

**COPPER COUNTRY COMMUNITY MENTAL
HEALTH SERVICES BOARD**

**FINANCIAL STATEMENTS AS OF
September 30, 2012**

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INDEPENDENT AUDITOR'S REPORT

Members of the Board
Copper Country Community Mental Health
Services Board
Houghton, Michigan 49931

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Copper Country Community Mental Health Services Board as of and for the year ended September 30, 2012, which collectively comprise the Board's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Copper Country Community Mental Health Services Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Copper Country Community Mental Health Services Board, as of September 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2013, on our consideration of the Copper Country Community Mental Health Services Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Members of the Board
Copper Country Community Mental Health
Services Board
Houghton, Michigan 49931

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Copper Country Community Mental Health Services Board's financial statements as a whole. The combining and individual fund financial statements for the internal service funds, as listed in the table of contents, are presented for purpose of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements have are the responsibility of management and were derived from and relate 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.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

March 17, 2013

Copper Country Community Mental Health Services Board

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of Copper Country Community Mental Health Services Board (the Board's) financial performance provides an overview of the Board's financial activities for the year ended September 30, 2012. Please read it in conjunction with the financial statements, as listed in the table of contents.

FINANCIAL HIGHLIGHTS

- Net assets for the Board as a whole were reported at \$6,643,046 at September 30, 2012 and \$6,886,273 at September 30, 2011. Net assets are comprised of 100% governmental activities.
- During the year, the Board's expenses were \$16,971,049 while revenues from all sources totaled \$16,727,822, resulting in a decrease in net assets of \$243,227.
- The general fund reported a decrease in fund balance of \$248,506. Net revenues of \$16,384,829 were \$176,837 below the budgeted amount of \$16,561,666 and expenditures of \$16,633,335 were \$152,198 below the budgeted amount of \$16,785,533.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (as listed in the table of contents) provide information about the activities of the Board as a whole and present a longer-term view of the Board's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the Board's operations in more detail than the government-wide statements by providing information of the Board's most significant funds.

Reporting Copper Country Community Mental Health Services Board as a Whole

Our analysis of Copper Country Community Mental Health Services Board as a whole begins on page 8. One of the most important questions asked about the Board's finances is "is the Board as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Board as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Board's *net assets* and changes in them. You can think of the Board's net assets – the difference between assets and liabilities - as one way to measure the Board's financial health, or *financial position*. Over time, *increases or decreases* in the Board's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Board's client base and the condition of the Board's capital assets, to assess the *overall financial health* of the Board.

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

In the Statement of Net Assets and the Statement of Activities, we divide the Board into two kinds of activities:

- Government activities – All the Board's basic services are reported here including client services and general administration. Medicaid and Department of Community Health revenues and other state and federal grants fund most of these activities.
- Business-type activities – The Board currently does not engage in any business-type activities defined as activities financed by fees charged to external parties who use certain goods or services.

Reporting Copper Country Community Mental Health Services Board's Most Significant Funds

Our analysis of Copper Country Community Mental Health Services Board's major funds begins on page 9. The fund financial statements begin on page 13 and provide detailed information on the most significant funds – not the Board as a whole. Some funds are required to be established by State law, and by bond covenants. However, the Board has established other funds to help it control and manage money for particular purposes. The Board's two kinds of funds - *governmental* and *proprietary* – use different accounting methods.

- *Governmental funds* – Most of the Board's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term view* of the Board's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Board's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.
- *Proprietary funds* – When the Board charges customers for the services it provides – whether to outside customers or to other units of the Board – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. We use internal service funds (the only component of the Board's proprietary funds) to report activities that provide supplies and services for the Board's other programs and activities – such as Copper Country Community Mental Health Services Board's Employee Benefit Fund, Equipment Fund, and Building and Grounds Fund.

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Copper Country Community Mental Health Services Board as a Whole

Table 1 provides a summary of the Board's net assets at September 30, 2012 and 2011:

**Table 1
Net Assets**

	Governmental Activities – 2012	Governmental Activities – 2011
Current and restricted assets	\$8,510,461	\$8,303,755
Capital assets, net	1,380,401	1,767,869
Total Assets	9,890,862	10,071,624
Current liabilities	2,967,018	2,854,974
Noncurrent liabilities	280,798	330,377
Total Liabilities	3,247,816	3,185,351
Net Assets:		
Invested in capital assets, net of related debt	1,045,794	1,385,789
Restricted	33,713	32,787
Unrestricted	5,563,539	5,467,697
Total Net Assets	\$6,643,046	\$6,886,273

Net assets of the Board's governmental activities stood at \$6,643,046. Unrestricted net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$5,563,539.

The results of this year's operations for the Board as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal years 2012 and 2011.

**Table 2
Changes in Net Assets**

	Governmental Activities – 2012	Governmental Activities – 2011
Revenues		
Program Revenues:		
Charges for services	\$1,322,393	\$1,240,405
Operating grants and contributions	13,365,396	14,424,195
General Revenues:		
State sources not restricted to specific program	1,965,757	2,383,863
Investment earnings	46,068	56,031
Miscellaneous	28,208	36,636
Total Revenues	16,727,822	18,141,130
Program Expenses:		
General government	16,971,049	18,107,804
Total Expenses	16,971,049	18,107,804
Increase (decrease) in net assets	(243,227)	33,326
Net assets, beginning	6,886,273	6,852,947
Net Assets, Ending	\$6,643,046	\$6,886,273

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The Board's program revenues were \$14,687,789. The total cost of all programs and services was \$16,971,049, leaving an excess expense of \$2,283,260 to be funded with general revenues. The decrease in net assets for the year was \$243,227, representing the excess of general revenues over the net cost of programs and services. The Board's Medicaid and Michigan Department of Community Mental Health funding was not sufficient to cover the cost to deliver services.

Table 3 presents the cost of each of the Board's activities – General Government and Depreciation – as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the Board's operation.

**Table 3
Governmental Activities**

	Total Cost of Services	Net Cost of Services
General Government	\$16,971,049	\$(2,283,260)
Totals	\$16,971,049	\$(2,283,260)

COPPER COUNTRY COMMUNITY MENTAL HEALTH SERVICES BOARD'S FUNDS

As Copper Country Community Mental Health Services Board completed the year, its governmental funds (as presented in the balance sheet on page 13) reported a combined fund balance of \$5,720,386, a decrease of \$246,133 from the beginning of the year.

General Fund Budgetary Highlights

During the year, the Board revised the budget. The primary purpose of the revision was to reallocate budgeted expenditures among specific program areas to more adequately fund the array of services based upon the demands and needs of the Board's consumers.

With these adjustments, actual charges to expenditures were \$152,198 lower than the final amended budget. Also, net revenues were \$176,837 lower than the final budget projection.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2012, the Board had \$1,380,401 invested in a variety of capital assets including buildings, vehicles and other equipment. (See table 4 below)

**Table 4
Capital Assets at Year-End**

	Governmental Activities – 2012	Governmental Activities – 2011
Land and construction in progress	\$370,945	\$374,756
Land improvements	75,984	75,984
Buildings and improvements	4,893,577	4,869,159
Vehicles	816,037	816,037
Furniture and fixtures	133,323	133,323
Accumulated depreciation	(4,909,465)	(4,501,390)
Total Net Assets	\$1,380,401	\$1,767,869

See Note F – Capital Assets for further details on capital assets.

