is subject to final audit by the Department of Community Health.

NOTE 12 - INSURANCE/RISK MANAGEMENT:

General Liability -

The Authority is exposed to various risk of loss to general and auto liability, property damage and errors and omissions. The Authority is a member in a public risk pool administered by the Michigan Municipal Risk Management Authority for risk of losses relating to its property and general liability (including auto liability and vehicle physical damage).

MMRMA is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the MMRMA is to administer a risk management fund that provides members with loss protection for general and property liability.

The St. Clair County Community Mental Health Authority has joined with numerous other governmental agencies in Michigan as a participant in MMRMA's "State Pool". Members of the State Pool do not have individual self-retention amounts other than \$250 deductible per occurrence of property and vehicle coverage.

State Pool member's limits of coverage (per occurrence) are \$15 million for liability and approximately \$15 million for buildings and personal property. If a loss exceeds these limits or, if for any reason, MMRMA's resources are depleted, the payment of all unpaid losses is the sole obligation of the St. Clair County Community Mental Health Authority.

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 12 - INSURANCE/RISK MANAGEMENT - (cont'd):

Health Insurance -

The St. Clair County Community Mental Health Authority is also self-insured for the difference in the coverage provided through a previous health insurance plan and the current plan. The self-insurance is administered by a third party administrator and any reimbursed claims are billed to the Authority periodically.

Workers Compensation -

The Authority purchases workers compensation insurance through a commercial carrier with a maximum limit of \$500,000 per occurrence.

NOTE 13 - CONTRACTED TRANSPORTATION SERVICES:

The Authority entered into an agreement with the Blue Water Area Transportation Commission to provide transportation services for the Authority's clientele. Under the agreement the St. Clair County Community Mental Health Authority was to undertake, carry out, and complete the transportation services. In addition, the agreement specified that the Authority is to pay all costs of said services and shall be reimbursed approximately 38.49% of the Eligible Operation Expenses for fiscal 2013 and, if applicable, an additional 16% of Eligible Nonurban costs. The final percentage of reimbursement is based on the funding the Blue Water Area Transportation Commission receives from the Michigan Department of Transportation.

For the fiscal year 2013, the Authority incurred \$388,639 of eligible expenses, which resulted in estimated revenue of \$166,364.

NOTE 14 - CHANGE IN ACCOUNTING PRINCIPLE:

During the year the Authority adopted GASB Statement No. 65 Items Previously Reported as Assets and Liabilities. This statement is a follow-up to GASB No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position which established new components on the Statement of Net Position, as defined in GASB Concept Statement No. 4. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources, deferred inflows of resources, or outflow of resources certain items that were previously reported as assets and liabilities. In addition, the statement changed how bond issuance costs are recorded.

The effect of implementing this statement decreased net position in the governmental activities by \$53,494 as result of reporting bond issuance costs as an outflow of resources.

REQUIRED SUPPLEMENTARY INFORMATION

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

**STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
Revenues:				
Intergovernmental -				
Federal/State	\$ 82,603,301	\$ 85,394,380	\$ 83,775,100	\$ (1,619,280)
Local	1,156,087	1,480,384	1,688,006	207,622
Charges for services	747,831	867,019	1,152,633	285,614
Interest and rents	134,700	86,072	88,928	2,856
Other revenue	102,000	117,596	149,728	32,132
	<u>84,743,919</u>	<u>87,945,451</u>	<u>86,854,395</u>	<u>(1,091,056)</u>
Expenditures:				
Developmental Disability Programs	6,844,930	5,109,265	5,506,542	(397,277)
Mental Illness Programs	11,998,025	12,043,687	11,303,386	740,301
Administration and Support Services	7,394,822	6,932,892	7,882,028	(949,136)
Grants	554,147	462,811	247,952	214,859
PIHP	36,293,043	35,913,561	33,913,210	2,000,351
Substance Abuse	3,115,486	2,987,608	2,885,745	101,863
Institutional Care	1,021,105	968,112	951,341	16,771
Contract Agencies	22,924,905	22,030,795	21,755,048	275,747
	<u>90,146,463</u>	<u>86,448,731</u>	<u>84,445,252</u>	<u>2,003,479</u>
Revenues over (under) expenditures	<u>(5,402,544)</u>	<u>1,496,720</u>	<u>2,409,143</u>	<u>912,423</u>
Other Financing Sources (Uses):				
County appropriation	955,674	955,674	955,672	(2)
Transfers to other funds	-	-	(4,935,300)	(4,935,300)
	<u>955,674</u>	<u>955,674</u>	<u>(3,979,628)</u>	<u>(4,935,302)</u>
Net Change in Fund Balance	<u><u>\$(4,446,870)</u></u>	<u><u>\$ 2,452,394</u></u>	<u><u>\$(1,570,485)</u></u>	<u><u>\$(4,022,879)</u></u>

