



Northern Lakes
Community Mental
Health Authority

Committee of the
Whole Packet

April 20, 2023



Administrative Office, 105 Hall Street, Suite A, Traverse City, MI 49684

COMMITTEE OF THE WHOLE - AGENDA

DATE: April 20, 2023
TIME: 12:30 p.m.
PLACE: Northern Lakes Community Mental Health Authority
 Virtual Meeting and 527 Cobb Street, Cadillac
 Dial 1-810-258-9588 Conference ID

TIME	ID #	ITEM	POLICY #
12:30 p.m.		Receive and Review March 16, 2023 Minutes	2.08
12:35 p.m.		Public Comment <i>(May be limited to three minutes by the Board Chairperson)</i>	
12:40 p.m.	1	Update on Recipient Rights	3.7
12:50 p.m.	2	Financial, Single and Compliance Audit	2.4
1:15 p.m.	3	Phone Survey Results	3.9
1:35 p.m.		Chair Discussion	
1:45 p.m.		Forms	3.3, 3.10
	4	- Conflict of Interest Disclosure Statement	
	5	- Code of Conduct Declaration	
	6	- Board Membership Survey	
1:50 p.m.		May 18, 2023 Agenda Planning Options - Recipient Rights Presentation - Update on Recipient Rights - Services for People with an I/DD Presentation	3.2, 3.5
2:00 p.m.		Meeting Evaluation/Comments	
2:05 p.m.		Other/Adjourn	

Note: This is the Board's work group and often times the Board's work groups do not follow set times.

NEXT MEETING: May 18, 2023

NOTICE: If any person with a disability needs accommodations, please call the CEO's Office (231-409-6065) three days prior to the posted meeting date.

**Northern Lakes Community Mental Health Authority
Committee of the Whole
Annotated Agenda
April 20, 2023**

12:30 p.m. Receive and Review March 16, 2023 Meeting Minutes

12:35 p.m. Public Comment

This is an opportunity for the public to provide input consistent with board policy.

12:40 p.m. Update on Recipient Rights – Brian Newcomb

The Board will receive the monthly ORR update.

12:50 p.m. Financial, Single and Compliance Audit – RPC

The Board will be given the financial audit presentation virtually.

1:15 p.m. Phone Survey Results- CS Research & Consulting

The Board will be given the results of the phone survey.

1:35 p.m. Slate of Officers Discussion- The Board

NLD will present the options for the slate of officers and Board Chair. Open discussion.

1:45 p.m. Forms – Board to fill out, if not already done:

Conflict of Interest Disclosure Statement

Code of Conduct Declaration

Board Membership Survey

1:50 p.m. May 19, 2022 Agenda Planning Options

-Recipient Rights Presentation

-Update on Recipient Rights

-CEO Compensation

2:00 p.m. Meeting Evaluation/Comments – Board Members

In keeping with our focus on continued improvement of Board operations, time is scheduled for review and comment on the effectiveness of this meeting using the Board adopted evaluation form.

2:05 p.m. Other/Adjourn

Note: This is the Board's work group and often times the Board's work groups do not follow set times.

NEXT MEETING: May 18, 2023

Office of Recipient Rights Director's Report
April 2023

Dates represented	10/1/20-04/11/21	10/1/21-04/11/22	10/1/22-04/11/23
Complaints	140	301	185
OJ, No Right Inv.	21	40	22
Interventions	2	13	7
Investigations	117	249	156
Investigations Comp	117	248	104
Investigations open	0	1	52
Inv > 90 days	24	0	0
Inv < 90 days	93/117 (79.5%)	248/248 (100%)	104/104(100%)
Summary Report Avg	113/117 (96.65)	246/249(98.8%)	102/102(100%)
NLCMHA staff alleg.	26	54	29
NLCMHA Staff W/I 1 yr	3	11	7

	Total Substantiated	Total Allegations Investigated	Substantiation Rate
FY2020	309	637	49%
FY2021	172	383	45%
FY2022	330	664	50%
FY2023	117	189	62%

Complaint Source	Count
Anonymous	13
Community/General Public	20
Guardian/Family	15
ORR	54
Recipient	39
Staff	44
Total	185

Respectfully submitted,

Brian Newcomb

Director of Recipient Rights

**Northern Lakes Community
Mental Health Authority**

Audit Presentation

April 20, 2023





Independent Auditor's Report

To the Members of the Board
Northern Lakes Community Mental Health Authority
Traverse City, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of Northern Lakes Community Mental Health Authority (the CMHSP), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the CMHSP's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the CMHSP, as of September 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the CMHSP and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in the notes to the financial statements, during 2022 the CMHSP adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material

Northern Lakes Community Mental Health Authority
Statement of Net Position
September 30, 2022

	Enterprise Fund Operating Fund	Internal Service Fund Self-Insurance Fund	Total Proprietary Funds
Current assets			
Cash and cash equivalents	\$ 17,973,658	\$ -	\$ 17,973,658
Investments	5,756,558	35,443	5,792,001
Due from other governmental units	5,544,463	-	5,544,463
Prepaid expenses	292,348	462,722	755,070
Total current assets	29,567,027	498,165	30,065,192
		Prior year	30,040,803
Noncurrent assets			
Capital assets not being depreciated	1,803,040	-	1,803,040
Capital assets being depreciated, net	5,184,173	-	5,184,173
Total noncurrent assets	6,987,213	-	6,987,213
		Prior year	6,620,251
Deferred outflows of resources			
Related to pension	537,475	-	537,475
		Prior year	958,487
Current liabilities			
Accounts payable	5,980,461	-	5,980,461
Accrued wages and related liabilities	625,394	-	625,394
Due to other governmental units	6,572,332	-	6,572,332
Self-funded insurance claims payable	-	370,000	370,000
Unearned revenue	136,101	-	136,101
Other current liabilities	52,102	-	52,102
Compensated absences, due within one year	208,030	-	208,030
Lease liability, due within one year	61,367	-	61,367
Total current liabilities	13,635,787	370,000	14,005,787
		Prior year	16,286,138
Noncurrent liabilities			
Compensated absences, due beyond one year	1,178,836	-	1,178,836
Lease liability, due beyond one year	561,050	-	561,050
Net pension liability	1,581,749	-	1,581,749
Total noncurrent liabilities	3,321,635	-	3,321,635
		Prior year	5,401,935
Deferred inflows of resources			
Related to pension	1,696,876	-	1,696,876
		Prior year	673,136
Net Position			
Net investment in capital assets	6,364,796	-	6,364,796
Unrestricted	12,072,621	128,165	12,200,786
Total net position	\$ 18,437,417	\$ 128,165	\$ 18,565,582
		Prior year	15,258,332

Northern Lakes Community Mental Health Authority
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended September 30, 2022

	Enterprise Fund	Internal Service Fund		Total Proprietary Funds
	Operating Fund	Self-Insurance Fund	Adjustments	
Operating revenues				
Medicaid capitation	\$ 65,941,149	\$ -	\$ -	\$ 65,941,149
State and federal revenue	5,138,150	-	-	5,138,150
Local revenue	2,388,563	-	-	2,388,563
Contractual agreements	11,057,071	-	-	11,057,071
Charges for services	384,130	4,160,900	(4,160,900)	384,130
Total operating revenues	84,909,063	4,160,900	(4,160,900)	84,909,063
			Prior year	79,738,070
Operating expenses				
Salaries and wages	20,137,480	-	-	20,137,480
Fringe benefits	6,134,150	-	571,826	6,705,976
Direct operations	2,527,573	-	-	2,527,573
Contractual services	10,112,309	-	-	10,112,309
Contract agencies	8,893,101	-	-	8,893,101
Depreciation	788,571	-	-	788,571
Inpatient services	6,543,748	-	-	6,543,748
Local match	342,664	-	-	342,664
Occupied space	1,159,497	-	-	1,159,497
Residential contracts	23,060,784	-	-	23,060,784
Transportation	1,325,172	-	-	1,325,172
Claims expense	-	4,732,726	(4,732,726)	-
Total operating expenditures	81,025,049	4,732,726	(4,160,900)	81,596,875
			Prior year	77,888,558
Operating income (loss)	3,884,014	(571,826)	-	3,312,188
Non-operating revenues (expenses)				
Interest expense	(17,940)	-	-	(17,940)
Gain (loss) on sale of capital assets	13,002	-	-	13,002
Total non-operating income (loss)	(4,938)	-	-	(4,938)
Change in net position	3,879,076	(571,826)	-	3,307,250
			Prior year	1,867,095
Net position, beginning of year	14,558,341	699,991	-	15,258,332
Net position, end of year	\$ 18,437,417	\$ 128,165	\$ -	\$ 18,565,582

Total Net position	18,565,582
Total Operating expenses	81,596,875
Net Position as % of operating expenses	22.8%

Northern Lakes Community Mental Health Authority
Notes to the Financial Statements
September 30, 2022

NOTE 6 - UNEARNED REVENUE

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

Description	Amount
Consumer funds	(335)
General Fund Carryforward	136,436
Total	136,101

NOTE 7 - LEASE LIABILITY

During the current fiscal year, the CMHSP entered into a 7-year lease agreement as lessee for the use of the Seneca building. An initial lease liability was recorded in the amount of \$241,289 during the current fiscal year. As of year-end, the value of the lease liability was \$208,468. The CMHSP is required to make monthly principal and interest payments of \$3,250. The lease has an interest rate of 3.00%. The value of the right-to-use asset as of the end of the current fiscal year was \$241,289 and had accumulated amortization of \$35,311.

During the current fiscal year, the CMHSP entered into a 12-year lease agreement as lessee for the use of the Pearl Street building. An initial lease liability was recorded in the amount of \$442,388 during the current fiscal year. As of year-end, the value of the lease liability was \$413,950. The CMHSP is required to make monthly principal and interest payments of \$3,350. The lease has an interest rate of 3.00%. The value of the right-to-use asset as of the end of the current fiscal year was \$442,388 and had accumulated amortization of \$36,360.

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

Fiscal Year Ended September 30,	Principal	Interest	Total
2023	61,367	17,833	79,200
2024	65,509	15,941	81,450
2025	67,963	13,937	81,900
2026	70,031	11,869	81,900
2027	72,160	9,740	81,900
2028 - 2032	233,182	24,167	257,349
2033 - 2037	52,205	994	53,199
Total	622,417	94,481	716,898

NOTE 8 - LONG-TERM LIABILITIES

The changes in the long-term liabilities are as follows:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Compensated absences	1,419,832	180,009	(212,975)	1,386,866	208,030
Lease liability	-	683,679	(61,262)	622,417	61,367
Total	1,419,832	863,688	(274,237)	2,009,283	269,397

the past three years.

The CMHSP's coverage limits are \$15,000,000 for liability, \$1,500,000 for vehicle physical damage, and approximately \$23,580,436 for buildings and personal property.

NOTE 12 – BENEFITS – SELF INSURANCE

The CMHSP provides health insurance to all its eligible employees. The self-funded program is administered by Blue Cross/Blue Shield who provides claims review and process services as well as illustrated premium rates, which are anticipated, over time, to approximate the actual cost of benefits.

Premiums for self-insured programs are paid based on actual or illustrated rates. These premiums are available to pay claims, claim reserves, excess coverage and administrative costs. Excess coverage reinsurance purchased by the CMHSP covers individual claims in excess of \$100,000 annually. The liability at the end of the year is based on claims already incurred and reported as well as an estimate for claims incurred but not reported at September 30th.

The change in the claims liability is as follows:

Fiscal Year	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
2020	152,295	3,895,130	(3,862,424)	185,000
2021	185,000	4,536,310	(4,475,310)	246,000
2022	246,000	4,816,255	(4,692,255)	370,000

NOTE 13 – CONTINGENT LIABILITIES

Under the terms of various federal and state grants and regulatory requirements, the CMHSP is subject to periodic audits of its agreements, as well as a cost settlement process under the full management contract with the regional entity and the State. Such audits could lead to questioned costs and/or requests for reimbursement to the grantor or regulatory agencies. Cost settlement adjustments, if any, as a result of compliance audits are recorded in the year that the settlement is finalized. The amount of expenses which may be disallowed, if any, cannot be determined at this time, although the CMHSP expects such amounts, if any, to be immaterial.

The CMHSP is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the CMHSP's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the CMHSP.

NOTE 14 – ECONOMIC DEPENDENCE

The CMHSP receives over 80% of its revenues from the State of Michigan either directly from MDHHS or indirectly through the CMHSP's regional entity.

NOTE 15 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended September 30, 2022, the CMHSP implemented the following new pronouncement: GASB Statement No. 87, *Leases*.

Summary

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

NOTE 16 - UPCOMING ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 96, *Subscription-based Information Technology Arrangements*, was issued by the GASB in May 2020 and will be effective for the CMHSP's fiscal year ending September 30, 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

GASB Statement No. 101, *Compensated Absences*, was issued by the GASB in June 2022 and will be effective for the CMHSP's fiscal year September 30, 2025. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

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

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After-Hours
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Management Representation Letter

Roslund, Prestage & Company, P.C.
525 W. Warwick Drive, Suite A
Alma, MI 48801

This representation letter is provided in connection with your audit of the financial statements of Northern Lakes Community Mental Health Authority (the CMHSP) which comprise the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the disclosures (collectively, the "financial statements"), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of March 27, 2023, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 9) Guarantees, whether written or oral, under which the CMHSP is contingently liable, if any, have been properly recorded or disclosed.
- 10) Capital assets have been evaluated for impairment as a result of a significant and unexpected decline in service utility. Impairment loss and insurance recoveries have been properly recorded.
- 11) Regarding the non-attest services performed by you as identified below, we have:

- a) Made all management decisions and performed all management functions.
- b) Designated an individual with suitable skill, knowledge, or experience to oversee the services.
- c) Evaluated the adequacy and result of the services performed.
- d) Accepted responsibility for the results of the services.

Information Provided

- 12) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the CMHSP from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of those charged with governance or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 13) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 14) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 15) We have no knowledge of any fraud or suspected fraud that affects the CMHSP and involves—
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- 16) We have no knowledge of any allegations of fraud or suspected fraud affecting the CMHSP's financial statements communicated by employees, former employees, regulators, or others.
- 17) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
- 18) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 19) We have disclosed to you the names of the CMHSP's related parties and all the related party relationships and transactions, including any side agreements.

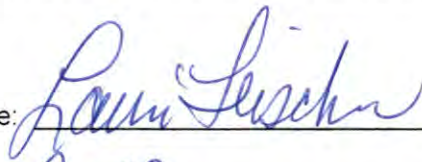
Government-specific


- 20) We have made available to you all financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.
- 21) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 22) We have identified to you any previous audits, attestation engagements, and other studies related to the objectives of the audit and whether related recommendations have been implemented.
- 23) We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
- 24) The CMHSP has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
- 25) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.

- 26) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance (currently none).
- 27) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives (currently none).
- 28) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives (currently none).
- 29) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 30) As part of your audit, you assisted with preparation of the financial statements, related disclosures, maintenance of the depreciation listing, and submission of the audited financial information. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements, related disclosures, maintenance of the depreciation listing, and submission of the audited financial information.
- 31) The CMHSP has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 32) The CMHSP has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 33) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- 34) The financial statements include all component units, appropriately present majority equity interests in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 35) The financial statements include all fiduciary activities required by GASBS No. 84 , as amended.
- 36) The financial statements properly classify all funds and activities in accordance with GASBS No. 34 , as amended.
- 37) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 38) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 39) Investments, derivative instrument transactions, and land and other real estate held by endowments are properly valued.
- 40) Provisions for uncollectible receivables have been properly identified and recorded.
- 41) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 42) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 43) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 44) Deposits and investment securities and derivative instrument transactions are properly classified as to risk and are properly disclosed.

- 45) Capital assets, including intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
- 46) We have appropriately disclosed the CMHSP's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 47) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 48) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 49) It is understood between the CMHSP and you that your audit of the financial statements was made in accordance with the standards outlined in the engagement letter and, accordingly, included such tests of the accounting records and such other auditing procedures as you considered necessary in the circumstances; that is, by means of testing and sampling of transactions and accounts because complete verification by detailed audit of every transaction was not practicable. We also understand that the testing and sampling procedures followed in your audit would not necessarily disclose errors or irregularities, should any exist.

To the best of our knowledge and belief, no events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustments to, or disclosure in, the aforementioned financial statements or in the schedule of findings and questioned costs

Signature: 
Title: CFO

Signature: 
Title: Finance Manager

Report on Compliance

Northern Lakes Community Mental Health Authority

September 30, 2022





INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE

To the Members of the Board
Northern Lakes Community Mental Health Authority
Traverse City, Michigan

Report On Compliance

We have examined Northern Lakes Community Mental Health Authority's (the CMHSP) compliance with the compliance requirements described in the *Compliance Examination Guidelines* issued by Michigan Department of Health and Human Services that are applicable to the Medicaid Contract and General Fund (GF) Contract for the year ended September 30, 2022.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the Medicaid Contract and GF Contract.

Independent Accountants' Responsibility

Our responsibility is to express an opinion on the CMHSP's compliance with the Medicaid Contract and GF Contract based on our examination of the compliance requirements referred to above.

Our examination of compliance was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the CMHSP complied, in all material respects, with the compliance requirements referred to above.

An examination involves performing procedures to obtain evidence about the CMHSP's compliance with the specified compliance requirements referred to above. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risk of material noncompliance, whether due to fraud or error. The nature, timing and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement of the compliance requirements described in the *Compliance Examination Guidelines* issued by the Michigan Department of Health and Human Services.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. However, our examination does not provide a legal determination of the CMHSP's compliance.

Opinion on Each Program

In our opinion, the CMHSP complied, in all material respects, with the specified compliance requirements referred to above that are applicable to the Medicaid Contract and GF Contract for the year ended September 30, 2022.

Northern Lakes Community Mental Health Authority
Schedule of Findings
September 30, 2022

Control deficiencies that are individually or cumulatively material weaknesses in internal control over the Medicaid Contract and General Fund Contract:

None

Material noncompliance with the provisions of laws, regulations, or contracts related to the Medicaid Contract and General Fund Contract:

None

Known fraud affecting the Medicaid Contract and General Fund Contract:

None

Health Home Performance-based Incentive Pool (PBIP) Funds

The CMHSP received \$947,544 of PBIP funds from its PIHP during the fiscal year of which the PIHP designated that \$9,446 were to be for Health Home purposes. The CMHSP reported all of the PBIP funds received from the PIHP on Row M111 Performance Bonus Incentive Pool (PBIP) Restricted Local Funding. This reporting by the CMHSP was inconsistent with PIHP's reporting so the following examination adjustment was made:

- Row IC 190 was increased from \$484,690 to \$494,136; a difference of \$9,446
- Row M 111 was decreased from \$947,544 to \$938,098; a difference of \$(9,446)

GF Contract Settlement Worksheet

The amount reported for "Cash Received Through 9/30" was understated by the current year GF carryforward of \$136,436 which led to the \$136,436 overstatement of "Amount Due CMHSP/(MDHHS) Cash Settlement". The amount reported for "Cash Received Through 9/30" should agree to the amount of GF funding provided by MDHHS as of 9/30 which according to the CMHSP's agreement with MDHHS was \$2,728,716. The following examination adjustment was made:

- Row 1.a Cash Received Through 9/30 was increased from \$2,592,280 to \$2,728,716; a difference of \$136,436

During our compliance audit, we may have become aware of matters that are opportunities for strengthening internal controls, improving compliance and increasing operating efficiency. These comments and recommendations are expected to have an impact greater than \$25,000, but not individually or cumulatively be material weaknesses in internal control over the Medicaid Contract and General Fund Contract. Furthermore, we consider these matters to be immaterial deficiencies, not findings. The following comments and recommendations are in regard to those matters.