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Debt

At year-end, the Board had \$382,080 in notes outstanding as depicted in Table 5 below.

**Table 5
Outstanding Debt at Year-End**

	<u>Governmental Activities – 2012</u>	<u>Governmental Activities – 2011</u>
Mortgage agreements	<u>\$334,607</u>	<u>\$382,080</u>

There were no new additions to debt for this year.

See Note J – Commitments for further details on long-term debt.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS

Copper Country Community Mental Health Services Board considers many factors when preparing their financial plan and setting the fiscal year 2013 budget. The Board is dependent upon federal and state governments, primarily through the Medicaid program and direct appropriations for a majority of its annual funding. This funding has been significantly constrained and influenced by economic conditions that have precipitated declining revenues at the state level. The decline to State General Funding and the continued demand for services for the under and uninsured places some overall financial risk on the Board.

Uncertainty at the state level regarding Medicaid expansion, the Affordable Care Act and the Autism Benefit, in addition to changes for those who are dually eligible (Medicare & Medicaid), remain concerns for next year’s budget.

During the third quarter of fiscal year 2012, reductions in staffing and other cost reductions were implemented to address the funding shortfalls. The full impact of these changes will be realized in 2013. The Board still maintains a strong position of net assets that will help ensure a continuity of services and provide a critical layer of financial security.

**CONTACTING COPPER COUNTRY COMMUNITY MENTAL HEALTH SERVICES
BOARD’S FINANCIAL MANAGEMENT**

This financial report is designed to provide our clients, customers, and investors and creditors with a general overview of Copper Country Community Mental Health Services Board’s finances and to show the Board’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board’s Executive Director at Copper Country Community Mental Health Services Board, 901 West Memorial Drive, Houghton, MI 49931.

Copper Country Community Mental Health Services Board

STATEMENT OF NET ASSETS

September 30, 2012

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 5,825,204
Receivables, net:	
Client fees	46,108
Other	313,475
Due from Northcare	1,750,081
Due from Other Local Units	24,117
Inventory	11,532
Prepaid expenses and other assets	50,647
Total current assets	<u>8,021,164</u>
Internally committed assets	<u>489,297</u>
Noncurrent assets:	
Capital assets:	
Land and other non-depreciated assets	370,945
Other capital assets - net of depreciation	1,009,456
Total noncurrent assets	<u>1,380,401</u>
TOTAL ASSETS	<u>9,890,862</u>
LIABILITIES	
Current liabilities:	
Accounts payable	411,496
Due to State of Michigan	137,427
Accrued payroll and related	596,752
Accrued vacation, vested sick leave, and OPEB	1,147,272
Claims payable	504,731
Deferred revenue	115,531
Current maturities on debt	53,809
Total current liabilities	<u>2,967,018</u>
Noncurrent liabilities:	
Notes payable	280,798
Total noncurrent liabilities	<u>280,798</u>
TOTAL LIABILITIES	<u>3,247,816</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,045,794
Restricted	33,713
Unrestricted	5,563,539
TOTAL NET ASSETS	<u>\$ 6,643,046</u>

The accompanying notes to financial statements are an integral part of this statement.

Copper Country Community Mental Health Services Board

STATEMENT OF ACTIVITIES

For the year ended September 30, 2012

Function/Program	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 16,971,049	\$ 1,322,393	\$ 13,365,396	\$ -
Total Governmental Activities	<u>\$ 16,971,049</u>	<u>\$ 1,322,393</u>	<u>\$ 13,365,396</u>	<u>\$ (2,283,260)</u>
General revenues:				
State sources not restricted to specific program				1,965,757
Investment earnings				46,068
Miscellaneous				<u>28,208</u>
Total general revenues and transfers				<u>2,040,033</u>
Changes in net assets				(243,227)
Net assets, beginning of year				<u>6,886,273</u>
NET ASSETS, END OF YEAR				<u>\$ 6,643,046</u>

The accompanying notes to financial statements are an integral part of this statement.

Copper Country Community Mental Health Services Board

GOVERNMENTAL FUNDS
BALANCE SHEET

September 30, 2012

	General Fund	Institute Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS:			
Cash and cash equivalents	\$ 4,425,876	\$ 113,520	\$ 4,539,396
Accounts receivable:			
Client fees	46,108	-	46,108
Other	219,214	54,446	273,660
Due from Northcare	1,750,081	-	1,750,081
Due from other funds	99,092	-	99,092
Due from local counties	24,117	-	24,117
Inventory	11,532	-	11,532
Prepaid expenditures	21,699	482	22,181
Deposits	26,526	-	26,526
Long-term capital advance receivable - other funds	595,839	-	595,839
	<u>595,839</u>	<u> </u>	<u>595,839</u>
TOTAL ASSETS	<u>\$ 7,220,084</u>	<u>\$ 168,448</u>	<u>\$ 7,388,532</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES:			
Accounts payable	\$ 382,723	\$ 5,012	\$ 387,735
Due to State of Michigan	137,427	-	137,427
Due to other funds	668,528	99,092	767,620
Accrued payroll and related	259,833	-	259,833
Deferred revenue	88,908	26,623	115,531
	<u>88,908</u>	<u>26,623</u>	<u>115,531</u>
TOTAL LIABILITIES	<u>1,537,419</u>	<u>130,727</u>	<u>1,668,146</u>
FUND BALANCE:			
Non-spendable	33,231	482	33,713
Restricted	-	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	5,649,434	37,239	5,686,673
	<u>5,649,434</u>	<u>37,239</u>	<u>5,686,673</u>
TOTAL FUND BALANCE	<u>5,682,665</u>	<u>37,721</u>	<u>5,720,386</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 7,220,084</u>	<u>\$ 168,448</u>	<u>\$ 7,388,532</u>

The accompanying notes to financial statements are an integral part of this statement.

Copper Country Community Mental Health Services Board

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

September 30, 2012

Total Fund Balances for Governmental Funds \$ 5,720,386

*Amounts reported for governmental activities in the statement
of net assets are different because:*

Internal service funds are used by management to charge the cost of building rental, equipment usage and employee benefits to the General Fund. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets, net of capital assets.

Net assets 922,660

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

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NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 6,643,046

The accompanying notes to financial statements are an integral part of this statement.

Copper Country Community Mental Health Services Board

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the year ended September 30, 2012

	General Fund	Institute Fund	Total Governmental Funds
REVENUES:			
Federal sources	\$ 230,899	\$ 86,009	\$ 316,908
State sources	14,851,460	43,485	14,894,945
Local sources	255,604	-	255,604
Charges for services	1,110,496	211,897	1,322,393
Contributions from private sources	58,722	-	58,722
Investment income	45,850	218	46,068
Other revenue	26,824	1,384	28,208
Less deductions from revenue:			
Contractual adjustments	-	-	-
Public Act 423 of 1980	(195,026)	-	(195,026)
TOTAL REVENUES	<u>16,384,829</u>	<u>342,993</u>	<u>16,727,822</u>
EXPENDITURES:			
Mentally ill - children	1,397,219	-	1,397,219
Mentally ill - adults	6,553,117	-	6,553,117
Developmental disabilities	8,401,215	-	8,401,215
Prevention services	53,957	285,054	339,011
Other services	<u>227,827</u>	<u>55,566</u>	<u>283,393</u>
TOTAL EXPENDITURES	<u>16,633,335</u>	<u>340,620</u>	<u>16,973,955</u>
CHANGE IN FUND BALANCE	(248,506)	2,373	(246,133)
Fund balance, beginning of year	<u>5,931,171</u>	<u>35,348</u>	<u>5,966,519</u>
FUND BALANCE, END OF YEAR	<u>\$ 5,682,665</u>	<u>\$ 37,721</u>	<u>\$ 5,720,386</u>

The accompanying notes to financial statements are an integral part of this statement.