SUPPLEMENTARY FINANCIAL DATA

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

GENERAL FUND

COMBINING SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCES

SEPTEMBER 30, 2013

	St. Clair CMH Operations	PIHP	Eliminations	Total
Asset:				
Cash and cash equivalents	\$ 6,470,086	\$ 1,773,148	\$ -	\$ 8,243,234
Accounts receivable (net of allowances) -				
Fees	237,142	-	-	237,142
Contract Agencies	3,336	-	-	3,336
Other	2,417	183	-	2,600
Due from other governmental units (net of allowances) -				
Federal/State	57,235	206,498	-	263,733
Local	179,975	1,249,997	-	1,429,972
Due from other funds	230,968	-	(161,875)	69,093
Prepaid expenditures	485,919	-	-	485,919
Restricted Assets -				
Cash - Accrued vacation and sick	1,324,376	167,077	-	1,491,453
 Total Assets	<u>\$ 8,991,454</u>	<u>\$ 3,396,903</u>	<u>\$(161,875)</u>	<u>\$ 12,226,482</u>
 Liabilities:				
Payables -				
Accounts	\$ 149,321	\$ 39,184	\$ -	\$ 188,505
Contract Agencies	2,085,663	138,533	-	2,224,196
Group/Foster Care Homes	49,970	-	-	49,970
Community Inpatient	623,626	-	-	623,626
Accrued payroll and payroll taxes	671,267	104,761	-	776,028
Due to other governmental units -				
State -				
Institutional Care	327,558	-	-	327,558
Other	-	236,160	-	236,160
Local	-	113,734	-	113,734
Due to other funds	-	161,875	(161,875)	-
Unearned revenue	134,068	957,167	-	1,091,235
Total Liabilities	<u>4,041,473</u>	<u>1,751,414</u>	<u>(161,875)</u>	<u>5,631,012</u>
 Fund Balance:				
Nonspendable -				
Prepaid expenditures	485,919	-	-	485,919
Restricted for -				
Accrued vacation and sick time	1,324,376	167,077	-	1,491,453
Substance abuse	-	1,478,412	-	1,478,412
Assigned -				
Managed Care	800,000	-	-	800,000
Adult Benefit Waiver	48,368	-	-	48,368
Contingencies	500,000	-	-	500,000
Unassigned	1,791,318	-	-	1,791,318
Total Fund Balances	<u>4,949,981</u>	<u>1,645,489</u>	<u>-</u>	<u>6,595,470</u>
 Total Liabilities and Fund Balances	<u>\$ 8,991,454</u>	<u>\$ 3,396,903</u>	<u>\$(161,875)</u>	<u>\$ 12,226,482</u>

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

GENERAL FUND

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	St. Clair CMH Operations	PIHP	Eliminations	Total
Revenues:				
Intergovernmental -				
Federal/State	\$ 45,749,263	\$ 79,665,889	\$(41,640,052)	\$ 83,775,100
Local	1,013,162	1,334,124	(659,280)	1,688,006
Charges for services	1,107,687	44,946	-	1,152,633
Interest and rents	88,557	371	-	88,928
Other revenue	148,378	1,350	-	149,728
	<u>48,107,047</u>	<u>81,046,680</u>	<u>(42,299,332)</u>	<u>86,854,395</u>
Expenditures:				
Developmental Disability Programs -				
Family Support Services	662,358	-	-	662,358
Support Services	961,870	-	-	961,870
Marine City Support Service	546,062	-	-	546,062
Children's Waiver Services	38,692	-	-	38,692
Autism Benefit Services	50,667	-	-	50,667
OBRA PASARR	96,976	-	-	96,976
OBRA Active/ Less than				
Active Services	21,221	-	-	21,221
Early On Program	30,713	-	-	30,713
Family Support Respite Care	600	-	-	600
Community Integration Services	1,074,724	-	-	1,074,724
Nursing Services	91,785	-	-	91,785
Physician Services	415,966	-	-	415,966
In-Shape Health Mentor	11,957	-	-	11,957
Transportation	1,335,161	-	-	1,335,161
Galley & Food Service	167,790	-	-	167,790
	<u>5,506,542</u>	<u>-</u>	<u>-</u>	<u>5,506,542</u>
Mental Illness Programs -				
Jail Rehabilitation Services	120,067	-	-	120,067
Port Huron Counseling Center	1,314,818	-	-	1,314,818
Western Area Outpatient	753,529	-	-	753,529
River District Counseling Center	445,023	-	-	445,023
Children's Home Based Services	505,760	-	-	505,760
SED Waiver Services	48,697	-	-	48,697
OBRA Active/Less than Active Services	68,017	-	-	68,017
OBRA PASARR	86,934	-	-	86,934
Outpatient Services	686,087	-	-	686,087
Assertive Community Treatment	461,253	-	-	461,253
MIC Day Treatment/Night Watch	181,475	-	-	181,475
MIC Clinical Case Management Services	856,286	-	-	856,286
Wrap-Around Children's Services	74,951	-	-	74,951
Nursing Services	281,780	-	-	281,780
Physician Services	1,032,889	-	-	1,032,889
Community Inpatient Facilities	2,780,684	-	-	2,780,684
Medications-Injectables	457,348	-	-	457,348