2022-01 FSR Examination Adjustments

Criteria or specific requirements:

The CMHSP shall provide the financial reports to MDHHS as listed in Attachment C6.5.1.1 to the General Fund Contract. The financial reports provided should comply with the FSR instructions referenced in Attachment C6.5.1.1.

Condition:

The CMHSP submitted financial reports that were not in compliance with FSR instructions.

Examination adjustments:

Examination adjustments were made to sections of the FSR. See detailed descriptions of these examination adjustments in the Explanation of Examination Adjustments section of this report.

Context and perspective:

Management was aware of the rules regarding reporting of revenues and expenditures on the *Financial Status Report - All Non Medicaid*. This error appears to be isolated as amounts were reported correctly in previous years.

Effect:

See detailed descriptions of these examination adjustments in the Explanation of Examination Adjustments section of this report.

Recommendations:

The CMHSP should review its current policies and procedures regarding the preparation and review of the Financial Status Report to assure that all amounts are reported in compliance with the reporting instructions. Specifically, a review of the final draft should be performed by a knowledgeable person who is independent from the original preparation of the report(s).

Views of responsible officials:

Management is in agreement with our recommendation.

Planned corrective action:

The CMHSP's finance staff will review the financial status reports prepared by another staff member prior to submission.

Responsible party:

Lauri Fischer, Chief Financial Officer

Anticipated completion date:

April 12, 2023

www.northernlakescmh.org

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(231) 922-4850

Crisis
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TTY 711

Management Representation Letter

Roslund, Prestage & Company, P.C.
Certified Public Accountants
525 W. Warwick Dr.
Alma, MI 48801

In connection with your examination of Northern Lakes Community Mental Health Authority's (the CMHSP's) compliance with the specified criteria contained in the *Community Mental Health Compliance Examination Guidelines* (the Guidelines) issued by the Michigan Department of Health and Human Services, for the fiscal year end September 30, 2022, for the purpose of expressing an opinion that the CMHSP complied, in all material respects with criteria specified in the Guidelines, we confirm, to the best of our knowledge and belief, the following representations made to you during the course of your examination.

- 1) We are responsible for compliance with the criteria specified in the Guidelines.
- 2) We are responsible for establishing and maintaining effective internal control over compliance.
- 3) We have performed an evaluation of (1) the entity's compliance with specified requirements and (2) the entity's controls for ensuring compliance and detecting noncompliance with requirements, as applicable.
- 4) We have disclosed to you all:
 - a) deficiencies in internal control relevant to the engagement of which we are aware.
 - b) known actual, suspected, or alleged fraud or noncompliance.
 - c) all other matters you have deemed appropriate.
- 5) We have disclosed to you our interpretation of any compliance requirements that have varying interpretations.
- 6) We have disclosed to you any communications from regulatory agencies, internal auditors, and other practitioners concerning possible noncompliance with the specified requirements, including communications received between the end of the period addressed in the written assertion and the date of the practitioner's report.
- 7) We have disclosed to you all events subsequent to the fiscal year ended September 30, 2022 that would have a material effect on the CMHSP's conformity with the Guidelines, including, but not limited to, the following:
 - Relevant internal auditors' reports issued during the subsequent period.
 - Other practitioners' reports identifying noncompliance issued during the subsequent period.
 - Regulatory agencies' reports on the entity's noncompliance issued during the subsequent period.
 - Information about the entity's noncompliance obtained through other professional engagements for that entity.
- 8) We have made available to you all records relevant to the CMHSP's conformity with the Guidelines.
- 9) We have responded fully to all inquiries made to us by you during the engagement.

10) We have complied with our responsibilities (as applicable) as defined in the Guidelines including:

- a) Maintaining internal control over the Medicaid Contract and General Fund Contract that provides reasonable assurance that we are managing the Medicaid Contract and General Fund Contract in compliance with laws, regulations, and the provisions of contracts that could have a material effect on the Medicaid Contract and General Fund Contract. Complying with laws, regulations, and the provisions of contracts related to the Medicaid Contract and General Fund Contract. Examples of these would include, but not be limited to: the Medicaid Contract and the Managed Mental Health Supports and Services Contract (General Fund Contract), the Mental Health Code (Michigan Compiled Laws 330.1001 – 330.2106), applicable sections of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards located at 2 CFR 200, the Medicaid Provider Manual, and Generally Accepted Accounting Principles (GAAP).
- b) Preparing appropriate financial statements.
- c) Ensuring that the examination required by the Guidelines, and any examination required by the PIHP from which we received Medicaid Program funds, are properly performed and submitted when due.
- d) Following up and taking corrective action on examination findings.
- e) Preparing a corrective action plan to address each examination finding, and comment and recommendation included in the current year's reports including the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date.

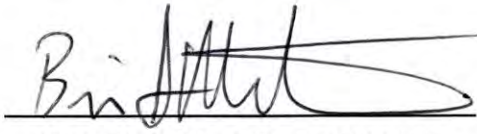
11) We have complied with specified requirements (as applicable) as defined in the Guidelines including:

- a) The Financial Status Report (FSR) and related CRCS agree with agency financial records (general ledger) as required by the reporting instructions.
- b) The FSRs include only allowed activities as specified in the contracts; allowable costs as specified in the Federal cost principles (2 CFR 200, Subpart E)(General Fund Contract, Section 6.6.1; and Medicaid Contract, Section 7.8); and allowed activities and allowable costs as specified in the Mental Health Code, Sections 240, 241, and 242.
- c) The FSRs include revenues and expenditures in proper categories and according to reporting instructions.
- d) Differences between the general ledger and FSR are adequately explained and justified.
- e) The expenditures reported on the FSR specifically comply with the Federal cost principles in 2 CFR 200.402.
- f) Reimbursements to subcontractors are supported by a valid subcontract and adequate, appropriate supporting documentation on costs and services. (2 CFR Part 200, Subpart E – Cost Principles, 200.403 (g)).
- g) We made you aware of all net cost basis contracts.
- h) Net cost basis contracts, if any, are supported by appropriate documentation. (2 CFR Part 200, Subpart E – Cost Principles, 200.403 (g)).
- i) We made you aware of all related parties, including subcontractors. (2 CFR Part 200, Subpart E – Cost Principles, 200.404).
- j) Payments to FQHCs and RHCs for specialty services included in the specialty services waiver, if any, are no less than amounts paid to non-FQHC and RHCs for similar services.
- k) Reported costs for less-than-arms-length transactions, if any, are limited to underlying cost. (2 CFR Part 200, Subpart E – Cost Principles, 200.465 (c)).
- l) Reported costs for sale and leaseback arrangements, if any, are limited to underlying cost. (2 CFR Part 200, Subpart E – Cost Principles, 200.465 (b)).
- m) Capital asset purchases that cost greater than \$5,000 are capitalized and depreciated over the useful life of the asset rather than expensing it in the year of purchase. (2 CFR Part 200, Subpart E – Cost Principles, 200.436 and 200.439).
- n) All invoices for remodeling or renovation projects, if any, have been accumulated for a total project cost when determining capitalization requirements. Individual invoices related to remodeling or renovation projects have not been expensed simply because they are less than \$5,000.

- o) Costs are allocated to programs in accordance with relative benefits received.
 - p) Medicaid costs are charged to the Medicaid Program.
 - q) General Fund costs are charged to the General Fund Program.
 - r) Administrative/indirect costs are distributed to programs on a basis that produces an equitable result in consideration of relative benefits derived. (2 CFR Part 200, Appendix VII).
 - s) Distributions of salaries and wages for employees that work on multiple activities or cost objectives are supported in accordance with the standards listed in 2 CFR Part 200, Subpart E-Cost Principles, 200.430(i).
 - t) We followed the procurement requirements contained in 2 CFR 200.318 through 200.326 and ensured that organizations or individuals selected and offered contracts have not been debarred or suspended or otherwise excluded from, or ineligible for participation in, Federal assistance programs as required by 45 CFR 92.35.
 - u) We determined responsible parties' insurance coverage and ability to pay before, or as soon as practical after, the start of services as required by MCL 330.1817.
 - v) We completed a new determination if informed of a significant change in a responsible party's ability to pay as required by MCL 330.1828.
 - w) Charges for services to responsible parties determined to have an ability to pay represent the lesser of ability to pay determinations or cost of services according to MCL 330.1804.
 - x) General Fund Carryforward earned in the previous year was used in the current year on allowable General Fund expenditures as required by sections 7.7.1 and 7.7.1.1. of the MDHHS-CMHSP contract.
 - y) We have met the local match requirement and all items considered as local match qualify as local match according to Section 7.2 of the General Fund Contract and Section 8.2 of the Medicaid Contract.
- 12) As part of your audit, you assisted with submission of the compliance report. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for submission of the compliance report.

Your report is intended solely for the information and use of the CMHSP's management and Michigan Department of Health and Human Services and is not intended to be and should not be used by anyone other than these specified parties.

To the best of our knowledge and belief, no events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustments to, or disclosure in, the aforementioned report on compliance.



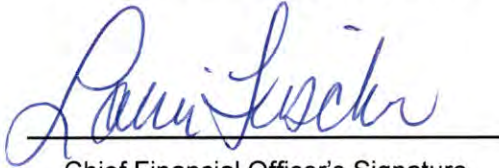
Chief Executive Officer's Signature

Brian Martins

Chief Executive Officer's Printed Name

12 April 2023

Date



Chief Financial Officer's Signature

Lauri Fischer

Chief Financial Officer's Printed Name

4/12/2023

Date



Lead Accountant's Signature

Chris Biggar

Lead Accountant's Printed Name

4/12/2023

Date

**Northern Lakes Community
Mental Health Authority**

Federal Awards
(Supplementary Information
To Financial Statements)
September 30, 2022





**Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

To the Members of the Board
Northern Lakes Community Mental Health Authority
Traverse City, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of Northern Lakes Community Mental Health Authority (the CMHSP), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the CMHSP’s basic financial statements, and have issued our report thereon dated March 27, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the CMHSP’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CMHSP’s internal control. Accordingly, we do not express an opinion on the effectiveness of the CMHSP’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. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Sincerely,

Roslund, Prestage & Company, P.C.

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

March 27, 2023



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Members of the Board
Northern Lakes Community Mental Health Authority
Traverse City, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Northern Lakes Community Mental Health Authority's (the CMHSP's) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the CMHSP's major federal programs for the year ended September 30, 2022. The CMHSP's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the CMHSP complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the CMHSP and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the CMHSP's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the CMHSP's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the CMHSP's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the CMHSP's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the CMHSP's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the CMHSP's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the CMHSP's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the CMHSP as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the CMHSP's basic financial statements. We issued our report thereon dated March 27, 2023, 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 the Uniform Guidance and is not a required part of the basic financial statements. Such 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. The 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Roslund, Prestage & Company, P.C.

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

April 4, 2023

Northern Lakes Community Mental Health Authority
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2022

Federal Grantor / Pass-Through Grantor / Program Title	Assistance Listing Number	Passed Through	Pass-through / Grantor Number	Current Year Expenditures	Amounts paid to Subrecipients
Federal Communications Commission					
Direct					
COVID-19 Telehealth Program	32.006	N/A	GRA0011585	\$ 404,812	\$ -
Total ALN 32.006				404,812	-
Total Federal Communications Commission				404,812	-
U.S. Department of Health and Human Services					
Medicaid Cluster:					
Medical Assistance Program:					
OBRA	93.778	MDHHS	E20220442-00	589,768	-
NFTI	93.778	MDHHS	E20222602-00	137,490	-
Medical Assistance Program Clinical	93.778	U of M	E20222920-00	42,062	-
Medical Assistance Program Admin	93.778	U of M	E20221732-00	7,333	-
Total Medicaid Cluster (Total ALN 93.778)				776,653	-
Block Grants for Community Mental Health Services:					
Comprehensive Services for Behavioral Health - Consultant	93.958	MDHHS	E20221338-00	44,531	-
Comprehensive Services for Behavioral Health - New Connections	93.958	MDHHS	E20220388-00	4,907	-
Comprehensive Services for Behavioral Health - IHC	93.958	MDHHS	E20220386-00	193,531	-
Mental Health Access & Juvenile Justice Diversion - JJD	93.958	MDHHS	E20221337-00	97,000	-
Comprehensive Services for Behavioral Health - Kandu Island	93.958	MDHHS	E20220387-00	7,463	-
COVID 19 - Mental Health Supplemental Services - Adults SMI - CCBH	93.958	MDHHS	E20220471-00	1,135,038	-
Total ALN 93.958				1,482,470	-
Total U.S. Department of Health and Human Services				2,259,123	-
Total Federal Awards Subject to Single Audit				\$ 2,663,935	\$ -

Northern Lakes Community Mental Health Authority
 Schedule of Findings and Questioned Costs
 Year Ended September 30, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None Reported
- Noncompliance material to financial statements noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major program:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ 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 2 CFR 200.516(a)? _____ Yes X No

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
32.006 93.778	COVID-19 Telehealth Program Medicaid Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

• Auditee qualified as low-risk auditee? _____ Yes X No

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

Northern Lakes Community Mental Health Authority
Schedule of Prior Audit Findings
Year Ended September 30, 2022

None Noted

www.northernlakescmh.org

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105 Hall Street, Suite A
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Crisis
1-833-295-0616
TTY 711

Management Representation Letter

Roslund, Prestage & Company, P.C.
525 W. Warwick Drive, Suite A
Alma, MI 48801

This representation letter is provided in connection with your audit of the financial statements of Northern Lakes Community Mental Health Authority (the CMHSP) which comprise the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the disclosures (collectively, the "financial statements"), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of April 4, 2023, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and questioned costs.
- 8) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 9) Guarantees, whether written or oral, under which the CMHSP is contingently liable, if any, have been properly recorded or disclosed.
- 10) Capital assets have been evaluated for impairment as a result of a significant and unexpected decline in service utility. Impairment loss and insurance recoveries have been properly recorded.

- 11) Regarding the non-attest services performed by you as identified below, we have:
- a) Made all management decisions and performed all management functions.
 - b) Designated an individual with suitable skill, knowledge, or experience to oversee the services.
 - c) Evaluated the adequacy and result of the services performed.
 - d) Accepted responsibility for the results of the services.

Information Provided

- 12) We have provided you with:
- a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the CMHSP from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of those charged with governance or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 13) All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.
- 14) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 15) We have no knowledge of any fraud or suspected fraud that affects the CMHSP and involves—
- Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- 16) We have no knowledge of any allegations of fraud or suspected fraud affecting the CMHSP's financial statements communicated by employees, former employees, regulators, or others.
- 17) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
- 18) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 19) We have disclosed to you the names of the CMHSP's related parties and all the related party relationships and transactions, including any side agreements.

Government-specific

- 20) We have made available to you all financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.
- 21) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 22) We have identified to you any previous audits, attestation engagements, and other studies related to the objectives of the audit and whether related recommendations have been implemented.
- 23) We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
- 24) The CMHSP has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
- 25) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 26) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance (currently none).

- 27) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives (currently none).
- 28) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives (currently none).
- 29) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 30) As part of your audit, you assisted with preparation of the financial statements, related disclosures, maintenance of the depreciation listing, and submission of the audited financial information. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements, related disclosures, maintenance of the depreciation listing, and submission of the audited financial information.
- 31) The CMHSP has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 32) The CMHSP has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 33) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- 34) The financial statements include all component units, appropriately present majority equity interests in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 35) The financial statements include all fiduciary activities required by GASBS No. 84 , as amended.
- 36) The financial statements properly classify all funds and activities in accordance with GAAP.
- 37) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 38) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 39) Investments, derivative instrument transactions, and land and other real estate held by endowments are properly valued.
- 40) Provisions for uncollectible receivables have been properly identified and recorded.
- 41) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 42) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 43) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 44) Deposits and investment securities and derivative instrument transactions are properly classified as to risk and are properly disclosed.
- 45) Capital assets, including intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
- 46) We have appropriately disclosed the CMHSP's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 47) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 48) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 49) With respect to federal award programs:

- a) We are responsible for understanding and complying with, and have complied with, the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), including requirements relating to preparation of the schedule of expenditures of federal awards.
- b) We acknowledge our responsibility for preparing and presenting the schedule of expenditures of federal awards (SEFA) and related disclosures in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.
- c) If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.
- d) We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit, and have included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of federal awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- e) We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.
- f) We are responsible for establishing, designing, implementing, and maintaining, and have established, designed, implemented, and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- g) We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- h) We have received no requests from a federal agency to audit one or more specific programs as a major program.
- i) We have complied with the direct and material compliance requirements, including when applicable, those set forth in the *OMB Compliance Supplement*, relating to federal awards and confirm that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal awards.
- j) We have disclosed any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- k) We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- l) Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR part 200, subpart E).
- m) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- n) We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- o) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- p) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- q) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the period covered by the auditor's report.
- r) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- s) The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.

- t) We have charged costs to federal awards in accordance with applicable cost principles.
 - u) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
 - v) We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
 - w) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
 - x) We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.
- 50) It is understood between the CMHSP and you that your audit of the financial statements was made in accordance with the standards outlined in the engagement letter and, accordingly, included such tests of the accounting records and such other auditing procedures as you considered necessary in the circumstances; that is, by means of testing and sampling of transactions and accounts because complete verification by detailed audit of every transaction was not practicable. We also understand that the testing and sampling procedures followed in your audit would not necessarily disclose errors or irregularities, should any exist.
- 51) We have received the detail capital assets reports.

To the best of our knowledge and belief, no events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustments to, or disclosure in, the aforementioned financial statements or in the schedule of findings and questioned costs.

Signature: *Randy Fischer*

Signature: *Cheri Bujis*

Title: *Chief Financial Officer*

Title: *Finance Manager*

**Northern Lakes Community
Mental Health Authority**
Financial Statements
September 30, 2022



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Independent Auditor's Report

To the Members of the Board
Northern Lakes Community Mental Health Authority
Traverse City, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of Northern Lakes Community Mental Health Authority (the CMHSP), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the CMHSP's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the CMHSP, as of September 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the CMHSP and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in the notes to the financial statements, during 2022 the CMHSP adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CMHSP's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the CMHSP's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2023, on our consideration of the CMHSP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CMHSP's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CMHSP's internal control over financial reporting and compliance.