Copper Country Community Mental Health Services Board

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the year ended September 30, 2012

Net Change in Fund Balances - Total Governmental Funds \$ (246,133)

*Amounts reported for governmental activities in the statement
of activities are different because:*

Internal service funds are used by management to charge the cost of building rental, equipment purchase and maintenance and employee benefits to the General Fund. The net revenue (expense) of the internal service funds is reported with governmental activities, net of depreciation expense.

Change in net assets 2,906

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (243,227)

The accompanying notes to financial statements are an integral part of this statement.

Copper Country Community Mental Health Services Board

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

September 30, 2012

	Governmental Activities
	Internal Service Funds
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,285,808
Accounts receivable	39,815
Due from other funds	668,528
Prepaid expenses	1,940
TOTAL CURRENT ASSETS	<u>1,996,091</u>
Internally committed assets:	
Cash and cash equivalents	<u>489,297</u>
Capital assets:	
Land	350,338
Construction in progress	20,607
Land improvements	75,984
Buildings and building improvements	4,893,577
Vehicles	816,037
Furniture and fixtures	133,323
Accumulated depreciation	<u>(4,909,465)</u>
TOTAL CAPITAL ASSETS	<u>1,380,401</u>
TOTAL ASSETS	<u>3,865,789</u>
LIABILITIES	
Current liabilities:	
Accounts payable	23,761
Due to other funds	-
Accrued payroll and related	336,919
Accrued vacation, vested sick leave, and OPEB	1,147,272
Due to employees	-
Claims payable	504,731
Current maturities of long-term debt	<u>53,809</u>
TOTAL CURRENT LIABILITIES	<u>2,066,492</u>
Long-term liabilities:	
Long-term capital advance - other funds	595,839
Notes payable	<u>280,798</u>
TOTAL LONG-TERM LIABILITIES	<u>876,637</u>
TOTAL LIABILITIES	<u>2,943,129</u>
NET ASSETS	
Invested in capital assets, net of related debt	449,955
Unrestricted	<u>472,705</u>
TOTAL NET ASSETS	<u>\$ 922,660</u>

The accompanying notes to financial statements are an integral part of this statement.

Copper Country Community Mental Health Services Board

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the year ended September 30, 2012

	Governmental Activities <u>Internal Service Funds</u>
OPERATING REVENUES:	
Charges for services	\$ 1,189,159
Contributions	<u>4,088,471</u>
TOTAL OPERATING REVENUES	<u>5,277,630</u>
OPERATING EXPENSES:	
Personnel services	4,277,262
Other services and charges	584,547
Depreciation	<u>408,075</u>
TOTAL OPERATING EXPENSES	<u>5,269,884</u>
OPERATING INCOME (LOSS)	7,746
NON-OPERATING REVENUES (EXPENSES):	
Interest income	8,384
Interest expense	<u>(13,224)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(4,840)</u>
CHANGE IN NET ASSETS	2,906
Net assets, beginning of year	<u>919,754</u>
NET ASSETS, END OF YEAR	<u><u>\$ 922,660</u></u>

The accompanying notes to financial statements are an integral part of this statement.

Copper Country Community Mental Health Services Board

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

For the year ended September 30, 2012

	Governmental Activities
	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from charges for services	\$ 4,962,880
Other operating expenses	(5,334,697)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(371,817)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Net cash provided (used) to finance accrued vacation and vested sick leave	354,062
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	<u>354,062</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(20,607)
Proceeds on sale of assets	-
Proceeds on notes	-
Principle payments on debt	(47,473)
Interest payments on debt	(13,224)
NET CASH RPROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(81,304)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
(Increase) in restricted assets	56,359
Interest income	8,384
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>64,743</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(34,316)
Cash and cash equivalents, beginning of year	<u>1,320,124</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,285,808</u>
RECONCILIATION OF OPERATING (GAIN) LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Net operating income (loss)	<u>\$ 7,746</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation expense	408,075
Changes in assets and liabilities:	
Increase (decrease) in accounts receivable	(39,555)
Increase (decrease) in due from other funds	(275,195)
Increase (decrease) in prepaid expenses	(356)
Increase (decrease) in accounts payable	(93,812)
Increase (decrease) in claims payable	(84,965)
Increase (decrease) in due to other funds	(205,729)
Increase (decrease) in long-term capital advance - other funds	(88,025)
TOTAL ADJUSTMENTS	<u>(379,562)</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	<u>\$ (371,816)</u>

The accompanying notes to financial statements are an integral part of this statement.

COPPER COUNTRY COMMUNITY MENTAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Copper Country Community Mental Health Services Board (the Board) is an autonomous entity, separate from the county governments which it services and accordingly consists of a separate set of self-balancing funds and accounts. The Board is, for financial reporting purposes, an Authority under the Michigan Mental Health Code (P.A. 290 of 1995). The accounting policies of the Board conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the Board as a whole. They include all funds of the Board. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through State sources, intergovernmental revenues, and other nonexchange revenues. The Board currently does not engage in any business-type activities defined as activities financed by fees charged to external parties who use certain goods or services. Equity is classified as net assets and displayed in three components – invested in capital assets, net of related debt, restricted, and unrestricted.

Fund Financial Statements:

The accounts of the Board 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, liabilities, fund equity, revenues and expenditures. 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 various funds are grouped in the financial statements in this report into two major categories; governmental and proprietary categories. An emphasis is placed on major funds within the governmental category. The General Fund is always considered a major fund and the remaining funds of the Board are considered major if the total assets, liabilities, revenues or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all governmental funds. In accordance with the criteria, the Institute Fund is a non-major governmental fund; however, the Board chooses to report the Institute Fund as a major governmental fund in the current year. The funds of the Board are described below:

Governmental Funds

General Fund – General Fund is the general operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The Institute Fund is a special revenue fund type.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Proprietary Funds

Internal Service Funds – Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Board, on a cost-reimbursement basis. The Employee Benefit Fund, the Equipment Fund, and the Building and Grounds Fund are internal service type funds.

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned, or unassigned, when appropriate. Proprietary fund equity is classified as net assets the same as in the government-wide statements.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, the governmental activities are presented using the economic resource measurement focus as defined in item (b) below. In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.
- b. The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Also, the proprietary fund financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures, including capital outlay, are generally recognized when the related fund liability is incurred.

OTHER SIGNIFICANT ACCOUNTING POLICIES

Budgets and Budgetary Accounting – The Board follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to October 1, the Executive Director submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Prior to October 1, the budget is legally enacted through the passage of a Board of Directors resolution.
- c. The Executive Director is authorized to transfer budgeted amounts between departments within any fund; however, the Board of Directors must approve any revisions that alter the total expenditures of any fund.
- d. Budgets are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board of Directors.
- e. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Board because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control. Any unexpendable appropriations lapse at the end of the fiscal year.