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

GENERAL FUND

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	St. Clair CMH Operations	PIHP	Eliminations	Total
Mental Illness Programs, cont'd -				
Placement and Facility Liaison	\$ 110,099	\$ -	\$ -	\$ 110,099
In-Shape Health Mentor	49,269	-	-	49,269
Other Grant Continuation Programs	295,742	-	-	295,742
Transportation	78,456	-	-	78,456
Galley & Food Services	106,691	-	-	106,691
	<u>11,303,386</u>	<u>-</u>	<u>-</u>	<u>11,303,386</u>
Other -				
Administration and Support Services	7,882,028	-	-	7,882,028
Grants	247,952	-	-	247,952
Institutional Care	951,341	-	-	951,341
Contract Agencies	21,755,048	-	-	21,755,048
PIHP -				
Administration	-	1,837,062	(659,280)	1,177,782
QAAP Tax	-	727,476	-	727,476
Hospital Rate Adjustor	-	1,521,034	-	1,521,034
Behavior Health Resources	-	122,800	-	122,800
Access	-	1,005,686	-	1,005,686
Grants	-	143,810	-	143,810
Medicaid Pass-Through	-	70,854,674	(41,640,052)	29,214,622
Substance Use Disorder	-	2,885,745	-	2,885,745
	<u>30,836,369</u>	<u>79,098,287</u>	<u>(42,299,332)</u>	<u>67,635,324</u>
Total Expenditures	<u>47,646,297</u>	<u>79,098,287</u>	<u>(42,299,332)</u>	<u>84,445,252</u>
Revenues over expenditures	<u>460,750</u>	<u>1,948,393</u>	<u>-</u>	<u>2,409,143</u>
Other Financing Sources (Uses):				
County Appropriation	955,672	-	-	955,672
Transfer in	-	765,811	(765,811)	-
Transfer out	(2,930,718)	(2,770,393)	765,811	(4,935,300)
	<u>(1,975,046)</u>	<u>(2,004,582)</u>	<u>-</u>	<u>(3,979,628)</u>
Net Change in Fund Balances	(1,514,296)	(56,189)	-	(1,570,485)
Fund Balances at beginning of year	<u>6,464,277</u>	<u>1,701,678</u>	<u>-</u>	<u>8,165,955</u>
Fund Balances at end of year	<u>\$ 4,949,981</u>	<u>\$ 1,645,489</u>	<u>\$ -</u>	<u>\$ 6,595,470</u>

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

**DETAILED SCHEDULE OF ST. CLAIR CMH REVENUES
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Intergovernmental:		
Federal/State -		
Department of Community Health	\$ 3,511,683	\$ 3,304,033
Adult Benefit Waiver	1,285,844	900,831
MI Child	78,177	81,454
Managed Care Capitated Payments	40,176,120	43,007,543
Medicaid Incentive	119,302	123,840
Autism Benefit	51,878	-
CSCB Dues/Administration	8,600	9,800
Michigan Prisoner Re-Entry Reimbursement	8,473	21,054
OBRA	170,175	178,659
ISD Early On Grant	2,397	85,965
Path Homeless Grant	58,000	50,000
Mental Health Court Grant	29,172	134,184
SEDW-DHS Waiver Grant	49,400	-
SED Waiver	52,586	-
MSHDA Reimbursements	-	5,489
Other grants & reimbursements	147,456	146,781
	<u>45,749,263</u>	<u>48,049,633</u>
Local -		
Other County Reimbursement Contracts	694,991	582,188
Blue Water Area Transportation Revenue	166,364	151,657
Jail Coordinator Funding	53,901	53,901
Day Treatment/Night Watch	59,507	59,507
Other grants & reimbursements	38,399	36,447
	<u>1,013,162</u>	<u>883,700</u>
	<u>46,762,425</u>	<u>48,933,333</u>
Charges for Services:		
Fees -		
Medicaid	602,294	471,853
Medicare	380,628	355,087
Private pay	42,964	69,337
Blue Cross/Blue Shield	26,932	23,810
Other insurance companies	54,869	36,504
	<u>1,107,687</u>	<u>956,591</u>
Interest and Rents:		
Interest	<u>88,557</u>	<u>100,580</u>
Other Revenue:		
Community Foundation	3,086	3,197
Galley and Vending	88,934	94,280
Miscellaneous	56,358	40,284
	<u>148,378</u>	<u>137,761</u>
 Total Revenues	 <u><u>\$ 48,107,047</u></u>	 <u><u>\$ 50,128,265</u></u>