Sincerely,



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

March 27, 2023

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**



NORTHERN LAKES COMMUNITY MENTAL HEALTH AUTHORITY

Introduction

Management of Northern Lakes Community Mental Health Authority (Northern Lakes CMHA) presents the following overview and analysis of financial activities during the past fiscal year. Northern Lakes CMHA was created as a mental health authority effective October 1, 2003 by the joint actions of the Boards of Commissioners for the following counties in the State of Michigan: Crawford, Grand Traverse, Leelanau, Missaukee, Roscommon and Wexford. Northern Lakes CMHA replaced the former Great Lakes Community Mental Health and North Central Community Mental Health as a merged organization.

Overview of the Financial Statements

This annual report consists of three financial statements with accompanying footnotes. They are the statement of net position, the statement of revenues, expenses and change in net position and the statement of cash flows. The notes to the financial statements provide information about the activities of the Authority.

One of the most important questions asked about Northern Lakes CMHA finances is, “Is the Authority better or worse off as a result of the year’s activities?” The statement of net position, the statement of revenues, expenses and change in net position and the statement of cash flows report information about Northern Lakes CMHA as a whole is a way to help answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the full accrual basis of accounting.

The statement of net position presents the financial position of Northern Lakes CMHA on a full accrual historical cost basis. You can think of Northern Lakes CMHA net position-the difference between assets and deferred outflows of resources (what Northern Lakes CMHA owns) and liabilities (what Northern Lakes CMHA owes) as one way to measure Northern Lakes CMHA financial health, or financial position. Over time, increases or decreases in Northern Lakes CMHA net position are one indicator of whether financial health is improving or deteriorating. You will need to also consider other factors, such as changes in the condition of Northern Lakes CMHA capital assets, to assess overall health.

The statement of revenues, expenses and changes in net position presents the results of Northern Lakes CMHA activities over the course of the year and information as to how the net position changed during the year.

The statement of cash flows presents changes in cash and cash equivalents, resulting from operational, capital and investing activities. This statement presents cash receipts and cash disbursements information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The notes to the financial statements provide required disclosures and other information that are essential to obtain a full understanding of material data provided in the statements. The notes present information about Northern Lakes CMHA accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

NORTHERN LAKES COMMUNITY MENTAL HEALTH AUTHORITY

Government-wide Financial Analysis

Total assets and deferred outflows of resources for Northern Lakes CMHA amounted to \$37,589,880. Total liabilities and deferred inflows of resources amounted to \$19,024,298. The difference between the two is total net position.

	Net Position	
	2022	2021
Assets		
Current and other assets	\$ 30,065,192	\$ 30,040,803
Capital assets, net	6,987,213	6,620,251
Total assets	<u>37,052,405</u>	<u>36,661,054</u>
Deferred outflows of resources	<u>537,475</u>	<u>958,487</u>
Liabilities		
Long-term liabilities	3,321,635	5,401,835
Other liabilities	14,005,787	16,286,138
Total liabilities	<u>17,327,422</u>	<u>21,687,973</u>
Deferred inflows of resources	<u>1,696,876</u>	<u>673,136</u>
Net position		
Investment in capital assets	6,364,796	6,620,251
Unrestricted	12,200,786	8,638,081
Total net position	<u>\$ 18,565,582</u>	<u>\$ 15,258,332</u>
	Change in Net Position	
	2022	2021
Revenues		
Medicaid capitation	\$ 65,941,149	\$ 63,341,501
State and Federal revenue	5,138,150	3,443,359
Local revenue	2,388,563	1,817,200
Contractual agreements	11,057,071	10,715,887
Charges for services	384,130	420,123
Other revenues	-	17,583
Total revenues	<u>84,909,063</u>	<u>79,755,653</u>
Expenses		
Personnel expense	26,271,630	26,119,184
Other operating expense	55,330,183	51,769,374
Total expenses	<u>81,601,813</u>	<u>77,888,558</u>
Change in net position	3,307,250	1,867,095
Net position, beginning of year	<u>15,258,332</u>	<u>13,391,237</u>
Net position, end of year	<u>\$ 18,565,582</u>	<u>\$ 15,258,332</u>

NORTHERN LAKES COMMUNITY MENTAL HEALTH AUTHORITY

Financial Analysis

The average daily cash balance was \$22,518,600 during the fiscal year, which was \$238,828 less than the previous year's average of \$22,757,428. Capitation advances were consistent with the prior years Medicaid funding. NLCMHA was the beneficiary of several significant grants in FY 2022. Most grants operate on a reimbursement basis meaning the effort and expenses are paid and a request for reimbursement is subsequently made. This will negatively impact the daily cash balance but Northern Lakes CMHA has a healthy cash balance and the benefits of grants for services far outways the small impact this has. Cash available averaged 26.5% of the annual spending budget, which is 1.8% less than the previous year.

Spending on qualified Medicaid services increased by \$1,844,505 to \$65,061,449 which represents a 2.92% increase between fiscal year 2021 and fiscal year 2022. The Authority continued to participate in the direct care worker wage premium and provider stability throughout fiscal year 2022. The freeze on Medicaid redeterminations and the requirement for Medicaid recipients to meet deductibles continued to have a positive impact on the availability of Medicaid funding. The Medicaid contract for services to the six counties served by Northern Lakes CMHA is held with the Northern Michigan Regional Entity (NMRE). The NMRE is the prepaid inpatient health plan serving five community mental health boards in the 21 counties of Northern Lower Michigan.

Current assets increased between fiscal years 2021 and 2022 by \$24,389. This is a small change from the prior year with current assets totaling \$30,065,192. Noncurrent assets increased \$366,962, however, GASB 87 was implemented and requires leases to be recorded on the balance sheet and amortized over the life of the lease. The impact of GASB 87 lease recording was a net asset of \$612,006, a net liability of \$622,417, and \$71,671 of amortization expense. GASB 68 defined benefit pension deferred outflows decreased 44% or \$421,012 due to excess investment earnings compared to expected earnings.

Current liabilities decreased by \$2,280,351 between FY 2021 and FY 2022. The decrease is from the payable owed to the Northern Michigan Regional Entity and less days requiring wage accruals. Noncurrent liabilities decreased 38.5% from the decrease in Net Pension Liability. Compensated absences decreased \$32,966 to \$1,386,866.

Revenues increased by 6.5% from State of Michigan block grants and Medicaid sources.

Expenses increased by 4.8% from the previous year as a result of the above mentioned block grants and Medicaid covered services.

Changes in financial position, which help ensure Northern Lakes CMHA's future ability to provide on-going services were:

1. The public health emergency continued to provide individuals a stay on Medicaid redeterminations and requirements to meet a Medicaid deductible. This stay has provided NLCMHA the opportunity to build its net position, net of capital assets to 14% of the final budget of the year. It must be noted, however, the financial recording requirements of GASB 68 Defined Benefit Pension Reporting required a \$1,168,577 credit to be recorded in expenses. This one time measurement of asset valuation can easily sway year over year.

NORTHERN LAKES COMMUNITY MENTAL HEALTH AUTHORITY

2. Northern Lakes CMHA continues to be the recipient of congressional funding, appropriations, and block grants in support of a greater Northern Michigan mental wellness center. The 24 hour crisis welcoming center has opened in the Traverse City CMH building, a contract has been entered into for the FY 2023 opening of a crisis residential unit in Traverse City, and Northern Lakes CMHA is the recipient of a \$3M, 5 year grant to participate and plan for licensing of a crisis stabilization unit. All the pieces are coming together for the Medicaid funded portion of the mental wellness center.
3. Northern Lakes CMHA continues to implement cloud based solutions supporting community based work. In April of 2022 Northern Lakes CMHA retired its human resources software and implemented Paychex. Paychex is a cloud based solution allowing staff to manage employment benefits, submit time, update payroll information, manage recruitment, and much, much more. Full implementation of this resource will take time but is expected in FY 2023.
4. The six Counties that formed Northern Lakes CMHA have united to update the enabling resolution that guides Northern Lakes CMHA and the Counties governance, expectations, and supports that will be provided to insure a positive experience for the people served, staff, and providers. The past year has been challenging without a permanent CEO and the changes in the Board of Directors. Continual changes do not allow folks to gain the experience needed to understand and drive an agency as complicated as Northern Lakes CMHA. Many of the forces that have the ability to impact Northern Lakes CMHA are out of the control of the people served, staff and providers and it is hoped the process currently in play ends positively for everyone involved.

Budgetary Highlights

In August 2022, Northern Lakes CMHA Board of Directors accepted and approved a recommendation to modify its budget of \$83,853,490 to \$84,919,819 for fiscal year 2022. The continuation of the direct care wage premium for behavioral health Medicaid and provider stability influenced capitation increases and usage. Northern Lakes CMHA met its performance indicators allowing a performance based incentive of about \$980,000. Specialized residential living opportunities for individuals continues to be challenging.

Capital Assets and Debt Administration

Capital Assets. As of September 30, 2022, Northern Lakes CMHA had \$6,987,213 invested in a broad range of capital assets including land, buildings and improvements, equipment and furnishings, vehicles, and leases. This amount represents a net increase of \$366,962, however, GASB 87 lease reporting requirements increased capital assets by \$612,006. Additional information on capital assets can be found in notes 4, 8, and 9 to the financial statements.

Long-term Debt. Northern Lakes CMHA long-term debt is limited to compensated absences (earned but not used paid time off), lease liabilities, and a net pension liability. Additional details on compensated absences are provided in note 8, lease liabilities in note 7, and pension liability in note 10.

NORTHERN LAKES COMMUNITY MENTAL HEALTH AUTHORITY

Economic Factors and Next Year's Budget.

Northern Lakes CMHA continued to have the ability to provide services to people in virtual methods that had not been available prior to the covid 19 pandemic. It is expected the public health emergency will expire on May 11th of 2023. The ability to continue to provide services virtually when clinically appropriate or by request of the individual served will be important. First guidance from Centers for Medicaid and Medicare Services does appear to support enhancing virtual opportunities beyond the public health emergency. Consistent treatment and staffing retention will benefit from continued virtual opportunities. In June of 2023 the Michigan Department of Health and Human Services will begin the process of redetermining the eligibility of individuals for Medicaid and Healthy Michigan Plan coverage. In addition, the redetermination process will also determine if a person will have a Medicaid deductible. This process will take 12 months and it is unknown how this will impact the Medicaid funding in the next two years. Closely monitoring individuals Medicaid eligibility is of the utmost importance. Just as important to the success of Northern Lakes CMHA is the process the six Counties that formed Northern Lakes CMHA are currently undergoing in updating the enabling resolution allowing the Authority. A very strong knowledge base of Medicaid rules is needed to insure expectations can be met.

Request for Information

This financial report is designed to provide a general overview of Northern Lakes CMHA finances. Questions concerning any of the information provided in this report or request for additional financial information may be addressed to the Chief Financial Officer at 105 Hall Street, Traverse City, Michigan 49684.

BASIC FINANCIAL STATEMENTS



Northern Lakes Community Mental Health Authority
Statement of Net Position
September 30, 2022

	Enterprise Fund Operating Fund	Internal Service Fund Self-Insurance Fund	Total Proprietary Funds
Current assets			
Cash and cash equivalents	\$ 17,973,658	\$ -	\$ 17,973,658
Investments	5,756,558	35,443	5,792,001
Due from other governmental units	5,544,463	-	5,544,463
Prepaid expenses	292,348	462,722	755,070
Total current assets	<u>29,567,027</u>	<u>498,165</u>	<u>30,065,192</u>
Noncurrent assets			
Capital assets not being depreciated	1,803,040	-	1,803,040
Capital assets being depreciated, net	5,184,173	-	5,184,173
Total noncurrent assets	<u>6,987,213</u>	<u>-</u>	<u>6,987,213</u>
Deferred outflows of resources			
Related to pension	537,475	-	537,475
Current liabilities			
Accounts payable	5,980,461	-	5,980,461
Accrued wages and related liabilities	625,394	-	625,394
Due to other governmental units	6,572,332	-	6,572,332
Self-funded insurance claims payable	-	370,000	370,000
Unearned revenue	136,101	-	136,101
Other current liabilities	52,102	-	52,102
Compensated absences, due within one year	208,030	-	208,030
Lease liability, due within one year	61,367	-	61,367
Total current liabilities	<u>13,635,787</u>	<u>370,000</u>	<u>14,005,787</u>
Noncurrent liabilities			
Compensated absences, due beyond one year	1,178,836	-	1,178,836
Lease liability, due beyond one year	561,050	-	561,050
Net pension liability	1,581,749	-	1,581,749
Total noncurrent liabilities	<u>3,321,635</u>	<u>-</u>	<u>3,321,635</u>
Deferred inflows of resources			
Related to pension	1,696,876	-	1,696,876
Net Position			
Net investment in capital assets	6,364,796	-	6,364,796
Unrestricted	<u>12,072,621</u>	<u>128,165</u>	<u>12,200,786</u>
Total net position	<u>\$ 18,437,417</u>	<u>\$ 128,165</u>	<u>\$ 18,565,582</u>

Northern Lakes Community Mental Health Authority
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended September 30, 2022

	Enterprise Fund	Internal Service Fund		Total Proprietary Funds
	Operating Fund	Self-Insurance Fund	Adjustments	
Operating revenues				
Medicaid capitation	\$ 65,941,149	\$ -	\$ -	\$ 65,941,149
State and federal revenue	5,138,150	-	-	5,138,150
Local revenue	2,388,563	-	-	2,388,563
Contractual agreements	11,057,071	-	-	11,057,071
Charges for services	384,130	4,160,900	(4,160,900)	384,130
Total operating revenues	84,909,063	4,160,900	(4,160,900)	84,909,063
Operating expenses				
Salaries and wages	20,137,480	-	-	20,137,480
Fringe benefits	6,134,150	-	571,826	6,705,976
Direct operations	2,527,573	-	-	2,527,573
Contractual services	10,112,309	-	-	10,112,309
Contract agencies	8,893,101	-	-	8,893,101
Depreciation	788,571	-	-	788,571
Inpatient services	6,543,748	-	-	6,543,748
Local match	342,664	-	-	342,664
Occupied space	1,159,497	-	-	1,159,497
Residential contracts	23,060,784	-	-	23,060,784
Transportation	1,325,172	-	-	1,325,172
Claims expense	-	4,732,726	(4,732,726)	-
Total operating expenditures	81,025,049	4,732,726	(4,160,900)	81,596,875
Operating income (loss)	3,884,014	(571,826)	-	3,312,188
Non-operating revenues (expenses)				
Interest expense	(17,940)	-	-	(17,940)
Gain (loss) on sale of capital assets	13,002	-	-	13,002
Total non-operating income (loss)	(4,938)	-	-	(4,938)
Change in net position	3,879,076	(571,826)	-	3,307,250
Net position, beginning of year	14,558,341	699,991	-	15,258,332
Net position, end of year	\$ 18,437,417	\$ 128,165	\$ -	\$ 18,565,582

Northern Lakes Community Mental Health Authority
Statement of Cash Flows
For the Year Ended September 30, 2022

	Enterprise Fund Operating Fund	Internal Service Fund Self-Insurance Fund	Total Proprietary Funds
Cash flows from operating activities			
Receipts from the State and other governments	\$ 77,183,042	\$ -	\$ 77,183,042
Receipts from customers	384,130	-	384,130
Payments to employees	(27,904,083)	-	(27,904,083)
Payments to providers and suppliers	(53,478,318)	-	(53,478,318)
Receipts from interfund charges	-	4,160,900	4,160,900
Self-insurance claims paid	-	(4,692,255)	(4,692,255)
Net cash provided by (used in) operating activities	<u>(3,815,229)</u>	<u>(531,355)</u>	<u>(4,346,584)</u>
Cash flows from capital and related activities			
Acquisition of capital assets	(1,177,531)	-	(1,177,531)
Proceeds from issuance of lease obligations	683,679	-	683,679
Payment of lease liability	(61,262)	-	(61,262)
Payment of interest expense	(17,940)	-	(17,940)
Proceeds from sale of capital assets	35,000	-	35,000
Net cash provided by (used in) capital and related act.	<u>(538,054)</u>	<u>-</u>	<u>(538,054)</u>
Cash flows from investment activities			
Net proceeds from sale (purchase) of investments	<u>(376,146)</u>	531,355	155,209
Net cash provided by (used in) investment activities	<u>(376,146)</u>	531,355	155,209
Net increase in cash and cash equivalents	(4,729,429)	-	(4,729,429)
Cash and cash equivalents, beginning of year	<u>22,703,087</u>	<u>-</u>	<u>22,703,087</u>
Cash and cash equivalents, end of year	<u><u>\$ 17,973,658</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 17,973,658</u></u>
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 3,884,014	\$ (571,826)	\$ 3,312,188
Depreciation	788,571	-	788,571
Changes in assets and liabilities:			
Due from other governmental units	(4,926,743)	-	(4,926,743)
Prepaid expenses	101,245	(83,529)	17,716
Deferred outflow - related to pension	421,012	-	421,012
Accounts payable	377,850	-	377,850
Accrued wages and related liabilities	(463,876)	-	(463,876)
Due to other governmental units	(2,420,185)	-	(2,420,185)
Self-funded insurance claims payable	-	124,000	124,000
Unearned revenue	5,037	-	5,037
Other current liabilities	7,435	-	7,435
Deferred inflow - related to pension	1,023,740	-	1,023,740
Net pension liability	<u>(2,613,329)</u>	<u>-</u>	<u>(2,613,329)</u>
Net cash provided by (used in) operating activities	<u><u>\$ (3,815,229)</u></u>	<u><u>\$ (531,355)</u></u>	<u><u>\$ (4,346,584)</u></u>

**NOTES TO THE
FINANCIAL STATEMENTS**



NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Northern Lakes Community Mental Health Authority (the CMHSP) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the CMHSP.

Reporting Entity

The CMHSP operates under provisions of the Michigan Mental Health Code for the purpose of providing services relating to the mental health, developmental disabilities, and substance abuse needs of the residents of Crawford, Grand Traverse, Leelanau, Missaukee, Roscommon and Wexford Counties. As the community mental health services provider for the Counties, the CMHSP serves community members by assuring local access, organizing and integrating the provision of services, coordinating care, implementing public policy, ensuring interagency collaboration, and preserving public interest.

Financial Statement Presentation

Under GASB 34, the CMHSP is considered a special purpose government and has elected to present the basic statements as an Enterprise Fund and an Internal Service Fund (types of proprietary funds) which are designed to be self-supporting. Proprietary funds distinguish operating revenues and expenses from nonoperating items. The principal operating revenues of the CMHSP are charges related to serving its customers (including primarily “per member per month” capitation and state and county appropriations). Operating expenses for the CMHSP include cost of services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses including investment income and interest expense.