Cash and Cash Equivalents – For purposes of balance sheet classification and the statement of cash flows, the Board considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Inventory – Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the General Fund consists of expendable supplies.

Capital Assets – The accounting and reporting treatment applied to capital assets associated with a fund are determined by its measurement focus. In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

In the government-wide financial statements, all capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. With purchases made after October 1, 2002, the Board defines capital assets as assets with an initial, individual cost of more than \$5,000.

Depreciation on all exhaustible capital assets is reported as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Vehicles and equipment	2-10 years
Buildings	20-25 years
Building Improvements	5-15 years
Land Improvements	10-15 years

The cost of normal maintenance and repairs is charged to operations as incurred. Renewals and betterments are capitalized and depreciated over the remaining useful lives of the related properties.

Accumulated Vacation and Vested Sick Leave – The Board's policies regarding compensated absences permits employees to accumulate earned but unused combined leave, annual leave and vested sick leave. The liability for these compensated absences is recorded in the government-wide and internal service fund financial statements as it is incurred.

Long-Term Debt – The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or internal service fund operations and whether it is reported in the government-wide or fund financial statements. All long-term debt to be repaid from governmental resources are reported as liabilities in the government-wide statements. The Board's long-term debt consists primarily of notes payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as in the government-wide statements.

Interfund Activity – During the course of its operations, the Board has numerous transactions between funds to finance operations, to provide services, and to service debt. Interfund activity is eliminated in the government-wide financial statements.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

Revenues – In the government-wide Statement of Activities, revenues are segregated by activity and are classified as either program revenue or general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues include all revenues, which do not meet criteria of program revenues, such as State funding and interest earnings.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

In the governmental fund statements, revenues are reported by source, such as federal sources, state sources, and charges for services. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is the Board's policy to use the restricted resources first.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Non-operating revenues, such as investment earnings, result from non-exchange transactions or ancillary activities.

Expenses/Expenditures – In the government-wide statements, expenses are segregated by activity and are classified by function. In the governmental fund statements, expenditures are classified by character such as current operations. In the proprietary fund statements, expenses are classified by operating and non-operating and are sub-classified by function such as personnel services and other services and charges.

Subsequent Events – Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

NOTE B – DEPOSITS AND INVESTMENTS:

At year-end, the Board's cash and cash equivalents were reported in the basic financial statements in the following categories:

Cash and equivalents	\$5,825,204
Restricted assets	489,297
	<hr/>
	\$6,314,501
	<hr/>

Cash and cash equivalents can also be summarized into the following categories:

Deposits:	
Demand accounts	\$24,333
Certificates of Deposit	2,247,000
Government trust funds	4,039,393
Imprest cash	3,775
	<hr/>
	\$6,314,501
	<hr/>

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Board's deposits may not be returned to it. State law does not require and the Board does not have a deposit policy for custodial credit risk. The carrying amounts of the Board's deposits with financial institutions was \$2,271,333 and the bank balance was \$2,476,543. Of the bank balance, \$2,476,545 was covered by federal depository insurance according to FDIC regulations.

NOTE B – DEPOSITS AND INVESTMENTS (Continued):Investments

As of September 30, 2012 the Board had investments with a fair value of \$4,039,556 held in government trust funds with maturities less than one year. The deposits in government trust funds are invested in the U.S. Federated Government Trust, a mutual fund that invests solely in U.S. Government securities (treasury bills, bonds, and notes). Therefore, the carrying amount of \$4,039,556 at September 30, 2012 was fully backed by the U.S. Government under regulations applicable to U.S. Government securities.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Board's investments. The Board does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Michigan statutes (Act 196, PA 1997) authorize the Board to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The Board has no investment policy that would further limit its investment choices. The Board's investments are in accordance with statutory authority.

NOTE C – ACCOUNTS RECEIVABLE:

Accounts receivable for governmental funds at September 30, 2012 and 2011, consists of the following:

	2012			2011
	General Fund	Institute Fund	Total	
Client Fees	\$122,861	\$-	\$122,861	\$92,354
Other	219,214	54,446	273,660	278,083
Subtotal	342,075	54,446	396,521	370,437
Allowance for doubtful accounts	(76,753)	-	(76,753)	(50,317)
Net Receivable	<u>\$265,322</u>	<u>\$54,446</u>	<u>\$319,768</u>	<u>\$320,120</u>
Receivables, net:				
Client Fees	\$46,108	\$-	\$46,108	\$42,037
Other	219,214	54,446	273,660	278,083
Net Receivable	<u>\$265,322</u>	<u>\$54,446</u>	<u>\$319,768</u>	<u>\$320,120</u>

NOTE D – ESTIMATED AMOUNT DUE FROM (TO) MICHIGAN DEPARTMENT OF COMMUNITY HEALTH:

The estimated amount due (to) from the Michigan Department of Community Health represents the Board's cost settlement report of services and expenditures for the year ending September 30, 2012 in accordance with terms of the master contract. The reported costs related to such services are subject to review by the Department.

The Michigan Department of Community Health is responsible for distributing Medicaid dollars to various Community Mental Health Agencies through the regional Prepaid Inpatient Health Plan (PIHP), see Note Q. During the fiscal year ended September 30, 2012 the PIHP distributed \$12,561,307 in Medicaid dollars and the Michigan Department of Community Health distributed \$1,965,757 in General Fund dollars which combined accounts for approximately 88% of the Board's total revenues.

NOTE E – FUND MODIFICATIONS (DUE TO/FROM OTHER FUNDS):

The Board reports interfund balances between many of its funds. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds. Interfund transactions resulting in interfund receivables and payables are as follows:

		Due From Other Funds			
Due To Other Funds		General Fund	Employee Benefit Fund	Equipment Fund	Total Due to Other Funds
		General Fund	\$ -	\$587,990	\$80,538
	Institute Fund	99,092	-	-	99,092
	Employee Benefit Fund	-	-	-	-
	Equipment Fund	-	-	-	-
	Buildings and Grounds	-	-	-	-
	Total Due From Other Funds	<u>\$99,092</u>	<u>\$587,990</u>	<u>\$80,538</u>	<u>\$767,620</u>

		Advances From Other Funds		
Advances To Other Funds		General Fund	Building and Grounds Fund	Total Advances To Other Funds
		General Fund	\$-	\$595,839
	Buildings and Grounds	-	-	-
	Total Advances From Other Funds	<u>\$-</u>	<u>\$595,839</u>	<u>\$595,839</u>

The balance of \$595,839 advanced to the Building and Grounds Fund from the General Fund resulted from the accumulation of years of prior advances between the two funds. Since the fiscal year ending September 30, 2002, when the balance between the funds reached approximately \$2,000,000, the balance has been steadily reduced through payments. However, payments made within the next fiscal year are not anticipated to eliminate the advance.