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

**DETAILED SCHEDULE OF DEVELOPMENTAL DISABILITIES PROGRAMS EXPENDITURES
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Family Support Services	\$ 662,358	\$ 631,907
Family Support Home Based Services	-	261,221
Support Services	961,870	577,966
Marine City Support Services	546,062	494,442
Children's Waiver Services	38,692	55,518
Autism Benefit Services	50,667	-
OBRA PASARR	96,976	6,521
OBRA Active/Less than Active Treatment	21,221	5,468
Early On Program	30,713	331,979
Family Support Respite Care	600	182,321
Community Integration Services	1,074,724	1,023,629
Nursing Services - Health Services	91,785	107,420
Physicians	415,966	375,348
In-Shape Health Mentor	11,957	-
Transportation	1,335,161	1,458,977
Galley & Food Services	167,790	167,418
	<u>\$ 5,506,542</u>	<u>\$ 5,680,135</u>

**DETAILED SCHEDULE OF MENTAL ILLNESS PROGRAMS EXPENDITURES
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Jail Rehabilitation Services	\$ 120,067	\$ 174,588
Port Huron Counseling Center	1,314,818	1,298,892
Western Area Outpatient	753,529	742,997
River District Counseling	445,023	421,781
Children's Home Based Services	505,760	265,507
SED Waiver Services	48,697	-
OBRA Active/Less Than Active Services	68,017	92,520
OBRA PASARR	86,934	202,477
Outpatient Services	686,087	711,996
Residential Recovery Services	-	231,120
Assertive Community Treatment	461,253	492,933
MIC Day Treatment/Night Watch	181,475	237,874
MIC Clinical Case Management Services	856,286	1,039,701
Wrap-Around Children's Services	74,951	65,575
Nursing Services	281,780	245,240
Physicians	1,032,889	1,080,055
Community Inpatient Facilities	2,780,684	3,021,916
Medications-Injectables	457,348	454,071
Adult Support Services	507,531	731,724
Placement and Facility	110,099	133,795
In-Shape Health Mentor	49,269	-
Other Grant Continuation Programs	295,742	263,498
Transportation	78,456	62,217
Galley & Food Services	106,691	115,192
	<u>\$ 11,303,386</u>	<u>\$ 12,085,668</u>

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

**DETAILED SCHEDULE OF OTHER EXPENDITURES
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Administration and Support Services	\$ 7,882,028	\$ 8,222,363
Grants	247,952	439,715
Institutional Care	<u>951,341</u>	<u>966,529</u>
	<u>\$ 9,081,321</u>	<u>\$ 9,628,607</u>

**DETAILED SCHEDULE OF CONTRACT AGENCY EXPENDITURES
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Outpatient Services	\$ 11,320,637	\$ 13,112,647
Residential Services	10,123,823	11,488,382
Other Contractual Services	<u>310,588</u>	<u>327,209</u>
Total Contract Agency Expenditures	<u>\$ 21,755,048</u>	<u>\$ 24,928,238</u>

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

**TRANSPORTATION EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Operations</u>	<u>Maintenance</u>	<u>General Admin.</u>	<u>Total System</u>
Labor -				
Operator's salaries and wages	\$ 114,839	\$ -	\$ -	\$ 114,839
Other salaries and wages	-	-	26,980	26,980
Dispatchers' salaries and wages	43,414	-	-	43,414
Fringe benefits	35,589	-	10,105	45,694
Services -				
Advertising fees	-	-	-	-
Other services	-	-	-	-
Materials and Supplies Consumed -				
Fuel and lubricants	50,030	-	-	50,030
Tires and tubes	4,369	-	-	4,369
Other materials and supplies	-	18,011	699	18,710
Utilities	3,133	-	-	3,133
Casualty and Liability Costs -				
Liability Insurance	-	-	-	-
Other Insurance	17,749	-	-	17,749
Taxes and Fees	-	-	-	-
Purchased Transportation Costs	-	-	-	-
Miscellaneous Expenses -				
Travel and Meetings	-	-	-	-
Other miscellaneous expenses	3,276	-	-	3,276
Depreciation	<u>58,701</u>	<u>-</u>	<u>1,745</u>	<u>60,446</u>
	331,100	18,011	39,529	388,640
Less: Ineligible expenses				
Other Ineligible Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>\$ 331,100</u>	<u>\$ 18,011</u>	<u>\$ 39,529</u>	<u>\$ 388,640</u>

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

**MILEAGE DATA (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Total Mileage</u>
Demand-Response	
1st Quarter	67,043
2nd Quarter	64,910
3rd Quarter	75,102
4th Quarter	<u>71,745</u>
	<u><u>278,799</u></u>