As a general rule, the effect of interfund activity has been eliminated when presenting total proprietary fund activity.

All amounts shown are in U.S. dollars.

Fund Accounting

The accounts of the CMHSP are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenue, and expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The CMHSP reports the following major enterprise fund:

Operating Fund – This fund is used to account for those activities that are financed and operated in a manner similar to private business relating to revenues earned, costs incurred, and/or net income. This fund of the CMHSP accounts for its general operations.

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

Self-Insurance Fund – This internal service fund is used to report the financing of goods or services provided by the CMHSP to other departments and funds on a cost-reimbursement basis, specifically self-insurance.

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

Basis of Accounting and Measurement Focus

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

Northern Lakes Community Mental Health Authority
Notes to the Financial Statements
September 30, 2022

The proprietary funds are accounted for using the full accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred, regardless of the timing of related cash flows. The proprietary funds are accounted for on a cost of services or economic resources measurement focus. This means that all assets and all liabilities associated with their activity are included on the statement of net position.

Cash and Cash Equivalents

The CMHSP's cash and cash equivalents are considered to be cash on hand, money market funds, demand deposits, and certificates of deposit.

Investments

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

Accounts Receivable/Payable

Accounts receivable/payable in all funds report amounts that have arisen in the ordinary course of business. Accounts receivable are stated net of allowances for uncollectible amounts, if any.

Due from/Due to Other Governmental Units

Due from/due to other governmental units consist primarily of amounts due from/to the regional entity and the State of Michigan.

Inventories

The CMHSP does not recognize supplies inventory as an asset. The cost of these supplies is considered immaterial to the financial statements and the quantities are not prone to wide fluctuation from year to year. The costs of such supplies are expensed when purchased.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as an expense when consumed rather than when purchased.

Capital Assets

Capital assets are tangible and intangible assets, defined by the CMHSP as individual assets with an initial cost equal to or more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible capital assets in the appropriate capital asset class.

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

Land and construction in process, if any, are not depreciated. Right to use assets of the CMHSP are amortized using the straight-line method over the shorter of the lease period or the estimated useful lives. The other capital assets of the CMHSP are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	5 - 40
Equipment, furnishings and software	2 - 10
Vehicles	5
Right to use - building	7-12

The CMHSP reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its fair value. If it is determined that an impairment loss has occurred, the asset is written down to its net realizable value and a related expense is recognized in the current year.

Accrued Wages and Related Liabilities

Accrued wages and related liabilities relate to salaries and wages earned in September but not paid until October.

Unearned Revenue

The CMHSP reports unearned revenue when revenue does not meet either the “measurable” and “available” criteria for recognition in the current period, or when resources are received by the CMHSP before it has a legal claim to them, such as when grant money is received prior to the incurrence of qualifying expenses. In subsequent periods, when both revenue recognition criteria are met, or when the CMHSP has legal claim to the resources, the liability for unearned revenue is removed and the revenue is recognized.

Self-Funded Insurance Claims Payable

The amounts recorded in liabilities include amounts for medical, pharmacy and dental claims liability based on management’s estimate. The CMHSP may not be billed for these until several months after the date of service. The actual cost may vary from the estimated amount for a variety of reasons. The methodology used in estimating reserves considers factors such as historical data adjusted for payment patterns, cost trends, service and benefit mixes, seasonality, utilization of health care services, internal processing changes, the amount of time it took to pay claims from prior periods, changes in the past few months in the claims adjudication procedures, changes in benefits, events that would lead to excessive claims, large increases or decreases in membership, and other relevant factors.

Compensated Absences

The CMHSP’s policy permits employees to accumulate earned but unused paid time off benefits, which are eligible for payment upon separation from the CMHSP’s service. The liability for such leave is reported as incurred in the financial statements. The liability for compensated absences includes salary related benefits, where applicable.

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The CMHSP has one item that qualifies for reporting in this category. This item is the deferred pension related items reported in the statement of net position. The deferred amounts related to pension relate to differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension related changes. These amounts are recognized in the plan year in which they apply.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The CMHSP has one item that qualifies for reporting in this category. This item is future resources yet to be recognized in relation to the pension actuarial calculation. These future resources arise from differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension related changes. These amounts are recognized in the plan year in which they apply.

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

Leases as a Lessee

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

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

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

- The CMHSP uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the CMHSP generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the CMHSP is reasonably certain to exercise.

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

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

Net Position

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

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

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

MDHHS Revenue

General Fund Revenue

The CMHSP provides mental health services on behalf of the Michigan Department of Health and Human Services (MDHHS). Currently, the CMHSP contracts directly with the MDHHS for General Fund revenues to support the services provided for the priority population residing in the Counties. The CMHSP performs an annual cost settlement of General Funds with MDHHS.

Medicaid Revenue

Beginning January 2014, Northern Michigan Regional Entity assumed the regional entity contract with the MDHHS. The CMHSP contracts to receive Medicaid, Healthy Michigan and other revenues through the regional entity. The CMHSP performs an annual cost settlement of capitated funding with the regional entity.

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

Michigan’s statutory authority allows governmental entities to invest in the following investments:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified institution.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers’ acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investments Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

Custodial credit risk

In the case of deposits, this is the risk that, in the event of a bank’s failure, the CMHSP’s deposits may not be returned to it. The CMHSP evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories. The CMHSP bank balance was \$18,402,111 and \$18,152,111 of that amount was exposed to custodial credit risk because it was uninsured by FDIC.

Investments

As of September 30th, the CMHSP had the following investments:

Investment Type	Rating	Amount
U.S. agencies	AA+	492,369
U.S. Treasuries	Not applicable	4,894,039
Bond Mutual Funds	AAA	278,060
Money markets	Not applicable	127,533
Total		5,792,001

Investments

State statutes authorize the CMHSP to invest in obligations and certain repurchase agreements of the United States Treasury and related governmental agencies, commercial paper, banker’s acceptances of the United States banks, obligations of the State of Michigan or any of its political subdivisions, and mutual funds composed entirely of the above investments. See above for a listing of the CMHSP’s investments. The CMHSP’s investment policy complies with the state statutes and has no additional investment policies that would limit its investment choices.

Interest Rate Risk

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

Years	1 - 5	6 - 10	11 - 15	Total
U.S. agencies	492,369	-	-	492,369
Bond Mutual Funds	278,060	-	-	278,060

Custodial Credit Risk

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

Northern Lakes Community Mental Health Authority
Notes to the Financial Statements
September 30, 2022

Credit Risk

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

Concentration of Credit Risk

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

Investment Type	Issuer	% of Portfolio
None	None	None

Fair Value of Investments

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

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

At year-end, the CMHSP had the following recurring fair value measurements.

Description	Value as of Sept 30 th	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Debt Securities				
U.S. agencies	492,369	-	492,369	-
U.S. Treasuries	4,894,039	4,894,039	-	-
Bond Mutual Funds	278,060	-	278,060	-
Total debt securities	5,630,065	4,894,039	770,429	-

NOTE 3 - DUE FROM OTHER GOVERNMENTAL UNITS

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

Description	Amount
State of Michigan	359,681
Northern Michigan Regional Entity	4,974,859
Other governmental units	209,923
Total	5,544,463

Northern Lakes Community Mental Health Authority
Notes to the Financial Statements
September 30, 2022

NOTE 4 - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets not being depreciated					
Land	1,672,625	113,500	-	-	1,786,125
Construction in process	-	16,915	-	-	16,915
Total capital assets not being depreciated	1,672,625	130,415	-	-	1,803,040
Capital assets being depreciated					
Buildings and improvements	13,328,695	174,356	-	-	13,503,051
Equipment, furnishings and software	3,837,923	137,534	-	-	3,975,457
Vehicles	1,055,303	51,549	(38,820)	-	1,068,032
Right to use - Seneca building	-	241,289	-	-	241,289
Right to use - Pearl Street building	-	442,388	-	-	442,388
Total capital assets being depreciated	18,221,921	1,047,116	(38,820)	-	19,230,217
Accumulated depreciation					
Buildings and improvements	(9,008,580)	(490,755)	-	-	(9,499,335)
Equipment, furnishings and software	(3,698,268)	(55,895)	-	-	(3,754,163)
Vehicles	(567,447)	(170,250)	16,822	-	(720,875)
Right to use - Seneca building	-	(35,311)	-	-	(35,311)
Right to use - Pearl Street building	-	(36,360)	-	-	(36,360)
Total accumulated depreciation	(13,274,295)	(788,571)	16,822	-	(14,046,044)
Total capital assets being depreciated, net	4,947,626	258,545	(21,998)	-	5,184,173
Total capital assets, net	6,620,251	388,960	(21,998)	-	6,987,213

NOTE 5 - DUE TO OTHER GOVERNMENTAL UNITS

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

Description	Amount
MESC	7,028
Northern Michigan Regional Entity	4,823,169
State of Michigan	1,742,135
Total	6,572,332

Northern Lakes Community Mental Health Authority
Notes to the Financial Statements
September 30, 2022

NOTE 6 - UNEARNED REVENUE

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

Description	Amount
Consumer funds	(335)
General Fund Carryforward	136,436
Total	136,101

NOTE 7 - LEASE LIABILITY

During the current fiscal year, the CMHSP entered into a 7-year lease agreement as lessee for the use of the Seneca building. An initial lease liability was recorded in the amount of \$241,289 during the current fiscal year. As of year-end, the value of the lease liability was \$208,468. The CMHSP is required to make monthly principal and interest payments of \$3,250. The lease has an interest rate of 3.00%. The value of the right-to-use asset as of the end of the current fiscal year was \$241,289 and had accumulated amortization of \$35,311.

During the current fiscal year, the CMHSP entered into a 12-year lease agreement as lessee for the use of the Pearl Street building. An initial lease liability was recorded in the amount of \$442,388 during the current fiscal year. As of year-end, the value of the lease liability was \$413,950. The CMHSP is required to make monthly principal and interest payments of \$3,350. The lease has an interest rate of 3.00%. The value of the right-to-use asset as of the end of the current fiscal year was \$442,388 and had accumulated amortization of \$36,360.

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

Fiscal Year Ended September 30,	Principal	Interest	Total
2023	61,367	17,833	79,200
2024	65,509	15,941	81,450
2025	67,963	13,937	81,900
2026	70,031	11,869	81,900
2027	72,160	9,740	81,900
2028 - 2032	233,182	24,167	257,349
2033 - 2037	52,205	994	53,199
Total	622,417	94,481	716,898

NOTE 8 - LONG-TERM LIABILITIES

The changes in the long-term liabilities are as follows:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Compensated absences	1,419,832	180,009	(212,975)	1,386,866	208,030
Lease liability	-	683,679	(61,262)	622,417	61,367
Total	1,419,832	863,688	(274,237)	2,009,283	269,397

NOTE 9 - NET INVESTMENT IN CAPITAL ASSETS

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

Net investment in capital assets	Amount
Capital assets not being depreciated	1,803,040
Capital assets being depreciated, net	5,184,173
Capital related long term debt	(622,417)
Net investment in capital assets	6,364,796

NOTE 10 – RETIREMENT PLANS

Defined Contribution Retirement Plan – 401(a)

Plan Description

The CMHSP offers all employees a retirement plan created in accordance with the Internal Revenue Code, Section 401(a). The assets of the plan were held in trust for the exclusive benefit of the participants (employees) and their beneficiaries. MERS of Michigan acts as the custodian for the plan and holds the custodial account for the beneficiaries of this Section 401(a) plan.

The assets may not be diverted to any other use. MERS of Michigan is the agent of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. Plan balances and activities are not reflected in the CMHSP’s financial statements. Plan provisions are established or amended by Board resolution.

Eligibility

Employees who work over 1,000 hours per plan year are eligible to participate in the plan.

Contributions

The plan has three contribution levels: (1) 5% employer and 5% employee; (2) 3% employer and 3% employee; and (3) 1% employer and 0% employee.

Normal Retirement Age & Vesting

Retirement age as defined by the plan is 60 years of age. Employees vest 25% each year for the first four years of service and are 100% vested thereafter.

Forfeitures

Forfeitures are first used to pay administrative expenses and remaining funds are reallocated as an employer contribution.

Funding

For the year ended September 30th, employer contributions (reduced by \$185,178 in forfeitures) amounted to \$965,858. Employee contributions (reduced by \$117,129 in loan payments) amounted to \$887,501. The outstanding liability to the plan at year-end was \$0.

Defined Benefit Pension Plan

Plan Description

The CMHSP’s defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The CMHSP participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

Benefits Provided

The CMHSP’s plans offer the following benefits:

- Frozen Benefit as of 1/1/2016
- Vesting period ranges from 6 years to 8 years.
- Normal retirement age is age 60 with early retirement (unreduced) allowed at age 55 with 25 years of service.

Northern Lakes Community Mental Health Authority
Notes to the Financial Statements
September 30, 2022

- Early retirement (reduced) is allowed at age 50 with 25 years of service or age 55 with 15 years of service.
- Final Average Compensation is calculated based on 5 years.
- Member (employee) contribution rate is 0.0%.

Employees Covered by Benefit Terms

As of the December 31, 2021 valuation date, the following employees were covered by the benefit terms:

Active employees	7
Inactive employees entitled to but not yet receiving benefits	6
Inactive employees or beneficiaries currently receiving benefits	116
Total	129

The CMHSP's defined benefit pension plan is closed to new hired employees. All new eligible employees participate in the defined contribution plan.

Contributions

The CMHSP is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The CMHSP's actuarially determined monthly contribution is \$108,882 for the plan year ending December 31, 2021.

Net Pension Liability

The CMHSP's net pension liability was measured as of December 31, 2021 and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 2.50%
- Salary Increases: 3.00% in the long-term
- Investment rate of return: 7.00%, net of investment and administrative expenses, including inflation
- Actuarial Cost Method: Entry-Age Normal
- Asset Valuation Method: Market Value
- Discount Rate: 7.25%
- Cost of Living Adjustments: 0.00-2.50%

Although no specific price inflation assumptions are needed for the valuation, the long-term wage inflation assumption would be consistent with the price inflation.

Mortality rates used were based on the MP-2019 applied fully generationally from the Pub-2010 base year of 2010.

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study conducted.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Northern Lakes Community Mental Health Authority
Notes to the Financial Statements
September 30, 2022

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Target Allocation Gross Rate of Return	Long-Term Expected Gross Rate of Return	Inflation Assumption	Long-Term Expected Real Rate of Return
Global equity	60.00%	7.00%	4.20%	2.50%	2.70%
Global fixed income	20.00%	4.50%	0.90%	2.50%	0.40%
Private investments	20.00%	9.50%	1.90%	2.50%	1.40%
Total	100.00%		7.00%		4.50%

Discount Rate

The discount rate used to measure the total pension liability was 7.25% for the plan year. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

Calculating the Net Pension Liability			
	Total pension liability (a)	Increase (decrease) plan fiduciary net position (b)	Net pension liability (a) – (b)
Changes in net pension liability			
Balances at beginning of plan year	25,620,335	21,425,257	4,195,078
Changes for the year			
Service cost	282	-	282
Interest on total pension liability	1,858,315	-	1,858,315
Changes in benefits	-	-	-
Difference between expected and actual experience	(911,474)	-	(911,474)
Changes in assumptions	675,105	-	675,105
Employer contributions	-	1,306,584	(1,306,584)
Employee contributions	-	-	-
Net investment income	-	2,962,962	(2,962,962)
Benefit payments, including employee refunds	(2,337,946)	(2,337,946)	-
Administrative expense	-	(33,989)	33,989
Other changes	-	-	-
Net changes	(715,719)	1,897,610	(2,613,329)
Balances as of end of plan year	24,904,616	23,322,867	1,581,749

Northern Lakes Community Mental Health Authority
Notes to the Financial Statements
September 30, 2022

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Net Pension Liability of the CMHSP, calculated using the discount rate of 7.25%, as well as what the CMHSP's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate.

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net pension liability at end of plan year	1,581,749	1,581,749	1,581,749
Change in Net pension liability (NPL)	2,128,383	-	(1,844,332)
Calculated Net pension liability	3,710,132	1,581,749	(262,583)
Note: the current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes it is net of administrative expenses.			

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The CMHSP recognized pension expense of \$(283,005) for the fiscal year. The CMHSP reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
(Excess) deficit investment returns	-	(1,696,876)
Differences in experience	-	-
Differences in assumptions	-	-
Contributions subsequent to plan year end*	537,475	-
Totals	537,475	(1,696,876)

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability in the following fiscal year.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in the pension expense as follows:

Plan year ended	Amount
2022	(218,571)
2023	(707,743)
2024	(480,913)
2025	(289,649)

NOTE 11 - RISK MANAGEMENT

The CMHSP is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters. The CMHSP participated in the public entity risk pool – Michigan Municipal Risk Management Authority (MMRMA) for auto and general liability, property and crime and vehicle physical damage coverage.

MMRMA, a separate legal entity, is a self-insured association organized under the laws of the State of Michigan to provide self-insurance protection against loss and risk management services to various Michigan governmental entities.

As a member of this pool, the CMHSP is responsible for paying all losses, including damages, loss adjustment expenses and defense costs, for each occurrence that falls within the member's self-insured retention. If a covered loss exceeds the CMHSP's limits, all further payments for such loss are the sole obligation of the CMHSP. If for any reason MMRMA's resources available to pay losses are depleted, the payment of all unpaid losses of the CMHSP is the sole obligation of the CMHSP. Settled claims have not exceeded the amount of coverage in any of

the past three years.

The CMHSP's coverage limits are \$15,000,000 for liability, \$1,500,000 for vehicle physical damage, and approximately \$23,580,436 for buildings and personal property.

NOTE 12 – BENEFITS – SELF INSURANCE

The CMHSP provides health insurance to all its eligible employees. The self-funded program is administered by Blue Cross/Blue Shield who provides claims review and process services as well as illustrated premium rates, which are anticipated, over time, to approximate the actual cost of benefits.

Premiums for self-insured programs are paid based on actual or illustrated rates. These premiums are available to pay claims, claim reserves, excess coverage and administrative costs. Excess coverage reinsurance purchased by the CMHSP covers individual claims in excess of \$100,000 annually. The liability at the end of the year is based on claims already incurred and reported as well as an estimate for claims incurred but not reported at September 30th.

The change in the claims liability is as follows:

Fiscal Year	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
2020	152,295	3,895,130	(3,862,424)	185,000
2021	185,000	4,536,310	(4,475,310)	246,000
2022	246,000	4,816,255	(4,692,255)	370,000

NOTE 13 – CONTINGENT LIABILITIES

Under the terms of various federal and state grants and regulatory requirements, the CMHSP is subject to periodic audits of its agreements, as well as a cost settlement process under the full management contract with the regional entity and the State. Such audits could lead to questioned costs and/or requests for reimbursement to the grantor or regulatory agencies. Cost settlement adjustments, if any, as a result of compliance audits are recorded in the year that the settlement is finalized. The amount of expenses which may be disallowed, if any, cannot be determined at this time, although the CMHSP expects such amounts, if any, to be immaterial.