NOTE E – FUND MODIFICATIONS (DUE TO/FROM OTHER FUNDS) (Continued):

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE F – CAPITAL ASSETS:

Capital assets relating to the Board are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Capital asset activity for the year ended September 30, 2012 is as follows:

	Balance 10/1/11	Additions	Deductions	Balance 9/30/12
Capital assets not being depreciated:				
Land	\$350,338	\$-	\$-	\$350,338
Construction in progress	24,418	20,607	(24,418)	20,607
Capital assets being depreciated:				
Land improvements	75,984	-	-	75,984
Buildings and improvements	4,869,159	24,418	-	4,893,577
Vehicles	816,037	-	-	816,037
Furniture and fixtures	133,323	-	-	133,323
Total Capital Assets	<u>6,269,259</u>	<u>45,025</u>	<u>(24,418)</u>	<u>6,289,866</u>
Less accumulated depreciation	<u>(4,501,390)</u>	<u>(408,075)</u>	<u>-</u>	<u>(4,909,465)</u>
Capital Assets, net	<u>\$1,767,869</u>	<u>\$(363,050)</u>	<u>\$(24,418)</u>	<u>\$1,380,401</u>

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:

Internal service funds charged to above activities	\$408,075
TOTAL	<u>\$408,075</u>

NOTE G – UNPAID CLAIMS:

The Board estimates its liability for unpaid health insurance claims on the basis of the date the claim was incurred and historical experience. As of September 30, 2012 the amount of unpaid claims in the accompanying financial statements is \$504,731.

NOTE H – INTERNAL SERVICE FUND ACCRUED LIABILITIES:

Regular full-time employees annually earn 40 hours of sick leave, 40 hours of combined leave, and varying amounts of annual leave based on years of service. Fifty percent of sick leave is vested for employees who are 55 years old or have ten years of service. Combined and annual leave is vested when earned and may be accumulated up to 120 hours and 240 hours respectively. The amount of vested leave as of September 30, 2012 is as follows:

Sick leave	\$24,531
Combined leave	57,055
Annual leave	319,775
Other Post Employment Benefits (OPEB)	745,911
TOTAL	<u>\$1,147,272</u>

NOTE I – DEFERRED COMPENSATION PLAN:

The Board offers its employees a deferred compensation plan (Plan) created in accordance with Section 457 of the Internal Revenue Code. The Plan, available to all employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency.

Due to changes in the Internal Revenue Code, the Plan's assets are considered to be property of the Plan's participants and are no longer subject to the Board's general creditors. Therefore, in accordance with the provisions of GASB Statement No. 32, Plan balances and activities are not reflected in these financial statements.

The Plan's participants have the right to designate how the funds will be invested. Therefore, the Board has no liability for losses under the Plan. The Plan's assets are held in a custodial account for the exclusive benefit of Plan participants and their beneficiaries.

NOTE J – COMMITMENTS:

The following is a summary of transactions for commitments under lease agreements and loans for facilities for the year ended September 30, 2012:

	Balance 10/1/11	Additions	Deductions	Balance 9/30/12	Due Within One Year
Mortgage Agreements	<u>\$382,080</u>	<u>\$-</u>	<u>\$47,473</u>	<u>\$334,607</u>	<u>\$53,809</u>

The total interest charged to expense is \$13,224 for the year ended September 30, 2012.

Annual principal and interest requirements on commitments are as follows:

	Principal	Interest	Total
2013	\$53,809	\$12,405	\$66,214
2014	56,002	10,213	66,215
2015	58,282	7,931	66,213
2016	60,658	5,555	66,213
2017	63,129	3,084	66,213
2018	42,727	635	43,362
Totals	<u>\$334,607</u>	<u>\$39,823</u>	<u>\$374,430</u>

In May 2003, the Board entered into a 15 year mortgage agreement for financing Atlantic House and Quincy House and consolidating the remaining outstanding mortgages for Lakeside House, Stanton House, and the L'Anse facility. The agreement, effective May 1, 2003 and ending May 1, 2018, requires a monthly payment of \$5,649 with an interest rate of 4.50% to be adjusted on May 1, 2008 and again on May 1, 2013 to reflect a rate of interest equal to the lender's five-year commercial rate then in effect. The interest rate adjusted on May 1, 2008 from 4.50% down to 4.00% resulting in a revised monthly payment of \$5,518, which will remain in effect until the rate adjusts again on May 1, 2013.

NOTE K – DEFERRED REVENUES:

Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The Board has reported as deferred revenue the amount of \$115,531, which represents special projects.

NOTE L – FUND BALANCES – GOVERNMENTAL FUNDS:

As of September 30, 2011, fund balances of the governmental funds are classified as follows:

Non-spendable — amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — amounts that can be used only for specific purposes determined by a formal action of the Board. The Board is the highest level of decision-making authority for the Authority. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Trustees.

Assigned — amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Board has not adopted a specific policy expressing its intent for purpose of making assignments and it retains the responsibility to assign amounts for specific purposes at the board level.

Unassigned — all other spendable amounts.

As of September 30, 2012, fund balances are composed of the following:

	General Fund	Institute Fund	Total Governmental Funds
Non-spendable:			
Inventory	\$11,532	\$482	\$12,014
Prepaid expenditures	21,699	-	21,699
Restricted	-	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	5,649,434	37,239	5,686,673
Total fund balance	\$5,682,665	\$37,721	\$5,720,386

The Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the Board of Trustees through amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

When expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Authority considers restricted funds to have been spent first. When expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Authority considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

NOTE M – MANAGED CARE:

Through the Board's affiliation with NorthCare, the Board receives its state and federal share of Medicaid funds as a prepaid capitated payment based on a Per Eligible Per Month methodology for contractually identified and described covered services. At the end of the fiscal year, any unspent Medicaid funds are recorded as due to NorthCare. The Boards' unspent Medicaid funds are combined as a region with NorthCare. NorthCare may retain up to 5% of the net Medicaid savings. The Medicaid savings must be included in a formal reinvestment strategy that must be approved by the Michigan Department of Community Health and must be directed to the Medicaid population.

During the fiscal year 2012, all Medicaid funds from the previous years were settled with NorthCare. Medicaid Advances exceeded Medicaid expenditures by \$544,677. This amount is subject to adjustment by NorthCare per the terms above.

NOTE N – PUBLIC ACT 423 – SPECIAL GRANT FUND:

Act 423, P.A. 1980 was passed to provide a mechanism for assisting community mental health boards in all areas of the state to provide more comparable levels of service regardless of local economic conditions by redistributing local revenues collected from client services. Under the plan, participating boards deposit into the State's Act 423 Special Grant Fund all fees received from clients and third party insurers (except Medicaid). The money is then redistributed to the participating boards using a formula based partly on local economic conditions.

NOTE O – DEFINED CONTRIBUTION RETIREMENT PLAN:

The Board provides retirement benefits for eligible employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are generally eligible to participate after 1,000 hours and one year of service and the Board will continue to make contributions until they have terminated employment. The plan is a non-contributory plan with the Board paying an amount equal to 7% of the compensation of all non-bargaining eligible employees and 4% of the compensation of all bargaining unit eligible employees.

The contribution for each employee along with investment income allocated to the employee's account is immediately fully vested for all employees.

The Board's total eligible payroll for fiscal years 2012, 2011, and 2010 was \$7,910,779, \$8,333,873, and \$8,619,041, respectively. The Board's total contribution to the pension plan for fiscal years 2012, 2011, and 2010 was \$536,301, \$446,375, and \$452,161, which represents approximately 7%, 5%, and 5% of covered payroll, respectively.

