

Washtenaw County Community Support and Treatment Services Fund

Year Ended
September 30,
2012

Financial
Statements

WASHTENAW COUNTY
COMMUNITY SUPPORT AND TREATMENT SERVICES FUND

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INDEPENDENT AUDITORS' REPORT

March 26, 2013

To the Washtenaw County Board
of Commissioners
Ypsilanti, Michigan**Report on the Financial Statements**

We have audited the accompanying financial statements of the *Washtenaw County Community Support and Treatment Services Fund (CSTS)*, a special revenue fund of Washtenaw County, Michigan, as of and for the year ended September 30, 2012, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Washtenaw County Community Support and Treatment Services Fund, a special revenue fund of Washtenaw County, Michigan as of September 30, 2012, and the respective changes in its financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Reporting Entity

As discussed in Note 1, the financial statements present only the CSTS Fund and do not purport to, and do not, present fairly the financial position of Washtenaw County as of September 30, 2012, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on CSTS's financial statements. The supplemental schedule is presented for purposes of additional analysis and is not a required part of the 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Lehmann Johnson".

FINANCIAL STATEMENTS

WASHTENAW COUNTY
COMMUNITY SUPPORT AND TREATMENT SERVICES FUND

Balance Sheet

September 30, 2012

Assets

Cash and pooled investments	\$ 1,531
Receivables, net	<u>1,392,028</u>

Total assets

\$ 1,393,559

Liabilities

Accounts payable	\$ 137,334
Accrued payroll	429,090
Due to other governments	<u>827,135</u>

Total liabilities

1,393,559

Fund balance

-

Total liabilities and fund balance

\$ 1,393,559

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

**WASHTENAW COUNTY
COMMUNITY SUPPORT AND TREATMENT SERVICES FUND**

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenues				
Intergovernmental -				
Washtenaw Community Health Organization	\$ 26,177,857	\$ 26,177,857	\$ 26,368,628	\$ 190,771
Other revenue and reimbursements	495,510	495,510	110,878	(384,632)
Total revenues	26,673,367	26,673,367	26,479,506	(193,861)
Expenditures				
Health:				
Board administration	2,050,000	2,050,000	1,982,693	(67,307)
Jail/jail diversion services	399,406	399,406	417,993	18,587
Youth and family	2,265,329	2,265,329	2,218,049	(47,280)
Services to the mentally impaired	9,860,000	9,860,000	9,813,393	(46,607)
Services to the developmentally disabled	11,300,000	11,300,000	11,165,481	(134,519)
Integrated health	963,822	963,822	1,047,085	83,263
Total expenditures	26,838,557	26,838,557	26,644,694	(193,863)
Revenue under expenditures	(165,190)	(165,190)	(165,188)	2
Other financing sources (uses)				
Transfers from Washtenaw County	165,190	165,190	165,190	-
Transfers to Washtenaw County	-	-	(343,052)	(343,052)
Total other financing sources (uses)	165,190	165,190	(177,862)	(343,052)
Net change in fund balance	-	-	(343,050)	(343,050)
Fund balance, beginning of year	343,050	343,050	343,050	-
Fund balance, end of year	\$ 343,050	\$ 343,050	\$ -	\$ (343,050)

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

NOTES TO FINANCIAL STATEMENTS

WASHTENAW COUNTY COMMUNITY SUPPORT AND TREATMENT SERVICES FUND

Notes To Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Washtenaw County Community Support and Treatment Services Fund (CSTS or the “Fund”) is used to account for the provision of certain mental health services to citizens of Washtenaw County. From 1965 through 2001, the Fund was administered by the Community Mental Health Board (the “Board”), created by a resolution of the County Board of Commissioners pursuant to Act 54 of the Public Acts of 1963, as amended. In 2001, the County Board of Commissioners assumed the administration of the Fund.

Effective October 1, 2000, the Washtenaw Community Health Organization (WCHO), a separate legal entity formed by Washtenaw County and the University of Michigan pursuant to the Urban Cooperation Act (Public Act 7 of 1967), replaced the Board as the official community mental health service provider for Washtenaw County, as specified in the full management contract with the Michigan Department of Community Health (MDCH). Washtenaw County serves as a primary subcontractor of WCHO, and accounts for its activities relative to its contract with WCHO in the Fund.

Reporting Entity

These financial statements represent the financial condition and the results of operations of a special revenue fund of Washtenaw County, Michigan (the “County”) and are an integral part of that reporting entity. CSTS is not a legal entity and, therefore, is not a component unit of Washtenaw County or any other reporting entity, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*.

Basis of Accounting

The County uses a special revenue fund (i.e., a separate accounting entity with a self-balancing set of accounts, using the modified-accrual basis of accounting) to report the financial position and the results of its community mental health operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions and activities.

Receivables

Receivables consist primarily of fees and other such charges for services to first or third party payors, which are shown net of an allowance for uncollectible accounts, in the amount of \$547,469, based on an estimate of collectability by management.

In addition, because of the close relationship between WCHO and Washtenaw County (through the CSTS Fund), and the numerous transactions between the two entities during the year, certain amounts may be reported as due to/due from WCHO. These amounts are short-term in nature, and are generally paid or received within 30 days.

WASHTENAW COUNTY COMMUNITY SUPPORT AND TREATMENT SERVICES FUND

Notes To Financial Statements

Budgetary Accounting

The CSTS Fund is under formal budgetary control and follows the County's annual budget process in establishing the budgetary data presented in the financial statements. The annual fiscal budget is adopted on a basis consistent with generally accepted accounting principles and the requirements of the MDCH as passed-through by WCHO.

The legal level of budgetary control is at the functional level; budget variances in excess of the amounts appropriated, if any, are presented on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual.

Concentration - The CSTS Fund derives substantially all of its revenue from WCHO and provides services almost exclusively to WCHO clients. Accordingly, discontinuation of WCHO's contract could adversely affect the Fund's operating results.

2. CASH

The CSTS Fund, along with the various other funds and component units of the County, participates in the County's pooled cash management accounts. Information regarding this cash management pool is presented in the County's comprehensive annual financial report.



SUPPLEMENTARY INFORMATION

**WASHTENAW COUNTY
COMMUNITY SUPPORT AND TREATMENT SERVICES FUND**

Schedule of Mental Health Service Program Expenditures

For the Year Ended September 30, 2012

	Board Administration	Jail / Jail Diversion Services	Youth and Family	Services to the Mentally Impaired
Expenditures				
Personnel	\$ 897,775	\$ 377,843	\$ 1,990,633	\$ 8,204,118
Client expenses	-	1,964	35,000	206,917
Contracts	31,252	-	-	26,629
Cost allocation	532,373	26,618	159,712	771,941
Operations	521,293	11,568	32,704	603,788
Total expenditures	<u>\$ 1,982,693</u>	<u>\$ 417,993</u>	<u>\$ 2,218,049</u>	<u>\$ 9,813,393</u>



Services to the Developmentally Disabled	Integrated Health	Total
\$ 9,056,689	\$ 810,948	\$ 21,338,006
510,714	-	754,595
39,897	-	97,778
958,271	212,950	2,661,865
599,910	23,187	1,792,450
<u>\$ 11,165,481</u>	<u>\$ 1,047,085</u>	<u>\$ 26,644,694</u>