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

**INTERNAL SERVICE FUNDS
COMBINING SCHEDULE OF NET POSITION
SEPTEMBER 30, 2013**

	PIHP Risk Corridor Financing	Building Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash	\$ -	\$ 2,172,990	\$ 2,172,990
Restricted Assets -			
Cash and cash equivalents	<u>5,763,707</u>	<u>-</u>	<u>5,763,707</u>
Total Current Assets	<u>5,763,707</u>	<u>2,172,990</u>	<u>7,936,697</u>
Capital assets, net of depreciation			
Assets not being depreciated	-	1,444,182	1,444,182
Assets being depreciated	<u>-</u>	<u>9,487,437</u>	<u>9,487,437</u>
Total Noncurrent Assets	<u>-</u>	<u>10,931,619</u>	<u>10,931,619</u>
 Total Assets	<u>5,763,707</u>	<u>13,104,609</u>	<u>18,868,316</u>
 Liabilities:			
Current Liabilities -			
Accounts payable	-	3,369	3,369
Accrued payroll and payroll taxes	-	6,346	6,346
Accrued interest payable	-	1,755	1,755
Due to other funds	-	55,703	55,703
Notes/contracts payable (current portion)	<u>-</u>	<u>1,568,572</u>	<u>1,568,572</u>
Total Current Liabilities	<u>-</u>	<u>1,635,745</u>	<u>1,635,745</u>
Long- Term Liabilities -			
Accrued vacation and sick	-	7,944	7,944
Notes/contracts payable	<u>-</u>	<u>8,956,018</u>	<u>8,956,018</u>
Total Long-Term Liabilities	<u>-</u>	<u>8,963,962</u>	<u>8,963,962</u>
 Total Liabilities	<u>-</u>	<u>10,599,707</u>	<u>10,599,707</u>
 Net Position:			
Net Investment in capital assets	-	407,029	407,029
Restricted for Risk Corridor Financing	5,763,707	-	5,763,707
Unrestricted	<u>-</u>	<u>2,097,873</u>	<u>2,097,873</u>
 Total Net Position	<u>\$ 5,763,707</u>	<u>\$ 2,504,902</u>	<u>\$ 8,268,609</u>

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

INTERNAL SERVICE FUNDS

**COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	PIHP Risk Corridor Financing	Building Fund	Total
Operating Revenues:			
Rent	\$ -	\$ 1,452,736	\$ 1,452,736
Operating Expenses:			
Salaries and benefits	-	103,643	103,643
Repairs and Maintenance	-	45,211	45,211
Other	-	6,442	6,442
Depreciation	-	745,200	745,200
	<u>-</u>	<u>900,496</u>	<u>900,496</u>
Operating Income	<u>-</u>	<u>552,240</u>	<u>552,240</u>
Non-Operating Income (Expenses):			
Interest on investments	9,113	3,513	12,626
Interest expense	-	(541,422)	(541,422)
	<u>9,113</u>	<u>(537,909)</u>	<u>(528,796)</u>
Net Income (Loss) Before Transfers	9,113	14,331	23,444
Transfer to other funds	<u>2,770,393</u>	<u>2,164,907</u>	<u>4,935,300</u>
Net Income	<u>2,779,506</u>	<u>2,179,238</u>	<u>4,958,744</u>
Net Position at beginning of year	2,984,201	379,158	3,363,359
Prior Period Adjustment	<u>-</u>	<u>(53,494)</u>	<u>(53,494)</u>
Net Position at beginning of year, restated	<u>2,984,201</u>	<u>325,664</u>	<u>3,309,865</u>
Net Position at end of year	<u>\$ 5,763,707</u>	<u>\$ 2,504,902</u>	<u>\$ 8,268,609</u>

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

**INTERNAL SERVICE FUNDS
COMBINING SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	PIHP Risk Corridor Financing	Building Fund	Total
Cash Flows From Operating Activities:			
Cash receipts from interfund services	\$ -	\$ 1,437,324	\$ 1,437,324
Cash receipts from customers	-	15,420	15,420
Cash payments to employees/suppliers	-	(173,015)	(173,015)
Net Cash Provided by Operating Activities	<u>-</u>	<u>1,279,729</u>	<u>1,279,729</u>
Cash Flows From Noncapital Financing Activities:			
Transfers from other funds	<u>2,770,393</u>	<u>2,164,907</u>	<u>4,935,300</u>
Cash Flows From Capital and Related Financing Activities:			
Due To/Advances from other funds	-	(183,809)	(183,809)
Interest payments	-	(536,222)	(536,222)
Principal payments on debt	-	(319,968)	(319,968)
Acquisition and construction of capital assets	-	(241,266)	(241,266)
Net Cash Used by Capital and Related Financing Activities	<u>-</u>	<u>(1,281,265)</u>	<u>(1,281,265)</u>
Cash Flows From Investing Activities:			
Interest earned	<u>9,113</u>	<u>3,513</u>	<u>12,626</u>
Net Change in Cash and Cash Equivalents for the year	2,779,506	2,166,884	4,946,390
Cash and Cash Equivalents at Beginning of Year	<u>2,984,201</u>	<u>6,106</u>	<u>2,990,307</u>
Cash and Cash Equivalents at End of Year	<u>\$ 5,763,707</u>	<u>\$ 2,172,990</u>	<u>\$ 7,936,697</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income	\$ -	\$ 552,240	\$ 552,240
Adjustments to reconcile operating loss to net cash provided by operating activities-			
Depreciation	-	745,200	745,200
Changes in assets and liabilities:			
Accounts receivable	-	8	8
Accounts payable and accruals	-	(17,719)	(17,719)
Net Cash Provided by Operating Activities	<u>\$ -</u>	<u>\$ 1,279,729</u>	<u>\$ 1,279,729</u>