NOTE P – PUBLIC ENTITY RISK POOL:

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in a public entity risk pool currently operating as a common risk management and insurance program. The Board pays an annual contribution to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member contributions and will reinsure through commercial companies for claims in excess of \$100,000 for each insured event.

NOTE P – PUBLIC ENTITY RISK POOL (Continued):

The Board continues to carry commercial insurance for Physician Malpractice and all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE Q – OWNERSHIP:

The Board's membership is currently divided in proportion to each county's population, based on the 2010 U.S. Census, and is approximately 67.31%, 16.28%, 3.96% and 12.45% for Houghton, Baraga, Keweenaw and Ontonagon Counties, respectively. The 2012 financial statements include 100% of the recorded assets of the Board.

NOTE R – RELATED ORGANIZATION:

NorthCare Network (NorthCare) is an affiliation formed in February, 2002 which is comprised of the five Upper Peninsula Community Mental Health Centers (CMHs). Pathways, doing business as NorthCare, has been designated as the lead agency of this affiliation. The Community Mental Health agencies involved in this affiliation include:

- Copper Country Community Mental Health Center, which services Baraga, Houghton, Keweenaw, and Ontonagon Counties;
- Gogebic County Community Mental Health Center, which services Gogebic County;
- Hiawatha Behavioral Health, which services Chippewa, Mackinac, and Schoolcraft Counties;
- Northpointe Behavioral Healthcare Systems, which services Dickinson, Iron, and Menominee Counties; and
- Pathways, which services Alger, Delta, Luce, and Marquette Counties

The Michigan Department of Community Health (MDCH) granted NorthCare the contract to serve as the Prepaid Health Plan for all Upper Peninsula Medicaid recipients needing mental health services, substance abuse services, and support services for persons with developmental disabilities. The contract became effective October 1, 2002 and is updated and renewed annually.

Pathways, (d.b.a. NorthCare), is responsible for forwarding Medicaid funding to each of its Community Mental Health agencies. As such, Copper Country Community Mental Health Services Board is not financially accountable for the organization. Therefore, for financial statement reporting purposes, NorthCare is a related organization of the Board and as such, is excluded from the Board's financial statements.

NOTE S – SINGLE AUDIT:

Copper Country Community Mental Health Services Board's audited financial statements report a total of \$316,908 in federal expenditures. This amount is less than the single audit threshold of \$500,000; therefore, Copper Country Community Mental Health Services Board is not required to have a single audit in accordance with OMB Circular A-133 for the fiscal year ended September 30, 2012.

NOTE T – OTHER POST EMPLOYMENT BENEFITS:

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any “other” postemployment benefits (other than pensions). The new rules require the government wide financial statements to recognize actuarial annual required cost (ARC) of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid under the previous pay-as-you-go method. The new pronouncement was effective for the fiscal year ended September 30, 2009 and is a requirement of generally accepted accounting principles.

Description

Effective October 1, 2009, Copper Country Community Mental Health Services Board adopted the provision of GASB Statement No. 45, “Accounting and Financial Reporting by Employers Postemployment Benefits Other Than Pensions.” In addition to the relevant disclosures within this note related to the implementation of GASB Statement No. 45, the financial statements reflect a long-term liability and related expenses in governmental activities resulting from the adoption.

Eligible retirees and their spouses are eligible for a Plan contribution towards monthly health insurance coverage for ten years from the employee’s retirement date. Spouses of deceased retirees remain eligible until the ten years have elapsed. Eligible retirees may continue on the Plan after the ten year period by paying the full premium.

Funding Policy

The amount paid for former Copper Country Community Mental Health Services Board employees for the fiscal year ended September 30, 2012 was \$34,692 and represents current benefits paid for premiums and claims for retirees. There were 159 participants eligible to receive benefits and five (5) are participating, including spouses of retirees. This benefit is accounted for on the “pay-as-you-go” method, whereby Copper Country Community Mental Health Services Board is reporting the amounts paid as expenditures in the year the amounts are paid for the benefit provided.

Annual OPEB Cost and Net OPEB Obligation

Copper Country Community Mental Health Services Board’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the Board, an amount actuarially determined with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of 30 years. The Annual Required Contribution (ARC) for the retiree medical program consists of two pieces: a Normal Cost (the cost of benefits earned each year should be accrued in that year) plus a Past Service Cost (a catch-up accrual to amortize the Unfunded Accrued Liability). A 30 year amortization period was selected to reflect the period of service over which retiree medical benefits are earned, and the ARC has been calculated to increase as a level percentage of expected payroll assuming 3% annual increases.

The following table illustrates the components of the Board’s annual OPEB cost for the year ended September 30, 2012, the amount actually contributed to the Plan, and changes in the Board’s net OPEB obligation:

NOTE T – OTHER POST EMPLOYMENT BENEFITS (Continued):

Annual required contribution	\$273,500
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>273,500</u>
Contributions made	<u>(34,692)</u>
Increase in net OPEB obligation	238,808
Net OPEB obligation – beginning of year	<u>507,103</u>
Net OPEB obligation – end of year	<u>\$745,911</u>

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation End of Year</u>
2012	\$273,500	12.68%	\$745,911
2011	263,300	1.97%	507,103
2010	249,000	0.00%	249,000

Funding Status and Funding Progress

As of October 1, 2012, the most recent actuarial valuation date, the Plan was zero percent funded. The actuarial accrued liability for benefits equaled \$4,129,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,129,000 and a funded ratio of 0.0%. The covered payroll (annual payroll of active employees covered by the Plan) was not applicable, and the ratio of the UAAL to the covered payroll was not applicable. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employments, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members), and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term perspective of the calculations. In the October 1, 2012, actuarial valuation the Projected Unit Credit Cost Method was used. Under this method, the actuarial present value of projected benefits is the value of benefits expected to be paid for current actives and retirees and is calculated based on the assumptions and census data available.

REQUIRED SUPPLEMENTAL INFORMATION

Copper Country Community Mental Health Services Board

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

For the year ended September 30, 2012
With comparative actual amounts for the year ended September 30, 2011