The CMHSP is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the CMHSP's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the CMHSP.

NOTE 14 – ECONOMIC DEPENDENCE

The CMHSP receives over 80% of its revenues from the State of Michigan either directly from MDHHS or indirectly through the CMHSP's regional entity.

NOTE 15 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended September 30, 2022, the CMHSP implemented the following new pronouncement: GASB Statement No. 87, *Leases*.

Summary

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

NOTE 16 - UPCOMING ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 96, *Subscription-based Information Technology Arrangements*, was issued by the GASB in May 2020 and will be effective for the CMHSP's fiscal year ending September 30, 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

GASB Statement No. 101, *Compensated Absences*, was issued by the GASB in June 2022 and will be effective for the CMHSP's fiscal year September 30, 2025. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

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

**REQUIRED SUPPLEMENTAL
INFORMATION**



Northern Lakes Community Mental Health Authority
 Defined Benefit Pension Plan - Required Supplemental Information
 Schedule of Employer Pension Contributions

Fiscal Year Ending	Actuarial Determined Contributions	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered Employee Payroll *	Contributions as a Percentage of Covered Employee Payroll
Sept 30, 2015	\$ 724,554	\$ 724,554	\$ -	\$ 1,618,123	45%
Sept 30, 2016	882,657	882,657	-	491,596	180%
Sept 30, 2017	928,205	928,205	-	-	-
Sept 30, 2018	928,152	928,152	-	-	-
Sept 30, 2019	962,052	962,052	-	-	-
Sept 30, 2020	1,030,050	1,030,050	-	-	-
Sept 30, 2021	1,133,346	1,133,346	-	-	-
Sept 30, 2022	885,572	885,572	-	-	-

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

* Effective January 1, 2016, benefits from this plan for active employees were frozen. Those individuals have retained any earned benefit through January 1, 2016, but are now participating in the CMHSP's defined contribution plan. Accordingly, covered payroll for the fiscal year ended September 30, 2016 only includes pensionable wages for the period from October 1, 2015 through December 31, 2015.

Notes to Schedule of Contributions

Valuation Date	Actuarially determined contribution rates are calculated as of December 31, which is 21 months prior to the beginning of the fiscal year in which contributions are reported.
Actuarial cost method	Entry Age Normal
Amortization method	Level percent of payroll, closed
Amortization period	10 years
Asset valuation method	10 year smoothed
Inflation	2.50%
Salary increases	3.00% in the long-term
Investment rate of return	7.00%, (net of investment and administrative expense)
Retirement age	The Normal Retirement rates were first used for the December 31, 2015 actuarial valuations. The Early Retirement rates were first used for the December 31, 2015 actuarial valuations.
Mortality	Mortality rates used were based on the MP-2019 applied fully generationally from the Pub-2010 base year of 2010.

Northern Lakes Community Mental Health Authority
 Defined Benefit Pension Plan - Required Supplemental Information
 Schedule of Changes in Net Pension Liability and Related Ratios

	Plan Year Ended December 31,				
	2014	2015	2016	2017	2018
Total Pension Liability (TPL)					
Service Cost	\$ 167,075	\$ 145,474	\$ -	\$ -	\$ 591
Interest	1,902,442	1,879,130	1,885,019	1,947,417	1,931,299
Changes of Benefit Terms	-	(1,551,027)	-	-	-
Difference between expected & actual experience	-	(34,017)	882,482	10,189	(67,030)
Changes in assumptions	-	1,426,087	-	-	-
Benefit payments including employee refunds	(1,580,499)	(1,678,482)	(1,877,544)	(2,097,511)	(2,221,243)
Other	-	58,723	-	-	-
Net Change in Total Pension Liability	489,018	245,888	889,957	(139,905)	(356,383)
Total Pension Liability beginning	23,766,611	24,255,629	24,501,517	25,391,474	25,251,569
Total Pension Liability ending	24,255,629	24,501,517	25,391,474	25,251,569	24,895,186
Plan Fiduciary Net Position					
Contributions - employer	658,299	746,568	928,457	928,020	928,020
Net investment income	1,236,695	(293,520)	2,103,764	2,576,693	(794,485)
Benefit payments including employee refunds	(1,580,499)	(1,678,482)	(1,877,544)	(2,097,511)	(2,221,243)
Administrative expense	(45,266)	(43,310)	(41,553)	(40,897)	(40,370)
Other	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	269,229	(1,268,744)	1,113,124	1,366,305	(2,128,078)
Plan Fiduciary Net Position beginning	19,829,068	20,098,297	18,829,553	19,942,677	21,308,982
Plan Fiduciary Net Position ending	20,098,297	18,829,553	19,942,677	21,308,982	19,180,904
Employer Net Pension Liability (NPL)	\$ 4,157,332	\$ 5,671,964	\$ 5,448,797	\$ 3,942,588	\$ 5,714,282
Plan Fiduciary Net Position as a percentage of the TPL	82.9%	76.9%	78.5%	84.4%	77.0%
Covered Employee Payroll (from GASB 68 actuarial page)	\$ 1,595,639	\$ 1,399,881	\$ 991,949	\$ 778,558	\$ 678,746
Employer's NPL as a percentage of covered payroll	261%	405%	549%	506%	842%

Notes to Schedule

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Northern Lakes Community Mental Health Authority
 Defined Benefit Pension Plan - Required Supplemental Information
 Schedule of Changes in Net Pension Liability and Related Ratios

	Plan Year Ended December 31,		
	2019	2020	2021
Total Pension Liability (TPL)			
Service Cost	\$ 497	\$ 359	\$ 282
Interest	1,898,832	1,814,877	1,858,315
Changes of Benefit Terms	-	-	-
Difference between expected & actual experience	(153,673)	146,528	(911,474)
Changes in assumptions	743,792	963,593	675,105
Benefit payments including employee refunds	(2,320,044)	(2,369,613)	(2,337,946)
Other	1	-	(1)
Net Change in Total Pension Liability	169,405	555,744	(715,719)
Total Pension Liability beginning	24,895,186	25,064,591	25,620,335
Total Pension Liability ending	25,064,591	25,620,335	24,904,616
Plan Fiduciary Net Position			
Contributions - employer	979,068	1,049,160	1,306,584
Net investment income	2,539,278	2,450,120	2,962,962
Benefit payments including employee refunds	(2,320,044)	(2,369,613)	(2,337,946)
Administrative expense	(43,712)	(39,905)	(33,989)
Other	1	-	(1)
Net Change in Plan Fiduciary Net Position	1,154,591	1,089,762	1,897,610
Plan Fiduciary Net Position beginning	19,180,904	20,335,495	21,425,257
Plan Fiduciary Net Position ending	20,335,495	21,425,257	23,322,867
Employer Net Pension Liability (NPL)	\$ 4,729,096	\$ 4,195,078	\$ 1,581,749
Plan Fiduciary Net Position as a percentage of the TPL	81.1%	83.6%	93.6%
Covered Employee Payroll (from GASB 68 actuarial page)	\$ 551,795	\$ 490,135	\$ 387,727
Employer's NPL as a percentage of covered payroll	857%	856%	408%

Notes to Schedule

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.



**Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

To the Members of the Board
Northern Lakes Community Mental Health Authority
Traverse City, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of Northern Lakes Community Mental Health Authority (the CMHSP), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the CMHSP’s basic financial statements, and have issued our report thereon dated March 27, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the CMHSP’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CMHSP’s internal control. Accordingly, we do not express an opinion on the effectiveness of the CMHSP’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. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Sincerely,

Roslund, Prestage & Company, P.C.

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

March 27, 2023



Communication with Those Charged with Governance at the Conclusion of the Audit

To the Members of the Board
Northern Lakes Community Mental Health Authority
Traverse City, Michigan

We have audited the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of Northern Lakes Community Mental Health Authority (the CMHSP), for the year ended September 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you during planning. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the CMHSP are described in the notes to the financial statements. The CMHSP changed accounting policies related to leases by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 87 Leases. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Note 15 - Change In Accounting Principle. We noted no transactions entered into by the CMHSP during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the CMHSP's financial statements were:

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

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

Management's estimated lives of capital assets are based on the expected life of the asset. We evaluated the key factors and assumptions used to develop the estimated lives of capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimated incremental borrowing rate used to discount future lease payments under GASB 87 is based on the entity's current borrowing rate. We evaluated the key factors and assumptions used to develop the estimated intrinsic borrowing rate in determining that it is reasonable in relation to the financial statements taken as a whole.

The assumptions used in the actuarial valuations of the pension plans are based on historical trends and industry standards. We evaluated the key factors and assumptions used to develop the information used in the financial statements in determining that they are reasonable in relation to the financial statements taken as a whole.

Management 's estimated IBNR liability is based on historical data adjusted for payment patterns, cost trends, service and benefit mixes, seasonality, utilization of health care services, internal processing changes, the amount of time it took to pay claims from prior periods, changes in the past few months in the claims adjudication procedures, changes in benefits, events that would lead to excessive claims, large increases or decreases in membership, and other relevant factors.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the CMHSP's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the CMHSP's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis and the additional required supplemental information shown in the table of contents, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

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

Sincerely,

Roslund, Prestage & Company, P.C.

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



**Northern Lakes Community Mental Health Authority
Financial Statements
September 30, 2022**

Report on Compliance

Northern Lakes Community Mental Health Authority

September 30, 2022



Northern Lakes Community Mental Health Authority
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September 30, 2022

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INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE

To the Members of the Board
Northern Lakes Community Mental Health Authority
Traverse City, Michigan

Report On Compliance

We have examined Northern Lakes Community Mental Health Authority's (the CMHSP) compliance with the compliance requirements described in the *Compliance Examination Guidelines* issued by Michigan Department of Health and Human Services that are applicable to the Medicaid Contract and General Fund (GF) Contract for the year ended September 30, 2022.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the Medicaid Contract and GF Contract.

Independent Accountants' Responsibility

Our responsibility is to express an opinion on the CMHSP's compliance with the Medicaid Contract and GF Contract based on our examination of the compliance requirements referred to above.

Our examination of compliance was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the CMHSP complied, in all material respects, with the compliance requirements referred to above.

An examination involves performing procedures to obtain evidence about the CMHSP's compliance with the specified compliance requirements referred to above. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risk of material noncompliance, whether due to fraud or error. The nature, timing and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement of the compliance requirements described in the *Compliance Examination Guidelines* issued by the Michigan Department of Health and Human Services.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. However, our examination does not provide a legal determination of the CMHSP's compliance.

Opinion on Each Program

In our opinion, the CMHSP complied, in all material respects, with the specified compliance requirements referred to above that are applicable to the Medicaid Contract and GF Contract for the year ended September 30, 2022.

Other Matters

The results of our examination procedures disclosed instances of noncompliance, which are required to be reported in accordance with Compliance Examination Guidelines, and which are described in the accompanying Comments and Recommendations as items 2022-01. Our opinion is not modified with respect to these matters.

The CMHSP's responses to the noncompliance findings identified in our examination are described in the accompanying Comments and Recommendations. The CMHSP's responses were not subjected to the examination procedures applied in the examination of compliance and, accordingly, we express no opinion on the responses.

Purpose of this Report

This report is intended solely for the information and use of the board and management of the CMHSP and the Michigan Department of Health and Human Services, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,



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

April 12, 2023

Northern Lakes Community Mental Health Authority
Schedule of Findings
September 30, 2022

Control deficiencies that are individually or cumulatively material weaknesses in internal control over the Medicaid Contract and General Fund Contract:

None

Material noncompliance with the provisions of laws, regulations, or contracts related to the Medicaid Contract and, General Fund Contract:

None

Known fraud affecting the Medicaid Contract and General Fund Contract:

None

MDHHS/CMHSP MANAGED MENTAL HEALTH SUPPORTS AND SERVICES CONTRACT (GF) FINANCIAL STATUS REPORT - ALL NON MEDICAID							
CMHSP:	NORTHERN LAKES COMMUNITY MENTAL HEALTH AUTHORITY		FISCAL YEAR:	FY 21 / 22			
	SUBMISSION TYPE:	YE Final	YEAR TO DATE REPORTING	Column A	Column B		
	SUBMISSION DATE:	2/28/2023					
A	MEDICAID SERVICES - Summary From FSR - Medicaid (incl Direct Care Wage)						
AC	CCBHC SERVICES - Summary From FSR - Certified Community Behavioral Health Clinic						
AE	OPIOID HEALTH HOME SERVICES - Summary From FSR - Opioid Health Home Services						
AG	HEALTH HOME SERVICES - Summary From FSR - Health Home Services						
AI	HEALTHY MICHIGAN SERVICES - Summary From FSR - Healthy Michigan (incl Direct Care Wage)						
AK	MI HEALTH LINK SERVICES - Summary From FSR - MI Health Link						
RES	RESTRICTED FUND BALANCE ACTIVITY						
B	GENERAL FUND						
B 100	REVENUE						
B 101	CMH Operations					2,728,716	2,728,716
B 120	Subtotal - Current Period General Fund Revenue					2,728,716	2,728,716
B 121	1st & 3rd Party Collections (Not in Section 226a Funds) 100% Services						-
B 122	1st & 3rd Party Collections (Not in Section 226a Funds) 90% Services						-
B 123	Prior Year GF Carry Forward					127,597	127,597
B 140	Subtotal - Other General Fund Revenue					127,597	127,597
B 190	TOTAL REVENUE					2,856,313	2,856,313
B 200	EXPENDITURE						
B 201	100% MDHHS Matchable Services / Costs					269,086	269,086
B 202	100% MDHHS Matchable Services Based on CMHSP Local Match Cap					-	-
B 203	90% MDHHS Matchable Services / Costs - REPORTED					1,762,366	
B 204	90% MDHHS Matchable Services / Costs - EXAMINATION ADJUSTMENTS						
B 205	90% MDHHS Matchable Services / Costs - EXAMINED TOTAL					1,762,366	1,586,129
B 290	TOTAL EXPENDITURE					1,855,215	1,855,215
B 295	NET GENERAL FUND SURPLUS (DEFICIT)					1,001,098	1,001,098
B 300	Redirected Funds (To) From						
B 304	(TO) Targeted Case Management - D301					-	-
B 309	(TO) Allowable GF Cost of Injectable Medications - G301					-	-
B 310	(TO) PIHP to Affiliate Medicaid Services Contracts - I304					-	-
B 310.1	(TO) PIHP to Affiliate CCBHC Medicaid Contracts - IA304					-	-
B 310.2	(TO) PIHP to Affiliate Opioid Health Home Services Contracts - IB304					-	-
B 310.3	(TO) PIHP to Affiliate Health Home Services Contracts - IC304					-	-
B 310.4	(TO) PIHP to Affiliate MI Health Link Services Contracts - ID304					-	-
B 310.5	(TO) PIHP to Affiliate CCBHC Non-Medicaid Contracts - L304					-	-
B 312	(TO) CMHSP to CMHSP Earned Contracts - J305 (explain - section Q)					-	-
B 313	FROM CMHSP to CMHSP Earned Contracts - J302						
B 314	FROM Non-MDHHS Earned Contracts - K302						
B 330	Subtotal Redirected Funds rows 301 - 314					-	-
B 331	FROM Local Funds - M302						
B 332	FROM Risk Corridor - N303						
B 390	Total Redirected Funds					-	-
B 400	BALANCE GENERAL FUND (cannot be < 0)					1,001,098	1,001,098
OTHER GF CONTRACTUAL OBLIGATIONS							
C	CCBHC NON-MEDICAID - (PIHP Use Only)						
FEE FOR SERVICE MEDICAID							
D	TARGETED CASE MANAGEMENT - (GHS Only)						
D 190	Revenue						-
D 290	Expenditure						-
D 295	NET TARGETED CASE MANAGEMENT (cannot be > 0)					-	-
D 300	Redirected Funds (To) From						
D 301	FROM General Fund - B304						-
D 302	FROM Local Funds - M304						-
D 303	(TO) CMHSP to CMHSP Earned Contracts - J304.4					-	-
D 304	FROM CMHSP to CMHSP Earned Contracts - J303.4						-
D 390	Total Redirected Funds					-	-
D 400	BALANCE TARGETED CASE MANAGEMENT (GHS Only) (must = 0)					-	-
E	INTENTIONALLY LEFT BLANK						
F	INTENTIONALLY LEFT BLANK						
G	INJECTABLE MEDICATIONS						
G 190	Revenue						-
G 290	Expenditure						-
G 295	NET INJECTABLE MEDICATIONS (cannot be > 0)					-	-
G 300	Redirected Funds (To) From						
G 301	FROM General Fund - B309						-
G 302	FROM Local Funds - M309						-
G 390	Total Redirected Funds					-	-
G 400	BALANCE INJECTABLE MEDICATIONS (must = 0)					-	-

MDHHS/CMHSP MANAGED MENTAL HEALTH SUPPORTS AND SERVICES CONTRACT (GF) FINANCIAL STATUS REPORT - ALL NON MEDICAID					
CMHSP:	NORTHERN LAKES COMMUNITY MENTAL HEALTH AUTHORITY	FISCAL YEAR:	FY 21 / 22		
	SUBMISSION TYPE:	YE Final	YEAR TO DATE REPORTING	EXAMINATION ADJUSTMENTS	EXAMINED TOTALS
	SUBMISSION DATE:	2/28/2023			
		Column A	Column B		

OTHER FUNDING

H	MDHHS EARNED CONTRACTS			
H 100	REVENUE			
H 101	Comprehensive Services for Behavioral Health	2,268,828		
H 102	Housing and Homeless Services	-		
H 103	Juvenile Justice Programs	256,765		
H 104	Suicide Lifeline Programs	-		
H 105	Projects for Assistance in Transition from Homelessness	-		
H 106	Regional Perinatal Collaborative	-		
H 107	Substance Abuse & Mental Health COVID-19 Grant Program	-		
H 108	Substance Use and Gambling Services	-		
H 150	Other MDHHS Earned Contracts (describe):	88,815		
H 151	Other MDHHS Earned Contracts (describe):	-		
H 190	TOTAL REVENUE	2,614,408		
H 200	EXPENDITURE			
H 201	Comprehensive Services for Behavioral Health	2,268,828		
H 202	Housing and Homeless Services	-		
H 203	Juvenile Justice Programs	256,765		
H 204	Suicide Lifeline Programs	-		
H 205	Projects for Assistance in Transition from Homelessness	-		
H 206	Regional Perinatal Collaborative	-		
H 207	Substance Abuse & Mental Health COVID-19 Grant Program	-		
H 208	Substance Use and Gambling Services	-		
H 250	Other MDHHS Earned Contracts (describe):	88,815		
H 251	Other MDHHS Earned Contracts (describe):	-		
H 290	TOTAL EXPENDITURE	2,614,408		
H 400	BALANCE MDHHS EARNED CONTRACTS (must = 0)	-		