**ST. CLAIR COUNTY COMMUNITY
MENTAL HEALTH AUTHORITY**
A Component Unit of St. Clair County, Michigan

**SUPPLEMENTARY INFORMATION TO
FINANCIAL STATEMENTS**

(FEDERAL AWARDS)

FOR THE YEAR ENDED SEPTEMBER 30, 2013



ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

**TABLE OF CONTENTS
SEPTEMBER 30, 2013**

	<u>Page Number</u>
Independent Auditor's Report on Supplementary Information	1
Supplementary Financial Information- Schedule Required By OMB Circular A-133-	
Schedule of Expenditures of Federal Awards	2
Notes to Schedule of Expenditures of Federal Awards	3
Supplementary Information on Substance Abuse Programs Required by Michigan Department of Community Health/Bureau of Mental Health and Substance Abuse Services -	
Schedule of Budgeted, Reported and Audited Amounts (Schedule A)	4
Schedule of Expenditures and Funding Sources by Program (Schedule B)	5
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	6
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	8
Schedule of Findings and Questioned Costs	10

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION**

To the St. Clair County Community
Mental Health Authority
Port Huron, Michigan

We have audited the governmental activities, the General Fund, and the aggregate remaining fund information of the St. Clair County Community Mental Health Authority, a component unit of St. Clair County, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated June 4, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the financial statements. The accompanying Schedule A - Schedule of Budgeted, Reported and Audited Amounts and Schedule B - Schedule of Expenditures and Funding Sources by Program are presented for purposes of additional analysis as required by the Michigan Department of Community Health, Bureau of Mental Health and Substance Abuse Services and are also not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, schedule of budgeted, and reported audited amounts, and schedule of expenditures and funding sources by program are fairly stated in all material respects in relation to the financial statements as a whole.

Stewart, Beauvais & Whipple
Certified Public Accountants

June 4, 2014

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through Blue Water Area Transportation Commission:			
Public Transportation for Nonurbanized Areas	20.509	N/A	\$ 26,117
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>26,117</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Passed Through the Michigan Department of Community Health:			
Projects for Assistance in Transition from Homelessness (PATH)	93.150		
Path-Outreach Homeless Project		20130318	<u>58,000</u>
Children's Health Insurance Program (CHIP)	93.767		
MICHild		N/A	78,177
MICHild - Substance Abuse Program		N/A	<u>413</u>
			<u>78,590</u>
Medical Assistance Program - (Medicaid; Title XIX)	93.778		
Omnibus Budget Reconciliation Act		N/A	<u>127,631</u>
Block Grants for Community Mental Health Services	93.958		
Healthcare		20131375	143,080
SEDW DHS Access Position		20131725	<u>49,400</u>
			<u>192,480</u>
Block Grant for Prevention and Treatment of Substance Abuse	93.959		
SAPT Block Grant		2B08TI010026T	<u>1,249,301</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>1,706,002</u>
Total Expenditures of Federal Awards			<u>\$ 1,732,119</u>

See Notes to Schedule of Expenditures of Federal Awards

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of St. Clair County Community Mental Health Authority for the year ended September 30, 2013. Expenditures reported on the Schedule are reported on the same basis of accounting, the modified accrual basis, as the financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of the St. Clair County Community Mental Health Authority, it is not intended to and does not present the financial position or changes in net position of the St. Clair County Community Mental Health Authority.