	2012			Variance with Final Budget Positive (Negative)	2011
	Budgeted Amounts		Actual GAAP Basis		Actual GAAP Basis
	Original	Final			
REVENUES:					
Federal sources:					
Grant projects	\$ 287,277	\$ 245,000	\$ 230,899	\$ (14,101)	\$ 267,703
State sources:					
Department of Community Health:					
General Fund	2,008,883	1,965,757	1,965,757	-	2,383,863
Adult Benefit Waiver	235,201	162,490	78,425	(84,065)	252,269
Medicaid	13,337,232	12,648,334	12,561,307	(87,027)	13,406,688
Public Act 423 of 1980	85,500	191,777	195,026	3,249	157,455
Title XX Replacement	-	-	-	-	-
Department of Education	51,127	48,083	50,945	2,862	51,127
Local sources:					
County appropriations	255,604	255,604	255,604	-	255,604
Charges for services:					
Commercial insurance fees except Medicaid	1,058,944	1,042,373	1,048,532	6,159	1,078,173
Sales	25,000	26,818	30,658	3,840	33,958
Other	49,153	29,701	31,306	1,605	51,350
Contributions from private sources	72,906	61,911	58,722	(3,189)	78,127
Investment income	60,000	31,015	45,850	14,835	56,031
Other revenues	24,936	44,580	26,824	(17,756)	24,936
TOTAL REVENUES	17,551,763	16,753,443	16,579,855	(173,588)	18,097,284
Less deductions from revenues:					
Contractual adjustments	(172,244)	-	-	-	(197,183)
Public Act 423 of 1980	(85,500)	(191,777)	(195,026)	(3,249)	(157,455)
NET REVENUES	17,294,019	16,561,666	16,384,829	(176,837)	17,742,646
EXPENDITURES:					
Mentally ill - children:					
Community inpatient	91,716	62,146	57,621	4,525	88,079
State inpatient	59,723	72,141	66,062	6,079	54,587
Contract residential	145,610	180,602	189,935	(9,333)	146,466
Home based community services	381,701	354,314	343,938	10,376	384,611
Outpatient services	600,606	584,425	570,353	14,072	607,167
Respite residential	4,146	4,429	4,299	130	4,303
Board administration	169,760	167,416	165,011	2,405	183,495
TOTAL MENTALLY ILL - CHILDREN	1,453,262	1,425,473	1,397,219	28,254	1,468,708
Mentally ill - adults:					
Community inpatient	615,583	381,861	403,550	(21,689)	623,643
State inpatient	200,150	195,039	229,516	(34,477)	198,864
Community residential	1,170,796	1,200,905	1,187,987	12,918	1,185,332
Contract residential	110,867	96,741	96,091	650	111,416
Partial day services	1,078,631	1,134,485	1,117,889	16,596	1,092,224
Outpatient services	1,796,110	1,745,215	1,724,595	20,620	1,810,467
Supportive services	1,147,062	1,066,943	1,024,085	42,858	1,153,652
Board administration	814,583	779,651	769,404	10,247	879,148
TOTAL MENTALLY ILL - ADULTS	6,933,782	6,600,840	6,553,117	47,723	7,054,746

Copper Country Community Mental Health Services Board

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

For the year ended September 30, 2012
With comparative actual amounts for the year ended September 30, 2011

	2012			Variance with Final Budget Positive (Negative)	2011
	Budgeted Amounts		Actual GAAP Basis		Actual GAAP Basis
	Original	Final			
Developmental Disabilities:					
State inpatient	\$ -	\$ -	\$ -	\$ -	\$ -
Community residential	3,924,379	3,856,749	3,823,382	33,367	3,999,117
Contract residential	657,492	623,504	623,838	(334)	651,541
Partial day services	788,920	809,628	800,761	8,867	792,848
Outpatient services	819,593	768,238	761,338	6,900	824,288
Supportive services	1,392,350	1,338,107	1,348,978	(10,871)	1,301,081
Board administration	1,051,930	1,045,629	1,042,918	2,711	1,127,668
TOTAL DEVELOPMENTAL DISABILITIES	8,634,664	8,441,855	8,401,215	40,640	8,696,543
Prevention Services:					
Other service models	70,562	57,319	47,248	10,071	27,495
Board administration	9,761	8,117	6,709	1,408	4,108
TOTAL PREVENTION SERVICES	80,323	65,436	53,957	11,479	31,603
Other Services:					
Locally funded expenditures	191,988	251,929	227,827	24,102	450,174
TOTAL OTHER SERVICES	191,988	251,929	227,827	24,102	450,174
TOTAL EXPENDITURES	17,294,019	16,785,533	16,633,335	152,198	17,701,774
NET CHANGE IN FUND BALANCE	-	(223,867)	(248,506)	(24,639)	40,872
Fund balance, beginning of year	5,931,171	5,931,171	5,931,171	-	5,890,299
FUND BALANCE, END OF YEAR	\$ 5,931,171	\$ 5,707,304	\$ 5,682,665	\$ (24,639)	\$ 5,931,171

Copper Country Community Mental Health Services Board

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

For the year ended September 30, 2012
With comparative actual amounts for the year ended September 30, 2011

	2012				2011
	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
	Original	Final			
REVENUES:					
Federal sources:					
Grant projects	\$ 101,000	\$ 101,000	\$ 86,009	\$ (14,991)	\$ 96,192
State sources:					
Department of Community Health:					
Grant projects	45,000	45,000	43,485	(1,515)	16,485
Charges for services:					
Other	309,045	223,250	211,897	(11,353)	274,107
Investment income	500	225	218	(7)	-
Other revenues	10,725	11,700	1,384	(10,316)	11,700
TOTAL REVENUES	466,270	381,175	342,993	(38,182)	398,484
EXPENDITURES:					
Administration	500	225	537	(312)	728
Training:					
Copper Country Mental Health	54,396	54,500	52,166	2,334	49,366
Consultation/sales	-	1,500	1,477	23	703
TOTAL TRAINING	54,396	56,000	53,643	2,357	50,069
Prevention:					
Copper Country Mental Health	48,149	46,750	37,874	8,876	7,219
Grants	325,000	240,500	230,321	10,179	307,228
Infant mental health	14,000	14,000	12,981	1,019	19,433
Special projects	12,500	12,000	3,878	8,122	4,564
Consultation/sales	1,000	-	-	-	-
TOTAL PREVENTION	400,649	313,250	285,054	28,196	338,444
Copper Country Initiatives	10,725	11,700	1,386	10,314	1,688
TOTAL EXPENDITURES	466,270	381,175	340,620	40,555	390,929
NET CHANGE IN FUND BALANCE	-	-	2,373	2,373	7,555
Fund balance, beginning of year	35,348	35,348	35,348	-	47,702
FUND BALANCE, END OF YEAR	\$ 35,348	\$ 35,348	\$ 37,721	\$ 2,373	\$ 55,257

OTHER FINANCIAL INFORMATION

Copper Country Community Mental Health Services Board
INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF NET ASSETS

September 30, 2012

With comparative actual amounts for the year ended September 30, 2011

	Employee Benefit Fund	Equipment Fund	Buildings and Grounds Fund	Totals	
				2012	2011
ASSETS:					
Current assets:					
Cash and cash equivalents	\$ 1,154,806	\$ 8,859	\$ 122,143	\$ 1,285,808	\$ 1,320,124
Accounts receivable	33,876	5,939	-	39,815	260
Due from other funds	587,990	80,538	-	668,528	393,332
Prepaid expenses	-	-	1,940	1,940	1,584
TOTAL CURRENT ASSETS	1,776,672	95,336	124,083	1,996,091	1,715,300
Internally committed assets:					
Cash and cash equivalents	489,297	-	-	489,297	545,656
Capital assets:					
Land	-	-	350,338	350,338	350,338
Construction in progress	-	-	20,607	20,607	24,418
Land improvements	-	-	75,984	75,984	75,984
Buildings and building improvements	-	-	4,893,577	4,893,577	4,869,159
Vehicles	-	816,037	-	816,037	816,037
Furniture and fixtures	-	-	133,323	133,323	133,323
Accumulated depreciation	-	(730,589)	(4,178,876)	(4,909,465)	(4,501,390)
TOTAL CAPITAL ASSETS	-	85,448	1,294,953	1,380,401	1,767,869
TOTAL ASSETS	2,265,969	180,784	1,419,036	3,865,789	4,028,825