I	PIHP to AFFILIATE MEDICAID SERVICES CONTRACTS - CMHSP USE ONLY			
I 100	REVENUE			
I 101	Revenue - from PIHP Medicaid (incl Direct Care Wage)	57,327,749		57,327,749
I 104	Revenue - from PIHP Healthy Michigan Plan (incl Direct Care Wage)	7,711,655		7,711,655
I 122	1st & 3rd Party Collections - Medicare/Medicaid Consumers - Affiliate	478,301		478,301
I 123	1st & 3rd Party Collections - Healthy Michigan Plan Consumers - Affiliate	-		-
I 190	TOTAL REVENUE	65,517,705	-	65,517,705
I 201	Expenditure - Medicaid (incl Direct Care Wage)	57,784,005		
I 202	Expenditure - Healthy Michigan Plan (incl Direct Care Wage)	7,711,655		
I 203	Expenditure - MI Health Link (Medicaid) Services (incl Direct Care Wage)	-		
I 290	TOTAL EXPENDITURE	65,495,660		
I 295	NET PIHP to AFFILIATE MEDICAID SERVICES CONTRACTS SURPLUS (DEFICIT)	22,045		
I 300	Redirected Funds (To) From			
I 301	(TO) CMHSP to CMHSP Earned Contracts - J306	(22,045)	-	(22,045)
I 302	FROM CMHSP to CMHSP Earned Contracts - J303			
I 303	FROM Non-MDHHS Earned Contracts - K303			
I 304	FROM General Fund - B310			
I 306	FROM Local Funds - M309.1			
I 390	Total Redirected Funds	(22,045)	-	(22,045)
I 400	BALANCE PIHP to AFFILIATE MEDICAID SERVICES CONTRACTS (must = 0)	-		

IA	PIHP to AFFILIATE CCBHC SERVICES CONTRACTS - CMHSP USE ONLY			
IA 100	REVENUE			
IA 101	Revenue - Medicaid Base			-
IA 102	Revenue - Medicaid Supplemental			-
IA 103	Revenue - MI Health Link CCBHC Consumers			-
IA 104	1st & 3rd Party Collections - Medicaid			-
IA 121	Revenue - Healthy Michigan Base			-
IA 122	Revenue - Healthy Michigan Supplemental			-
IA 124	1st & 3rd Party Collections - Healthy Michigan			-
IA 190	TOTAL REVENUE	-	-	-
IA 200	EXPENDITURE			
IA 201	Expenditure - Medicaid (Including MI Health Link)			-
IA 202	Expenditure - Healthy Michigan			-
IA 290	TOTAL EXPENDITURE	-	-	-
IA 295	NET PIHP to AFFILIATE CONTRACTS SURPLUS (DEFICIT)	-	-	-
IA 300	Redirected Funds (To) From			
IA 301	(TO) CMHSP to CMHSP Earned Contracts - J306.2	-	-	-
IA 302	FROM CMHSP to CMHSP Earned Contracts - J303.2			
IA 303	FROM Non-MDHHS Earned Contracts - K303.2			
IA 304	FROM General Fund - B310.1			
IA 305	(TO) Local Funds - M316	-	-	-
IA 306	FROM Local Funds - M309.2			
IA 390	Total Redirected Funds	-	-	-
IA 400	BALANCE PIHP to AFFILIATE CCBHC SERVICES CONTRACTS (must = 0)	-	-	-

IB	PIHP to AFFILIATE OPIOID HEALTH HOME SERVICES CONTRACTS - CMHSP USE ONLY			
IB 190	Revenue - Medicaid Opioid Health Home Services - from PIHP			-
IB 290	Expenditure - Medicaid Opioid Health Home Services			-
IB 295	NET PIHP to AFFILIATE OPIOID HEALTH HOME SERVICES CONTRACTS SURPLUS (DEFICIT)	-	-	-
IB 300	Redirected Funds (To) From			
IB 304	FROM General Fund - B310.2			
IB 306	FROM Local Funds - M309.3			
IB 390	Total Redirected Funds	-	-	-
IB 400	BALANCE PIHP to AFFILIATE OPIOID HEALTH HOME SERVICES CONTRACTS (cannot be < 0)	-	-	-

MDHHS/CMHSP MANAGED MENTAL HEALTH SUPPORTS AND SERVICES CONTRACT (GF) FINANCIAL STATUS REPORT - ALL NON MEDICAID					
CMHSP:	NORTHERN LAKES COMMUNITY MENTAL HEALTH AUTHORITY	FISCAL YEAR:	FY 21 / 22		
	SUBMISSION TYPE:	YE Final	YEAR TO DATE REPORTING	EXAMINATION ADJUSTMENTS	EXAMINED TOTALS
	SUBMISSION DATE:	2/28/2023			
		Column A	Column B		

IC	PIHP to AFFILIATE HEALTH HOME SERVICES CONTRACTS - CMHSP USE ONLY			
IC 190	Revenue - Medicaid Health Home Services - from PIHP	484,690	9,446	494,136
IC 290	Expenditure - Medicaid Health Home Services	282,996		282,996
IC 295	NET PIHP to AFFILIATE HEALTH HOME SERVICES CONTRACTS SURPLUS (DEFICIT)	201,694	9,446	211,140
IC 300	Redirected Funds (To) From			
IC 304	FROM General Fund - B310.3			-
IC 306	FROM Local Funds - M309.4			-
IC 390	Total Redirected Funds	-	-	-
IC 400	BALANCE PIHP to AFFILIATE HEALTH HOME SERVICES CONTRACTS (cannot be < 0)	201,694	9,446	211,140

ID	PIHP to AFFILIATE MI HEALTH LINK SERVICES CONTRACTS - CMHSP USE ONLY			
ID 100	REVENUE			
ID 101	Revenue - MI Health Link - from PIHP			-
ID 122	1st & 3rd Party Collections - MI Health Link Consumers - Affiliate			-
ID 190	TOTAL REVENUE	-	-	-
ID 200	EXPENDITURE			
ID 201	Expenditure			-
ID 290	TOTAL EXPENDITURE	-	-	-
ID 295	NET PIHP to AFFILIATE MI HEALTH LINK SERVICES CONTRACTS SURPLUS (DEFICIT)	-	-	-
ID 300	Redirected Funds (To) From			
ID 301	(TO) CMHSP to CMHSP Earned Contracts - J306.3	-	-	-
ID 302	FROM CMHSP to CMHSP Earned Contracts - J303.3			-
ID 303	FROM Non-MDHHS Earned Contracts - K303.3			-
ID 304	FROM General Fund - B310.4			-
ID 306	FROM Local Funds - M309.5			-
ID 390	Total Redirected Funds	-	-	-
ID 400	BALANCE PIHP to AFFILIATE MI HEALTH LINK SERVICES CONTRACTS (must = 0)	-	-	-

J	CMHSP to CMHSP EARNED CONTRACTS			
J 190	Revenue	384,130		384,130
J 290	Expenditure	406,175		406,175
J 295	NET CMHSP to CMHSP EARNED CONTRACTS SURPLUS (DEFICIT)	(22,045)	-	(22,045)
J 300	Redirected Funds (To) From			
J 302	(TO) General Fund - B313	-	-	-
J 303	(TO) PIHP to Affiliate Medicaid Services Contracts - I302	-	-	-
J 303.2	(TO) PIHP to Affiliate CCBHC Medicaid Contracts - IA302	-	-	-
J 303.3	(TO) PIHP to Affiliate MI Health Link Services Contracts - ID302	-	-	-
J 303.4	(TO) Targeted Case Management - D304	-	-	-
J 303.5	(TO) PIHP to Affiliate CCBHC Non-Medicaid Contracts - L302	-	-	-
J 304.4	FROM Targeted Case Management - D303			-
J 305	FROM General Fund - B312			-
J 306	FROM PIHP to Affiliate Medicaid Services Contracts - I301	22,045		22,045
J 306.2	FROM PIHP to Affiliate CCBHC Medicaid Contracts - IA301			-
J 306.3	FROM PIHP to MI Health Link Services Contracts - ID301			-
J 306.4	FROM PIHP to Affiliate CCBHC Non-Medicaid Contracts - L301			-
J 307	FROM Local Funds - M310			-
J 390	Total Redirected Funds	22,045	-	22,045
J 400	BALANCE CMHSP to CMHSP EARNED CONTRACTS (must = 0)	-	-	-

K	NON-MDHHS EARNED CONTRACTS			
K 190	Revenue	536,253		536,253
K 290	Expenditure	536,253		536,253
K 295	NET NON-MDHHS EARNED CONTRACTS SURPLUS (DEFICIT)	-	-	-
K 300	Redirected Funds (To) From			
K 302	(TO) General Fund - B314	-	-	-
K 303	(TO) PIHP to Affiliate Medicaid Services Contracts - I303	-	-	-
K 303.2	(TO) PIHP to Affiliate CCBHC Medicaid Contracts - IA303	-	-	-
K 303.3	(TO) PIHP to Affiliate MI Health Link Services Contracts - ID303	-	-	-
K 303.4	(TO) PIHP to Affiliate CCBHC Non-Medicaid Contracts - L303	-	-	-
K 304	(TO) Local Funds - M315	-	-	-
K 305	FROM Local Funds - M311			-
K 390	Total Redirected Funds	-	-	-
K 400	BALANCE NON-MDHHS EARNED CONTRACTS (must = 0)	-	-	-

L	PIHP to Affiliate CCBHC Non-Medicaid Contracts - CMHSP USE ONLY			
L 100	REVENUE			
L 101	Revenue			-
L 102	1st & 3rd Party Collections (Not in Section 226a Funds)			-
L 190	TOTAL REVENUE	-	-	-
L 200	EXPENDITURE			
L 201	Expenditure			-
L 290	TOTAL EXPENDITURE	-	-	-
L 295	NET SURPLUS (DEFICIT)	-	-	-
L 300	Redirected Funds (To) From			
L 301	(TO) CMHSP to CMHSP Earned Contracts - J306.4	-	-	-
L 302	FROM CMHSP to CMHSP Earned Contracts - J303.5			-
L 303	FROM Non-MDHHS Earned Contracts - K303.4			-
L 304	FROM General Fund - B310.5			-
L 305	(TO) Local Funds - M316.1	-	-	-
L 306	FROM Local Funds - M309.6			-
L 390	Total Redirected Funds	-	-	-
L 400	BALANCE PIHP to Affiliate CCBHC Non-Medicaid Contracts (must = 0)	-	-	-

MDHHS/CMHSP MANAGED MENTAL HEALTH SUPPORTS AND SERVICES CONTRACT (GF) FINANCIAL STATUS REPORT - ALL NON MEDICAID					
CMHSP:	NORTHERN LAKES COMMUNITY MENTAL HEALTH AUTHORITY	FISCAL YEAR:	FY 21 / 22		
	SUBMISSION TYPE:	YE Final	YEAR TO DATE REPORTING	EXAMINATION ADJUSTMENTS	EXAMINED TOTALS
	SUBMISSION DATE:	2/28/2023			
		Column A	Column B		

M	LOCAL FUNDS			
M 100	REVENUE			
M 101	County Appropriation for Mental Health		1,026,740	1,026,740
M 102	County Appropriation for Substance Abuse - Non Public Act 2 Funds			-
M 103	Section 226 (a) Funds		257,021	257,021
M 105	Medicaid Fee for Service Adjuster Payments			-
M 106	Local Grants			-
M 107	Interest			-
M 109	SED Partner			-
M 110	All Other Local Funding		87,397	87,397
M 111	Performance Bonus Incentive Pool (PBIP) Restricted Local Funding		947,544	(9,446) 938,098
M 190	TOTAL REVENUE		2,318,702	(9,446) 2,309,256
M 200	EXPENDITURE			
M 201	GF 10% Local Match		176,237	- 176,237
M 202	Local match cap amount			
	Examination Adjustment Local match cap amount			
	Examined Total Local match cap amount	\$ -		
M 203	GF Local Match Capped per MHC 330.1308		-	-
M 204	Local Cost for State Provided Services		548,123	548,123
M 205	Local Contribution to State Medicaid Match (CMHSP Contribution Only)		342,664	342,664
M 207	Local Match to Grants and MDHHS Earned Contracts			-
M 209	Local Only Expenditures			-
M 290	TOTAL EXPENDITURE		1,067,024	- 1,067,024
M 295	NET LOCAL FUNDS SURPLUS (DEFICIT)		1,251,678	(9,446) 1,242,232
M 300	Redirected Funds (To) From			
M 302	(TO) General Fund - B331		-	-
M 304	(TO) Targeted Case Management - D302		-	-
M 309	(TO) Injectable Medications - G302		-	-
M 309.1	(TO) PIHP to Affiliate Medicaid Services Contracts - I306		-	-
M 309.2	(TO) PIHP to Affiliate CCBHC Medicaid Service Contracts - IA306		-	-
M 309.3	(TO) PIHP to Affiliate Opioid Health Home Services Contracts - IB306		-	-
M 309.4	(TO) PIHP to Affiliate Health Home Services Contracts - IC306		-	-
M 309.5	(TO) PIHP to Affiliate MI Health Link Services Contracts - ID306		-	-
M 309.6	(TO) PIHP to Affiliate CCBHC Non-Medicaid Contracts - L306		-	-
M 310	(TO) CMHSP to CMHSP Earned Contracts - J307		-	-
M 311	(TO) Non-MDHHS Earned Contracts - K305		-	-
M 313	(TO) Activity Not Otherwise Reported - O302		-	-
M 315	FROM Non-MDHHS Earned Contracts - K304			-
M 316	FROM PIHP to Affiliate CCBHC Medicaid Services Contracts - IA305			-
M 316.1	FROM PIHP to Affiliate CCBHC Non-Medicaid Contracts - L305			-
M 390	Total Redirected Funds		-	-
M 400	BALANCE LOCAL FUNDS		1,251,678	(9,446) 1,242,232

N	RISK CORRIDOR			
N 100	REVENUE			
N 101	Stop/Loss Insurance			-
N 190	TOTAL REVENUE		-	-
N 300	Redirected Funds (To) From			
N 303	(TO) General Fund - B332		-	-
N 390	Total Redirected Funds		-	-
N 400	BALANCE RISK CORRIDOR (must = 0)		-	-

O	ACTIVITY NOT OTHERWISE REPORTED			
O 100	REVENUE			
O 101	MI CHOICE Home & Community Based Waiver		11,210,961	11,210,961
O 102	Other Revenue (describe):			-
O 103	Other Revenue (describe):			-
O 190	TOTAL REVENUE		11,210,961	- 11,210,961
O 200	EXPENDITURE			
O 201	MI CHOICE Home & Community Based Waiver		9,953,834	9,953,834
O 202	Other Expenditure (describe):			-
O 203	Other Expenditure (describe):			-
O 290	TOTAL EXPENDITURE		9,953,834	- 9,953,834
O 295	NET ACTIVITY NOT OTHERWISE REPORTED SURPLUS (DEFICIT)		1,257,127	- 1,257,127
O 300	Redirected Funds (To) From			
O 302	FROM Local Funds - M313			-
O 390	Total Redirected Funds		-	-
O 400	BALANCE ACTIVITY NOT OTHERWISE REPORTED		1,257,127	- 1,257,127

P	GRAND TOTALS			
P 190	GRAND TOTAL REVENUE		85,923,162	- 85,923,162
P 290	GRAND TOTAL EXPENDITURE		82,211,565	- 82,211,565
P 390	GRAND TOTAL REDIRECTED FUNDS (must = 0)		-	-
P 400	NET INCREASE (DECREASE)		3,711,597	- 3,711,597