NOTE 2 - RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

Financial Statements -		
Total Federal/State Revenues	\$	83,775,100
Less:		
State Sources	(82,069,098)
Add: Federal portion from Blue Water Area Transportation Commission classified as local sources on financial statements		<u>26,117</u>
Total Expenditures of Federal Awards	\$	<u>1,732,119</u>

**ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY
COORDINATING AGENCY**

SCHEDULE A

**SUBSTANCE USE DISORDER SERVICES
Schedule of Budgeted, Reported, and Audited Amounts
For the Year Ended September 30, 2013**

Fund Source	Budgeted (FINAL)	Reported Expenditures (FINAL RER)	Audited Expenditures	Variance (Audited- Reported)	Local Match Funds
A State Agreement					
1 Community Grant	\$ 1,195,084	\$ 1,177,612	\$ 1,177,612	\$ -	\$ -
2 Prevention	281,112	281,112	281,112	-	-
3 SDA	5,495	5,495	5,495	-	-
A Subtotal State Agreement	<u>1,481,691</u>	<u>1,464,219</u>	<u>1,464,219</u>	<u>-</u>	<u>-</u>
B Medicaid					
1 Current Year PEPM (Federal & State)	857,652	946,227	946,227	-	-
2 Federal share only for Women's Specialty	164,988	164,988	164,988	-	-
3 State share only for Women's Specialty	83,526	83,526	83,526	-	-
4 Reinvestment Savings	-	-	-	-	-
B Subtotal Medicaid	<u>1,106,166</u>	<u>1,194,741</u>	<u>1,194,741</u>	<u>-</u>	<u>-</u>
C Adult Benefit Waiver (ABW)					
1 Current Year PEPM (Federal & State)	83,427	95,822	95,822	-	-
2 Federal share only for Women's Specialty	1,896	1,896	1,896	-	-
3 State share only for Women's Specialty	960	960	960	-	-
C Subtotal ABW	<u>86,283</u>	<u>98,678</u>	<u>98,678</u>	<u>-</u>	<u>-</u>
D MI CHILD					
1 Current Year PEPM (federal share only)	6,792	413	413	-	-
D Subtotal MIChild	<u>6,792</u>	<u>413</u>	<u>413</u>	<u>-</u>	<u>-</u>
E Local					
1 Current Year PA2	287,656	132,716	132,716	-	132,716
2 PA2 Fund Balance	-	-	-	-	-
3 FY 12 ABW Carryforward	40,110	-	-	-	-
4 FY 12 MIChild Carryforward	2,476	-	-	-	-
5 Other Local (R325.4152 excluding subsection (1)(b))	103,700	44,946	44,946	-	44,946
E Subtotal Local	<u>433,942</u>	<u>177,662</u>	<u>177,662</u>	<u>-</u>	<u>177,662</u>
F Fees & Collections- Subtotal (R325.4151 (1)(d))	<u>43,300</u>	<u>45,943</u>	<u>45,943</u>	<u>-</u>	<u>45,943</u>
G Other Contracts & Sources (Subtotal)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Grand Total of Subtotals A-G	<u><u>\$ 3,158,174</u></u>	<u><u>\$ 2,981,656</u></u>	<u><u>\$ 2,981,656</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 223,605</u></u>

Amount Billable to MDCH (Section A audited subtotal)	\$ 1,464,219
Total MDCH Payments	<u>1,481,691</u>
(Overpayment)/Underpayment	<u>\$(17,472)</u>
MI Child Lapsed Dollars	<u>1,946</u>
Total Refunded to MDCH	<u><u>\$(15,526)</u></u>

Local Match Funds Total	\$ 223,605
Local Match Requirement [(Grand Total of Audited Exp. minus subtotal B, C, D & G) * 10%]	<u>168,782</u>
Local Match (Shortfall)/Excess	<u><u>\$ 54,823</u></u>

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY COORDINATING AGENCY
SUBSTANCE USE DISORDER SERVICES
Schedule of Expenditures and Funding Sources by Program
For The Year Ended September 30, 2013