Q	REMARKS
Q	This section has been provided for the CMHSP to provide narrative descriptions as requested in the FSR instructions or where additional narrative would be meaningful to the CMHSP / MDHHS.
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MDHHS/CMHSP MANAGED MENTAL HEALTH SUPPORTS AND SERVICES CONTRACT (GF)										
FINANCIAL STATUS REPORT - ALL NON MEDICAID - SUPPLEMENTAL										
CMHSP:	NORTHERN LAKES COMMUNITY MENTAL HEALTH AUTHORITY				FISCAL YEAR:	21 / 22				
				SUBMISSION TYPE:	YE Final				YEAR TO DATE REPORTING	
				SUBMISSION DATE:	2/28/2023					
H MDHHS EARNED CONTRACTS		Column A	Column B	Column C	Column D					
H	Grant Program Code	Grant Program Title	Project Code	Project Title	REVENUE	EXPENDITURES	CCBHC EXPENDITURES	BALANCE		
H	CBH	Comprehensive Services for Behavioral Health	ABHS	Asian Behavioral Health Services				-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	BC / BWC	Benefits Coaches / Benefits to Work Coaches				-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	BCDP	Branch County Diversion Project				-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	BHC	Behavioral Health Consultant	44,531	44,531		-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	BHH	Behavioral Health Home				-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	BHSNA	Behavioral Health Services for Native Americans				-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	BHSV	Behavioral Health Services for Vietnam Veterans				-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	CLUB	Clubhouse Engagement				-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	CRIM	Criminal Justice				-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	CRMG	Care Management				-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	CSC	Child System of Care				-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	DROP**		7,463	7,463		-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	DROP**		4,907	4,907		-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	DROP**					-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	FIT	Fit Together				-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	HBHS	Hispanic Behavioral Health Services				-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	IECMHC	Infant and Early Childhood Mental Health Consultation				-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	IHC	Integrated Healthcare	193,531	193,531		-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	**CSSE	Intensive Crisis Stabilization Service(s) Expansion				-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	JHCC	Justice Involved Health Coach				-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	MHAJJ	Mental Health Access and Juvenile Justice Diversion	97,000	97,000		-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	MHJSE	Mental Health and Juvenile Justice Screening Expansion				-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	MHJSP	Mental Health Juvenile Justice Screening Project				-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	MHTC	58th District Mental Health Court Expansion				-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	MICHT	Michigan Healthy Transitions				-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	NCC	Enhanced Nutrition Care Coordination and Medical Culinary Ed Prgrms				-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	NTPH	Navigators for Transition from Psychiatric Hospitals				-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	OBRA	Pre-Admission Screening Annual Resident Reviews	786,358	786,358		-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	PACC	Promoting Access and Continuity of Care				-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	PCPCP	Psychiatric Consultation to Primary Care Practices				-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	PDOB	Peer Driven Tobacco Cessation				-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	PHC	Peer(s) as Health Coach(es)				-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	PIPBHC	Promoting Integration of Primary and Behavioral Health Care				-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	PMTO*					-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	RCVC	Recovery Conference				-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	RPTS	Regional PMTO Training Support				-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	RT	Rural Transportation				-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	RTTSE	Infant and Early Childhood Mental Health Consultation				-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	SCCHB	Saginaw Community Care HUB				-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	SCLCA	988 Suicide and Crisis Lifeline SAMHSA Cooperative Agreement				-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	SFEP	First Episode Psychosis				-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	SPTTA	Statewide PMTO Training and TA				-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	TBRS	Technology-Based Recovery Support				-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	TCR	Transportation to Crisis Residential				-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	TCSCCT	Tri-County Strong Crisis Counseling & Training				-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	TFCCT	Trauma Focused CBT Coordination & Training				-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	TFCO	Treatment Foster Care Oregon				-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	TIC / TISC	Trauma Informed Care / System of Care				-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	TPC	Tuscola Peer Center				-	Must = 0	
H	CBH	Comprehensive Services for Behavioral Health	VE*					-	Must = 0	
H	SUBTOTAL Comprehensive Services for Behavioral Health				1,133,790	1,133,790	-	-	Must = 0	
H	CCBH	COVID-19 Comprehensive Services for Behavioral Health	CCR	Children's Crisis Residential				-	Must = 0	
H	CCBH	COVID-19 Comprehensive Services for Behavioral Health	CMHCSS	Children's Mental Health COVID Supplemental Services				-	Must = 0	
H	CCBH	COVID-19 Comprehensive Services for Behavioral Health	EOPSA	Early Onset Psychosis Set-Aside				-	Must = 0	
H	CCBH	COVID-19 Comprehensive Services for Behavioral Health	MHCM*	Mental Health COVID Mitigation and Testing				-	Must = 0	
H	CCBH	COVID-19 Comprehensive Services for Behavioral Health	MHCSS	Mental Health COVID Supplemental Services	1,135,038	1,135,038		-	Must = 0	
H	CCBH	COVID-19 Comprehensive Services for Behavioral Health	NMOS	CCBHC Non-Medicaid Operations Support				-	Must = 0	
H	CCBH	COVID-19 Comprehensive Services for Behavioral Health	WFSS	ACT and Dual ACT/IDDT Financial Incentive				-	Must = 0	
H	SUBTOTAL COVID-19 Comprehensive Services for Behavioral Health				1,135,038	1,135,038	-	-	Must = 0	
H	CSUGS	COVID-19 Substance Use and Gambling Services	ADM	ARPA Administration				-	Must = 0	
H	CSUGS	COVID-19 Substance Use and Gambling Services	PREV	ARPA Prevention				-	Must = 0	
H	CSUGS	COVID-19 Substance Use and Gambling Services	PREVII	Prevention II COVID				-	Must = 0	
H	CSUGS	COVID-19 Substance Use and Gambling Services	SUDADII	Substance Use Disorder Administration COVID				-	Must = 0	
H	CSUGS	COVID-19 Substance Use and Gambling Services	TRMTA	ARPA Treatment and Access				-	Must = 0	
H	CSUGS	COVID-19 Substance Use and Gambling Services	TRMTII	Treatment COVID				-	Must = 0	
H	CSUGS	COVID-19 Substance Use and Gambling Services	WSSII	Women's Specialty Services COVID				-	Must = 0	
H	SUBTOTAL COVID-19 Substance Use and Gambling Services				-	-	-	-	Must = 0	
H	EBSJJ	Evidence Based Services for Youth in the Juvenile Justice System	EBSJJ	Evidence Based Services for Youth in the Juvenile Justice System	256,765	256,765		-	Must = 0	
H	SUBTOTAL Evidence Based Services for Youth in the Juvenile Justice System				256,765	256,765	-	-	Must = 0	
H	HHS	Housing and Homeless Services	PSH	Permanent Supportive Housing Dedicated Plus				-	Must = 0	
H	HHS	Housing and Homeless Services	RRP	Consolidated Rapid Re-Housing				-	Must = 0	
H	HHS	Housing and Homeless Services	SH	Permanent Supportive Housing Statewide Leasing				-	Must = 0	
H	HHS	Housing and Homeless Services	SPC*	Permanent Supportive Housing				-	Must = 0	
H	SUBTOTAL Housing and Homeless Services				-	-	-	-	Must = 0	
H	JURT	Juvenile Urgent Response Teams	JURT	Juvenile Urgent Response Teams				-	Must = 0	
H	SUBTOTAL Juvenile Urgent Response Teams				-	-	-	-	Must = 0	
H	MCSHR	Midland County Supportive Housing Resource	MCSHR	Midland County Supportive Housing Resource				-	Must = 0	
H	SUBTOTAL Midland County Supportive Housing Resource				-	-	-	-	Must = 0	
H	PATH	Projects for Assistance in Transition from Homelessness	PATH	Projects for Assistance in Transition from Homelessness				-	Must = 0	
H	SUBTOTAL Projects for Assistance in Transition from Homelessness				-	-	-	-	Must = 0	
H	RPC	Regional Perinatal Collaborative	RPC	Regional Perinatal Collaborative				-	Must = 0	
H	SUBTOTAL Regional Perinatal Collaborative				-	-	-	-	Must = 0	
H	SAMHC	Substance Abuse & Mental Health COVID-19 Grant Program	SAMHC	Substance Abuse & Mental Health COVID-19 Grant Program				-	Must = 0	
H	SUBTOTAL Substance Abuse & Mental Health COVID-19 Grant Program				-	-	-	-	Must = 0	
H	SLCBG	Suicide Lifeline Capacity Building Grant	SLCBG	Suicide Lifeline Capacity Building Grant				-	Must = 0	
H	SUBTOTAL Suicide Lifeline Capacity Building Grant				-	-	-	-	Must = 0	

MDHHS/CMHSP MANAGED MENTAL HEALTH SUPPORTS AND SERVICES CONTRACT (GF)										
FINANCIAL STATUS REPORT - ALL NON MEDICAID - SUPPLEMENTAL										
CMHSP:	NORTHERN LAKES COMMUNITY MENTAL HEALTH AUTHORITY				FISCAL YEAR:	FY 21 / 22				
					SUBMISSION TYPE:	YE FIn#				YEAR TO DATE REPORTING
					SUBMISSION DATE:	2/28/2023				
H MDHHS EARNED CONTRACTS					Column A	Column B	Column C	Column D		
H	Grant Program Code	Grant Program Title	Project Code	Project Title	REVENUE	EXPENDITURES	CCBHC EXPENDITURES	BALANCE		
H	SUGS	Substance Use and Gambling Services	GRT	Gambling Residential Treatment				-		Must = 0
H	SUGS	Substance Use and Gambling Services	MGDPP	Michigan Gambling Disorder Prevention Project				-		Must = 0
H	SUGS	Substance Use and Gambling Services	MYTIEP	Michigan Youth Treatment Improvement & Enhancement PIHP				-		Must = 0
H	SUGS	Substance Use and Gambling Services	PPWP	Pregnant and Postpartum Women-Pilot				-		Must = 0
H	SUGS	Substance Use and Gambling Services	PREV	Prevention				-		Must = 0
H	SUGS	Substance Use and Gambling Services	SDA	State Disability Assistance				-		Must = 0
H	SUGS	Substance Use and Gambling Services	SORII	State Opioid Response II				-		Must = 0
H	SUGS	Substance Use and Gambling Services	SUDADM	Substance Use Disorder - Administration (ADM)				-		Must = 0
H	SUGS	Substance Use and Gambling Services	SUDTII	Substance Use Disorder Services - Tobacco II				-		Must = 0
H	SUGS	Substance Use and Gambling Services	TRMT	Treatment and Access Management				-		Must = 0
H	SUGS	Substance Use and Gambling Services	WSS	Substance Use Disorder Services - Womens' Specialty Services				-		Must = 0
H	SUBTOTAL Substance Use and Gambling Services				-	-	-	-		Must = 0
H	Other MDHHS Earned Contracts (describe): MATF - Merit Award Trust Fund				88,815	88,815		-		Must = 0
H	Other MDHHS Earned Contracts (describe):							-		Must = 0
H	SUBTOTAL Other MDHHS Earned Contracts				88,815	88,815		-		Must = 0
H	BALANCE MDHHS EARNED CONTRACTS (must = 0)				2,614,408	2,614,408		-		Must = 0
Q	REMARKS									
Q	This section has been provided for the CMHSP to provide narrative descriptions as requested in the FSR instructions or where additional narrative would be meaningful to the CMHSP / MDHHS.									
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**MDHHS/CMHSP MANAGED MENTAL HEALTH SUPPORTS AND SERVICES CONTRACT (GF)
FINANCIAL STATUS REPORT - ALL NON MEDICAID DIRECT CARE WAGE - SUPPLEMENTAL**

CMHSP:	NORTHERN LAKES COMMUNITY MENTAL HEALTH AUTHORITY	FISCAL YEAR:	FY 21 / 22
	SUBMISSION TYPE:	YE Final	YEAR TO DATE REPORTING
	SUBMISSION DATE:	2/28/2023	
		Column A	Column B

			Fiscal period	
I			10/1/21-9/30/22	Total
PIHP to AFFILIATE MEDICAID SERVICES CONTRACTS - CMHSP USE ONLY				
I	201	Expenditure - Medicaid	54,746,908	54,746,908
I	201	Expenditure - Medicaid Direct Care Wage	3,037,097	3,037,097
I	201	SUBTOTAL Medicaid Expenditures (incl Direct Care Wage)	57,784,005	57,784,005
I	202	Expenditure - Healthy Michigan Plan	7,671,733	7,671,733
I	202	Expenditure - Healthy Michigan Plan Direct Care Wage	39,922	39,922
I	202	SUBTOTAL Healthy Michigan Plan Expenditures (incl Direct Care Wage)	7,711,655	7,711,655
I	203	Expenditure - MI Health Link		-
I	203	Expenditure - MI Health Link Direct Care Wage		-
I	203	SUBTOTAL MI Health Link Expenditures (incl Direct Care Wage)	-	-
I	290	TOTAL EXPENDITURE	65,495,660	65,495,660

REMARKS				
	Remarks may be added about any entry or activity on the report for which additional information may be useful.			
	Total Medicaid Direct Care Wage (Medicaid DCW - I. 201 + MI Health Link DCW - I. 203)		3,037,097	

**MDHHS/CMHSP MANAGED MENTAL HEALTH SUPPORTS AND SERVICES CONTRACT (GF)
GENERAL FUND CONTRACT RECONCILIATION AND CASH SETTLEMENT**

CMHSP: NORTHERN LAKES COMMUNITY MENTAL HEALTH AUTHORITY
FISCAL YEAR: FY 21 / 22
SUBMISSION TYPE: YE Final
SUBMISSION DATE: 2/28/2023

1. General Fund Services - Available Resources		Funding Resources
a.	CMH Operations (FSR B 101)	2,728,716
b.	Intentionally left blank	
c.	Intentionally left blank	
d.	Sub-Total General Fund Contract Authorization	\$ 2,728,716
e.	1st & 3rd Party Collections (FSR B 121 + B 122)	-
f.	Prior Year GF Carry-Forward (FSR B 123)	127,597
g.	Intentionally left blank	
h.	Redirected CMHSP to CMHSP Contracts (FSR B 313)	-
i.	Redirected Non-MDHHS Earned Contracts (FSR B 314)	-
j.	Sub-Total Other General Fund Resources	\$ 127,597
k.	Local 10% Associated to 90/10 Services (FSR M 201)	176,237
l.	Local 10% Match Cap Adjustment (FSR M 203)	-
m.	Sub-Total Local 10% Associated to 90/10 Services	\$ 176,237
n.	Total General Fund Services - Resources	\$ 3,032,550

3. Summary of Resources / Expenditures		Amount
a.	Total General Fund Services - Resources	3,032,550
b.	Total General Fund Services - Expenditures	2,031,452
c.	Sub-Total General Fund Services Surplus (Deficit)	\$ 1,001,098
d.	Less: Forced Lapse to MDHHS (GF work sheet 5 d column F)	-
e.	Net General Fund Services Surplus (Deficit)	\$ 1,001,098

4. Disposition:		Amount
a. Surplus		
b.	Transfer to Fund Balance - GF Carry-Forward Earned	(136,436)
c.	Lapse to MDHHS - Contract Settlement	(864,662)
d.	Total Disposition - Surplus	\$ (1,001,098)

e. Deficit		
f.	Redirected from Local (FSR B 331)	-
g.	Redirected from risk corridor (FSR B 332)	-
h.	Total Disposition - Deficit	\$ -

5. Cash Settlement: (Due MDHHS) / Due CMHSP		Amount
a.	Forced Lapse to MDHHS	-
b.	Lapse to MDHHS - Contract Settlement	(864,662)
c.	Return of Prior Year General Fund Carry-Forward	
d.	Intentionally left blank	
e.	Contract Authorization - Late Amendment	-
f.	Intentionally left blank	
g.	Misc: (please explain)	
h.	Total Cash Settlement: (Due MDHHS) / Due CMHSP	\$ (864,662)

2. General Fund Services - Expenditures		90/10 - Local Cap	Expenditures
a.	100% MDHHS Matchable Services (FSR B 201)		269,086
b.	100% MDHHS Matchable Services - CMHSP Local Match Cap (FSR B 202)		-
c.	90/10% MDHHS Matchable Services (FSR B 203 Column A)	1,762,366	
d.	Local 10% Match Cap Adjustment (FSR M 203)	-	1,762,366
e.	Intentionally left blank		
f.	Intentionally left blank		
g.	Sub-Total General Fund Services - Expenditures		\$ 2,031,452
h.	Intentionally left blank		
i.	Intentionally left blank		
j.	Intentionally left blank		
k.	Intentionally left blank		
l.	Intentionally left blank		
m.	Intentionally left blank		
n.	GF Supplement for Unfunded Targeted Case Management (FSR B 304)		-
o.	Intentionally left blank		
p.	Intentionally left blank		
q.	GF Supplement for Injectable Medications (FSR B 309)		-
r.	GF Supplement for PIHP to Affiliate Medicaid Services Contracts (FSR B 310)		-
s.	GF Supplement for PIHP to Affiliate CCBHC Medicaid Contracts (FSR B 310.1)		-
t.	GF Supplement for PIHP to Affiliate Opioid Health Home Services Contracts (FSR B 310.2)		-
u.	GF Supplement for PIHP to Affiliate Health Home Services Contracts (FSR B 310.3)		-
v.	GF Supplement for PIHP to Affiliate MI Health Link Services Contracts (FSR B 310.4)		-
w.	GF Supplement for PIHP to Affiliate CCBHC Non-Medicaid Contracts (FSR B 310.5)		-
x.	GF Supplement for CMHSP to CMHSP Contracts (FSR B 312)		-
y.	Sub-Total General Fund Services Supplement - Expenditures		\$ -
z.	Total General Fund Services - Expenditures		\$ 2,031,452

6. General Fund MDHHS Commitment		
a.	MDHHS / CMHSP Contract Funded Expenditures	1,727,618
b.	Earned General Fund Carry-Forward	136,436
c.	Total MDHHS General Fund Commitment	\$ 1,864,054

7. Report Certification		
	Cash Settlement	Carry Forward
Examined Original	\$ (864,662)	\$ 136,436
Increase (Decrease)	\$ -728,226	\$ 136,436
	\$ (136,436)	\$ -
Comments:		

**MDHHS/CMHSP MANAGED MENTAL HEALTH SUPPORTS AND SERVICES CONTRACT (GF)
GENERAL FUND CONTRACT SETTLEMENT WORKSHEET**

CMHSP: NORTHERN LAKES COMMUNITY MENTAL HEALTH
FISCAL YEAR: FY 21 / 22
SUBMISSION TYPE: YE Final
SUBMISSION DATE: 2/28/2023

1. General Fund (Formula and Categorical Funding)	Contract Authorization	Cash Received			Amount Due CMHSP / (MDHHS) Cash Settlement
		Through 9/30	After 9/30 Prior to Settlement	Total	
a. CMH Operations	2,728,716	2,728,716		2,728,716	-
b. Intentionally left blank				-	-
c. Total Current FY GF Authorization / Cash Received / Cash Settlement	\$ 2,728,716	\$ 2,728,716	\$ -	\$ 2,728,716	\$ -

2. Current Year - General Fund Carry-Forward - Maximum	Contract Authorization	Maximum C/F
a. CMH Operations	2,728,716	
b. Total Current Year Maximum Carry-Forward	\$ 2,728,716	\$ 136,436

3. Prior Year - General Fund Carry-Forward	FY	If balance of Prior Year GF Carry-Forward is not zero, balance must be explained
a. Prior Year GF Carry-Forward Earned	127,597	
b. Prior Year GF Carry-Forward (FSR B 123)	127,597	
c. Balance of Prior Year General Fund Carry-Forward	\$ -	

4. Categorical - Categories	Authorization	Expenditures	Lapse	Cost Above Authorizations
a. Other Funding - Please explain			-	-
b. Other Funding - Please explain			-	-
c. Other Funding - Please explain			-	-
d. Totals	\$ -	\$ -	\$ -	\$ -

5. Narrative: Both CRCS and Contract Settlement Worksheet
 An examination adjustment was made to 1.a Cash Received Through 9/30 to increase the reported amount from \$2,592,280 to \$2,728,716; an increase of \$136,436

SPECIAL FUND ACCOUNT
For Recipient Fees and Third-Party Reimbursement

As Added to Mental Health Code per PA 423, 1980

CMHSP: NORTHERN LAKES COMMUNITY MENTAL HEALTH AUTH
FISCAL YEAR: FY 21 / 22
SUBMISSION TYPE: YE Final
SUBMISSION DATE: 2/28/2023

Part A: Mental Health Code (MHC) 330.1311 - County Funding Level		EXAMINATION ADJUSTMENTS	EXAMINED TOTAL
1. County Funding - 1979/1980	\$ 28,554		\$ 28,554
2. County Funding - Current Fiscal Year	\$ 1,026,740		\$ 1,026,740

Part B: Mental Health Code (MHC) 330.1226a - Cash Collections Year to Date by Service Category and Source						EXAMINATION ADJUSTMENTS	EXAMINED TOTAL
Service Category	(1) Individuals Relatives	(2) Insurers Including Medicare	(3) Medicaid Health Plan Organizations	(4) Total			
1. Inpatient Services				\$ -			\$ -
2. Residential Services	\$ 96,731			\$ 96,731			\$ 96,731
3. Community Living Services				\$ -			\$ -
4. Outpatient Services	\$ 7,230	\$ 153,060		\$ 160,290			\$ 160,290
5. Total	\$ 103,961	\$ 153,060	\$ -	\$ 257,021	\$ -		\$ 257,021

Part C: Mental Health Code (MHC) 330.1226a - Cash Collections Quarterly Summary		EXAMINATION ADJUSTMENTS	EXAMINED TOTALS
1. First Quarter	\$ 57,613		\$ 57,613
2. Second Quarter	\$ 57,217		\$ 57,217
3. Third Quarter	\$ 76,252		\$ 76,252
4. Fourth Quarter	\$ 65,939		\$ 65,939
5. Total	\$ 257,021	\$ -	\$ 257,021

Explanation of Accrual and Examination Adjustments

section 7.2.4 Special Fund Account of the CMHSP contract

Health Home Performance-based Incentive Pool (PBIP) Funds

The CMHSP received \$947,544 of PBIP funds from its PIHP during the fiscal year of which the PIHP designated that \$9,446 were to be for Health Home purposes. The CMHSP reported all of the PBIP funds received from the PIHP on Row M111 Performance Bonus Incentive Pool (PBIP) Restricted Local Funding. This reporting by the CMHSP was inconsistent with PIHP's reporting so the following examination adjustment was made:

- Row IC 190 was increased from \$484,690 to \$494,136; a difference of \$9,446
- Row M 111 was decreased from \$947,544 to \$938,098; a difference of \$(9,446)

GF Contract Settlement Worksheet

The amount reported for "Cash Received Through 9/30" was understated by the current year GF carryforward of \$136,436 which led to the \$136,436 overstatement of "Amount Due CMHSP/(MDHHS) Cash Settlement". The amount reported for "Cash Received Through 9/30" should agree to the amount of GF funding provided by MDHHS as of 9/30 which according to the CMHSP's agreement with MDHHS was \$2,728,716. The following examination adjustment was made:

- Row 1.a Cash Received Through 9/30 was increased from \$2,592,280 to \$2,728,716; a difference of \$136,436

During our compliance audit, we may have become aware of matters that are opportunities for strengthening internal controls, improving compliance and increasing operating efficiency. These comments and recommendations are expected to have an impact greater than \$25,000, but not individually or cumulatively be material weaknesses in internal control over the Medicaid Contract and General Fund Contract. Furthermore, we consider these matters to be immaterial deficiencies, not findings. The following comments and recommendations are in regard to those matters.

2022-01 FSR Examination Adjustments

Criteria or specific requirements:

The CMHSP shall provide the financial reports to MDHHS as listed in Attachment C6.5.1.1 to the General Fund Contract. The financial reports provided should comply with the FSR instructions referenced in Attachment C6.5.1.1.

Condition:

The CMHSP submitted financial reports that were not in compliance with FSR instructions.

Examination adjustments:

Examination adjustments were made to sections of the FSR. See detailed descriptions of these examination adjustments in the Explanation of Examination Adjustments section of this report.

Context and perspective:

Management was aware of the rules regarding reporting of revenues and expenditures on the *Financial Status Report - All Non Medicaid*. This error appears to be isolated as amounts were reported correctly in previous years.

Effect:

See detailed descriptions of these examination adjustments in the Explanation of Examination Adjustments section of this report.

Recommendations:

The CMHSP should review its current policies and procedures regarding the preparation and review of the Financial Status Report to assure that all amounts are reported in compliance with the reporting instructions. Specifically, a review of the final draft should be performed by a knowledgeable person who is independent from the original preparation of the report(s).

Views of responsible officials:

Management is in agreement with our recommendation.

Planned corrective action:

The CMHSP's finance staff will review the financial status reports prepared by another staff member prior to submission.

Responsible party:

Lauri Fischer, Chief Financial Officer

Anticipated completion date:

April 12, 2023



Communication with Those Charged with Governance at the Conclusion of the Audit

To the Members of the Board
Northern Lakes Community Mental Health Authority
Traverse City, Michigan

We have examined Northern Lakes Community Mental Health Authority's (the CMHSP) compliance with the compliance requirements described in the *Compliance Examination Guidelines* issued by Michigan Department of Health and Human Services that are applicable to the Medicaid Contract and General Fund Contract for the year ended September 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you during planning. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Compliance Practices

Management is responsible for the selection and use of appropriate accounting and compliance policies. We noted no compliance matters entered into by the CMHSP during the year for which there is a lack of authoritative guidance or consensus.

Accounting estimates are prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the compliance requirements, particularly those that may have an impact on the Financial Status Report (FSR). The most sensitive estimates relating to the compliance requirements were as follows:

Management uses estimates when preparing the CMHSP's cost allocation workbook. The cost allocation workbook is used to spread shared costs across the programs and funding sources that benefit from these shared costs. Examples of allocation methodologies used to spread shared costs that use estimates may include full-time equivalent (FTE), square footage of space used, percentage of total salaries and wages, etc. These allocation methodologies should follow the guidance provided by MDHHS and 2 CFR 200 Subpart E.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. If any of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, they would be reported on Schedule of Findings as shown above. If any of the misstatements detected as a result of audit procedures were expected to have an impact greater than \$25,000, but not were not material, either individually or in the aggregate, they would be reported on Comments and Recommendations as shown above.

Disagreements with Management

For purposes of this letter, a disagreement with management is an accounting, reporting, compliance, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the CMHSP's compliance with the compliance requirements described in the *Compliance Examination Guidelines*. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves the CMHSP’s compliance with the compliance requirements or a determination of the type of auditor’s opinion that may be expressed, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the CMHSP’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

The CMHSP’s responses to the noncompliance findings identified in our examination are described in the accompanying Comments and Recommendations. The CMHSP’s responses were not subjected to the examination procedures applied in the examination of compliance and, accordingly, we express no opinion on the responses.

Restriction on Use

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

Sincerely,



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

**Northern Lakes Community
Mental Health Authority**

Federal Awards
(Supplementary Information
To Financial Statements)
September 30, 2022



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**Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

To the Members of the Board
Northern Lakes Community Mental Health Authority
Traverse City, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of Northern Lakes Community Mental Health Authority (the CMHSP), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the CMHSP’s basic financial statements, and have issued our report thereon dated March 27, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the CMHSP’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CMHSP’s internal control. Accordingly, we do not express an opinion on the effectiveness of the CMHSP’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. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Sincerely,

Roslund, Prestage & Company, P.C.

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

March 27, 2023



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Members of the Board
Northern Lakes Community Mental Health Authority
Traverse City, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Northern Lakes Community Mental Health Authority's (the CMHSP's) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the CMHSP's major federal programs for the year ended September 30, 2022. The CMHSP's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the CMHSP complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the CMHSP and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the CMHSP's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the CMHSP's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the CMHSP's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the CMHSP's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the CMHSP's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the CMHSP's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the CMHSP's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the CMHSP as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the CMHSP's basic financial statements. We issued our report thereon dated March 27, 2023, 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 the Uniform Guidance and is not a required part of the basic financial statements. Such 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. The 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Roslund, Prestage & Company, P.C.

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

April 4, 2023

Northern Lakes Community Mental Health Authority
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2022

Federal Grantor / Pass-Through Grantor / Program Title	Assistance Listing Number	Passed Through	Pass-through / Grantor Number	Current Year Expenditures	Amounts paid to Subrecipients
Federal Communications Commission					
Direct					
COVID-19 Telehealth Program	32.006	N/A	GRA0011585	\$ 404,812	\$ -
Total ALN 32.006				404,812	-
Total Federal Communications Commission				404,812	-
U.S. Department of Health and Human Services					
Medicaid Cluster:					
Medical Assistance Program:					
OBRA	93.778	MDHHS	E20220442-00	589,768	-
NFTI	93.778	MDHHS	E20222602-00	137,490	-
Medical Assistance Program Clinical	93.778	U of M	E20222920-00	42,062	-
Medical Assistance Program Admin	93.778	U of M	E20221732-00	7,333	-
Total Medicaid Cluster (Total ALN 93.778)				776,653	-
Block Grants for Community Mental Health Services:					
Comprehensive Services for Behavioral Health - Consultant	93.958	MDHHS	E20221338-00	44,531	-
Comprehensive Services for Behavioral Health - New Connections	93.958	MDHHS	E20220388-00	4,907	-
Comprehensive Services for Behavioral Health - IHC	93.958	MDHHS	E20220386-00	193,531	-
Mental Health Access & Juvenile Justice Diversion - JJD	93.958	MDHHS	E20221337-00	97,000	-
Comprehensive Services for Behavioral Health - Kandu Island	93.958	MDHHS	E20220387-00	7,463	-
COVID 19 - Mental Health Supplemental Services - Adults SMI - CCBH	93.958	MDHHS	E20220471-00	1,135,038	-
Total ALN 93.958				1,482,470	-
Total U.S. Department of Health and Human Services				2,259,123	-
Total Federal Awards Subject to Single Audit				\$ 2,663,935	\$ -

The accompanying notes are an integral part of this schedule.

Northern Lakes Community Mental Health Authority
Notes to the Schedule of Expenditures of Federal Awards
Year Ended September 30, 2022

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Northern Lakes Community Mental Health Authority (the CMHSP) under programs of the federal government for the year ended September 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the CMHSP, it is not intended to and does not present its financial position or changes in net position of the CMHSP.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the full accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 – INDIRECT COST RATE

Northern Lakes Community Mental Health Authority has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 – RECONCILIATION WITH AUDITED FINANCIAL STATEMENTS

Revenues related to federal expenditures are reported as follows in the financial statements of Northern Lakes Community Mental Health Authority:

Description	Amount
Federal revenues subject to single audit as seen on SEFA	2,663,935
State revenues and remaining federal revenues not subject to single audit	2,474,215
Total "State and federal revenue" per financial statement audit	5,138,150

Northern Lakes Community Mental Health Authority
 Schedule of Findings and Questioned Costs
 Year Ended September 30, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None Reported
- Noncompliance material to financial statements noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major program:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ 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 2 CFR 200.516(a)? _____ Yes X No

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
32.006 93.778	COVID-19 Telehealth Program Medicaid Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

- Auditee qualified as low-risk auditee? _____ Yes X No

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

Northern Lakes Community Mental Health Authority
Schedule of Prior Audit Findings
Year Ended September 30, 2022

None Noted

What the Community Thinks about behavioral health issues

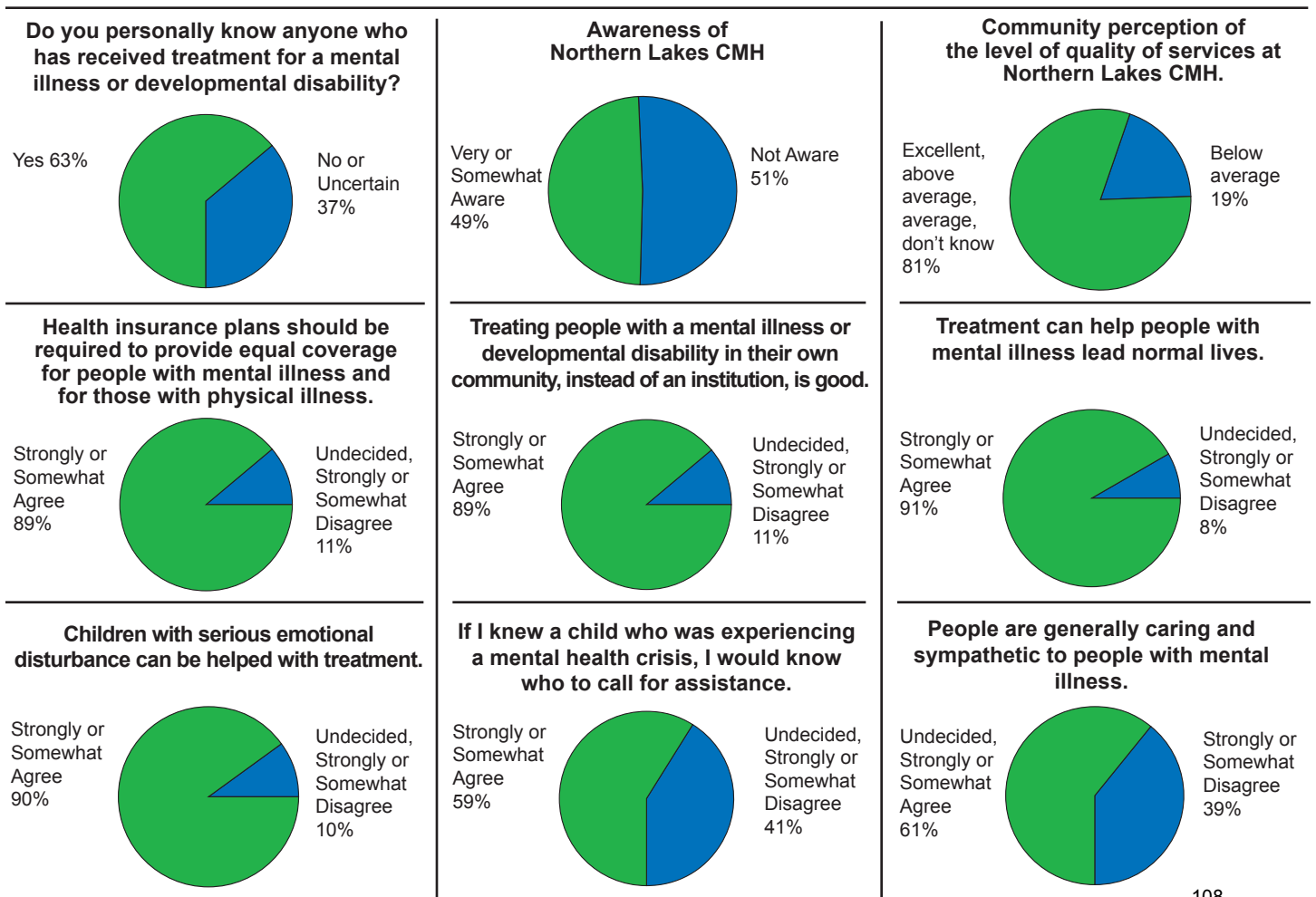
A randomized, statistically reliable survey of adults in Northern Lakes Community Mental Health Authority’s six counties was conducted in February/March 2023 via telephone and text to measure community awareness and attitudes about mental health and disability issues.

Awareness of Northern Lakes increased 6% from 2020 to 2023, with 76% of those aware of Northern Lakes indicating they feel their community would rate the quality of service average or above. Additionally, a greater percent of people indicated they personally know someone who has received treatment for a mental illness or intellectual/developmental disability. In comparison to 2020, 2023 results also demonstrate stronger support for treating people in the community, stronger belief that treatment works (with our community exceeding comparable national data on the belief that treatment works), and greater expectations for what should be available.

A number of outcomes are exactly what one would expect and give credence to the results overall. For example, people who personally know someone who has received treatment for a mental illness or intellectual/developmental disability are more likely to be very aware of Northern Lakes, more likely to strongly agree with knowing who to call if they knew a child experiencing a mental health crisis, and more likely to believe treatment works for adults and children.

Results also vary by age and gender. For example, male respondents and those aged 66 and older are more likely to indicate they do not personally know someone who has received treatment, while females and those aged 36-55 are more likely to indicate they do know someone. Furthermore, males are more likely to indicate they are not at all aware of Northern Lakes while females are more likely to be very aware of Northern Lakes. Females are more likely to strongly agree that health insurance plans should be required to provide equal coverage for physical and mental illness, while males are more likely to somewhat agree, somewhat disagree or indicate undecided. Females are more likely to strongly agree that treatment can help adults and children, while males somewhat agree or indicate undecided. When looking for information about a mental health issue, males are more likely to look first to a friend or relative, the Internet, Munson, or “other,” while females indicate they would look first to a doctor/nurse, Northern Lakes, or Pine Rest. Notably, the percent of those indicating they would look first to the Internet for information on a mental health issue has steadily increased.

2023 respondents are more likely to strongly agree that people are generally caring and sympathetic to people with mental illness, while 2020 respondents were more likely to somewhat disagree.



Northern Lakes Community Mental Health *Board Member Conflict of Interest Declaration*

In accordance with the NLCMH Board Governance Conflict of Interest policy, I hereby certify that a member of my family or I have the following interests, in the following entities or individuals, with which or with whom NLCMH may enter into a relationship or transaction in which I may have a financial or conflicting interest.

Name of Entity/Individual

Address

Description of Interest: _____

Name of Entity/Individual

Address

Description of Interest: _____

I hereby acknowledge receiving a copy of the NLCMH Conflict of Interest policy.

I have disclosed any and all activities and interests that I or members of my immediate family have or have taken part in that, when considered in conjunction with my position with or relation to NLCMH, might possibly constitute a conflict of interest.

I agree to refrain from voting or using my personal influence on any matter that may represent a conflict of interest.

I agree to refrain from accepting gifts, gratuities or entertainment intended to influence my judgment or actions concerning the business of NLCMH.

If any situation should arise in the future which may involve me in a conflict of interest in accordance with the Conflict of Interest policy, I will promptly notify the Board consistent with this policy.

NLCMH Board Member

Date

Northern Lakes Community Mental Health Authority

Board Member Code of Conduct Declaration

This is to confirm my receipt and review of the NLCMHA Board Governance Code of Conduct policy. This policy was written to formally establish the Board's ethics and serves as a foundation of the administrative Code of Conduct. Key aspects of this policy are as follows:

1. The expectation that Board Members have loyalty to the ownership, unconflicted by loyalties to staff, other organizations, and any personal interest as a consumer.
2. The expectation that Board Members practice consistent with the NLCMHA Conflict of Interest policy.
3. The expectation that Board Members not attempt to exercise individual authority over the organization.
4. The expectation that Board Members comply with the confidentiality regulations of the Michigan Mental Health Code and the Administrative Rules.
5. The expectation that Board Members will be properly prepared to complete their Board responsibilities.
6. The expectation that all board members shall review Code of Conduct policy during their initial orientation and shall sign this NLCMHA Code of Conduct Declaration. This shall be repeated no less than annually.

NLCMHA Board Member

Date

6/1/2020

**NORTHERN LAKES CMH
BOARD MEMBERSHIP SURVEY**

SECTION 330.1222 MENTAL HEALTH CODE

(1) The composition of a community mental health services board shall be representative of providers of mental health services, recipients or primary consumers of mental health services, agencies and occupations having a working involvement with mental health services, and the general public. At least 1/3 of the membership shall be primary consumers or family members, and of that 1/3 at least 2 members shall be primary consumers. All board members shall be 18 years of age or older.

Primary consumer, family members and public officials are defined as:

Primary Consumer “means an individual who has received or is receiving services from the Department or a community mental health services program or services from the private sector equivalent to those offered by the Department or a community mental health services program.”

Family Member “means a parent, step-parent, spouse, sibling, child, or grandparent of a primary consumer, or an individual upon whom a primary consumer is dependent for at least 50% of his or her financial support.”

Public Officials “means individuals serving in an elected or appointed public office or employed more than 20 hours per week by an agency of federal, state, city, or local government.”

PLEASE MARK YES OR NO IN EACH AREA.

Based on the definitions above, do you qualify as a:

Agency/Occupation Working with Mental Health Services	Yes _____	No _____
Family Member	Yes _____	No _____
General Public	Yes _____	No _____
Primary Consumer	Yes _____	No _____
Provider of Mental Health Services	Yes _____	No _____
Public Official	Yes _____	No _____

Would you be willing to have this information available for review by the Department of Community Health survey team?

Name or Initials