SCHEDULE B

Program	Audited Expenditures						Audited Funding Sources							Variance (Audited-Reported)	Variance (Expenditures - Funding)	
	Budgeted (FINAL)	Reported Expenditures (FINAL RER)	Gross Amount	Less Medicaid	Less Fees	Net Amount	State Agreement	SDA	PA2	Other Local	Other Sources	ABW (Gross) from PIHPs	MICChild (federal)			Total Funding
General Administration	\$434,471	\$417,543	\$417,543	\$164,561	\$0	\$252,982	\$239,355	\$0	\$0	\$0	\$0	\$13,627	\$0	\$252,982	\$0	\$0
Access Management System (AMS)	\$405,872	\$323,506	\$323,506	\$156,102	\$0	\$167,404	\$154,516	\$0	\$0	\$0	\$0	\$12,888	\$0	\$167,404	\$0	\$0
Prevention	\$282,041	\$278,998	\$278,998	\$0	\$0	\$278,998	\$205,142	\$0	\$28,910	\$44,946	\$0	\$0	\$0	\$278,998	\$0	\$0
Treatment	\$1,567,916	\$1,559,134	\$1,559,134	\$625,564	\$45,146	\$888,424	\$779,150	\$5,468	\$103,806	\$0	\$0	\$0	\$0	\$888,424	\$0	\$0
Women's Specialty	\$334,948	\$320,613	\$320,613	\$248,514	\$797	\$71,302	\$68,419	\$27	\$0	\$0	\$0	\$2,856	\$0	\$71,302	\$0	\$0
Communicable Disease						\$0								\$0	\$0	\$0
ABW (State and Federal Funds)	\$109,409	\$69,307	\$69,307	\$0	\$0	\$69,307	\$0	\$0	\$0	\$0	\$0	\$69,307	\$0	\$69,307	\$0	\$0
MICChild (State and Federal Funds)	\$11,357	\$540	\$540	\$0	\$0	\$540	\$127	\$0	\$0	\$0	\$0	\$0	\$413	\$540	\$0	\$0
Other	\$12,160	\$12,015	\$12,015	\$0	\$0	\$12,015	\$12,015	\$0	\$0	\$0	\$0	\$0	\$0	\$12,015	\$0	\$0
Totals	\$3,158,174	\$2,981,656	\$2,981,656	\$1,194,741	\$45,943	\$1,740,972	\$1,458,724	\$5,495	\$132,716	\$44,946	\$0	\$98,678	\$413	\$1,740,972	\$0	\$0
							<u>\$1,464,219</u>		(1)							

Reconciliation of PA2 Funds:

Beginning Balance	\$847,967
Current Year PA2 Expenditures	536,043
	(132,716)
Ending balance	<u>\$1,251,294</u>

Reconciliation of Medicaid Managed Care (PEPM) Funds:

PEPM Payments Received	\$1,092,655
Medicaid Savings Carried Over	102,086
Expenditures	(1,194,741)
Medicaid Savings Carryforward	0
Returned to PIHP	<u>\$0</u>

Footnotes:

- (1) The PA 2 Revenues and Expenditures reported on this report are only those received from St. Clair County and paid on behalf of St. Clair County residents by the CA. The PA 2 Revenues and Expenditures received/expensed by Lapeer and Sanilac Counties have not been forwarded to the CA and are not included as audited amounts within this report.
- Lapeer County Health Department reported receiving \$221,360 and spending \$531,204 in FY 13 for treatment and prevention services.
- Sanilac County Health Department reported receiving \$84,691 and spending \$94,621 of PA 2 in FY 13 for counseling treatment services.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENTAL AUDITING STANDARDS**

To the St. Clair County Community
Mental Health Authority
Port Huron, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the General Fund, and the aggregate remaining fund information of the St. Clair County Community Mental Health Authority, a component unit of St. Clair County, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the St. Clair County Community Mental Health Authority's basic financial statements, and have issued our report thereon dated June 4, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the St. Clair County Community Mental Health Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the St. Clair County Community Mental Health Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the St. Clair County Community Mental Health Authority's internal control.

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

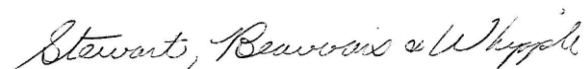
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. Material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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


Certified Public Accountants

June 4, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133**

To the St. Clair County Community
Mental Health Authority
Port Huron, Michigan

Report on Compliance for Each Major Program

We have audited the St. Clair County Community Mental Health Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the St. Clair County Community Mental Health Authority's major federal program for the year ended September 30, 2013. The St. Clair County Community Mental Health Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the St. Clair County Community Mental Health Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about the St. Clair County Community Mental Health Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the St. Clair County Community Mental Health Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the St. Clair County Community Mental Health Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended September 30, 2013.


Report on Internal Control Over Compliance

Management of the St. Clair County Community Mental Health Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the St. Clair County Community Mental Health Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the St. Clair County Community Mental Health Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants

June 18, 2014

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal controls over financial reporting:
 Material weakness(es) identified? _____ yes x no
 Significant deficiency(ies) identified not
 considered to be material weaknesses? _____ yes x none reported

Noncompliance material to financial
 statements noted? _____ yes x no

Federal Awards

Internal Control over major programs:
 Material weakness(es) identified? _____ yes x no
 Significant deficiency(ies) identified not
 considered to be material weaknesses? _____ yes x none reported

Type of auditor's report issued on compliance
 for major programs: Unmodified

Any audit findings disclosed that are required to
 be reported in accordance with Circular A – 133,
 Section 510(a)? _____ yes x no

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
CFDA #93.959	Block Grants for Prevention and Treatment of Substance Abuse

Dollar threshold used to distinguish
 between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? _____ yes x no

Section II - Financial Statement Findings:

There were no financial statement findings.

Section III - Federal Award Findings and Questioned Costs:

There were no federal award findings or questioned costs.

Section IV - Prior Year's Findings and Questioned Costs:

There were no prior year findings or questioned costs.