Copper Country Community Mental Health Services Board
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
September 30, 2012

With comparative actual amounts for the year ended September 30, 2011

	Employee Benefit Fund	Equipment Fund	Buildings and Grounds Fund	Totals
				2012
				2011
LIABILITIES:				
Current liabilities:				
Accounts payable	\$ -	\$ 3,913	\$ 19,848	\$ 23,761
Due to other funds	-	-	-	-
Accrued payroll and related	336,919	-	-	336,919
Accrued vacation, vested sick leave, and OPEB	1,147,272	-	-	1,147,272
Due to employees	-	-	-	-
Claims payable	504,731	-	-	504,731
Notes payable - current maturities	-	-	53,809	53,809
TOTAL CURRENT LIABILITIES	1,988,922	3,913	73,657	2,066,492
Long-term liabilities:				
Long-term capital advance - other funds	-	-	595,839	595,839
Notes payable	-	-	280,798	280,798
TOTAL LONG-TERM LIABILITIES	-	-	876,637	876,637
TOTAL LIABILITIES	1,988,922	3,913	950,294	2,943,129
NET ASSETS:				
Invested in capital assets, net of related debt	-	85,448	364,507	449,955
Unrestricted	277,047	91,423	104,235	472,705
TOTAL NET ASSETS	\$ 277,047	\$ 176,871	\$ 468,742	\$ 922,660
				\$ 919,754

Copper Country Community Mental Health Services Board
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

For the year ended September 30, 2012

With comparative actual amounts for the year ended September 30, 2011

	Employee Benefit Fund	Equipment Fund	Buildings and Grounds Fund	Totals	
				2012	2011
OPERATING REVENUES:					
Charges for services	\$ -	\$ 428,209	\$ 760,950	\$ 1,189,159	\$ 1,225,145
Contributions	4,088,471	-	-	4,088,471	4,548,936
TOTAL OPERATING REVENUES	<u>4,088,471</u>	<u>428,209</u>	<u>760,950</u>	<u>5,277,630</u>	<u>5,774,081</u>
OPERATING EXPENSES:					
Personnel services	4,083,550	18,043	175,669	4,277,262	4,755,788
Other services and charges	11,967	209,488	363,092	584,547	587,128
Depreciation	-	200,754	207,321	408,075	437,425
TOTAL OPERATING EXPENSES	<u>4,095,517</u>	<u>428,285</u>	<u>746,082</u>	<u>5,269,884</u>	<u>5,780,341</u>
OPERATING INCOME (LOSS)	(7,046)	(76)	14,868	7,746	(6,260)
NON-OPERATING REVENUES (EXPENSES):					
Interest income	7,968	78	338	8,384	8,982
Interest expense	-	-	(13,224)	(13,224)	(17,823)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>7,968</u>	<u>78</u>	<u>(12,886)</u>	<u>(4,840)</u>	<u>(8,841)</u>
CHANGE IN NET ASSETS	922	2	1,982	2,906	(15,101)
Net assets, beginning of year	<u>276,125</u>	<u>176,869</u>	<u>466,760</u>	<u>919,754</u>	<u>934,855</u>
NET ASSETS, END OF YEAR	<u>\$ 277,047</u>	<u>\$ 176,871</u>	<u>\$ 468,742</u>	<u>\$ 922,660</u>	<u>\$ 919,754</u>

Copper Country Community Mental Health Services Board
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended September 30, 2012
With comparative actual amounts for the year ended September 30, 2011

	Employee Benefit Fund	Equipment Fund	Building and Grounds Fund	Totals
				2012
				2011
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from charges for services	\$ 3,860,274	\$ 341,745	\$ 760,861	\$ 4,962,880
Other operating expenses	(4,254,903)	(430,711)	(649,083)	(5,334,697)
	<u>(394,629)</u>	<u>(88,966)</u>	<u>111,778</u>	<u>(371,817)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				<u>238,907</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Net cash provided (used) to finance accrued vacation and vested sick leave	354,062	-	-	354,062
	<u>354,062</u>	<u>-</u>	<u>-</u>	<u>308,366</u>
NET CASH PROVIDED (USED) FOR NONCAPITAL FINANCING ACTIVITIES				<u>308,366</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	-	-	(20,607)	(20,607)
Proceeds from sale of assets	-	-	-	-
Proceeds on notes	-	-	-	-
Principal payments on debt	-	-	(47,473)	(47,473)
Interest payments on debt	-	-	(13,224)	(13,224)
	<u>-</u>	<u>-</u>	<u>(81,304)</u>	<u>(81,304)</u>
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES				<u>(281,547)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
(Increase) in restricted assets	56,359	-	-	56,359
Interest income	7,968	78	338	8,384
	<u>64,327</u>	<u>78</u>	<u>338</u>	<u>64,743</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES				<u>5,041</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	23,760	(88,888)	30,812	(34,316)
Cash and cash equivalents, beginning of year	1,131,046	97,747	91,331	1,320,124
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,154,806</u>	<u>\$ 8,859</u>	<u>\$ 122,143</u>	<u>\$ 1,285,808</u>
				<u>\$ 1,320,124</u>

Copper Country Community Mental Health Services Board
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended September 30, 2012
With comparative actual amounts for the year ended September 30, 2011

	Employee Benefit Fund	Equipment Fund	Building and Grounds Fund	Totals	
	2012	2011	2012	2011	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ (7,047)	\$ (76)	\$ 14,868	\$ 7,745	\$ (6,260)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	-	200,754	207,321	408,075	437,425
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	(33,540)	(5,926)	(89)	(39,555)	1,126
(Increase) decrease in due from other funds	(194,657)	(80,538)	-	(275,195)	214,357
(Increase) decrease in prepaid expenses	-	-	(356)	(356)	(1,584)
Increase (decrease) in accounts payable	(74,420)	2,549	(21,941)	(93,812)	(43,457)
Increase (decrease) in claims payable	(84,965)	-	-	(84,965)	119,660
Increase (decrease) in due to other funds	-	(205,729)	-	(205,729)	(315,259)
Increase (decrease) in due to employees	-	-	-	-	-
Increase (decrease) in deferred revenue	-	-	-	-	-
Increase (decrease) in long-term capital advance - other funds	-	-	(88,025)	(88,025)	(167,101)
	(387,582)	(88,890)	96,910	(379,562)	245,167
TOTAL ADJUSTMENTS					
	\$ (394,629)	\$ (88,966)	\$ 111,778	\$ (371,817)	\$ 238,907
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					

Copper Country Community Mental Health Services Board
EMPLOYEE BENEFIT FUND
STATEMENT OF NET ASSETS
September 30, 2012

With comparative actual amounts for the year ended September 30, 2011

	2012	2011
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 1,154,806	\$ 1,131,046
Accounts receivable	33,876	336
Due from other funds	587,990	393,332
TOTAL CURRENT ASSETS	1,776,672	1,524,714
Internally committed assets:		
Cash and cash equivalents	489,297	545,656
TOTAL ASSETS	2,265,969	2,070,370
LIABILITIES:		
Current liabilities:		
Accounts payable	-	74,420
Due to other funds	-	-
Accrued payroll and related	336,919	30,478
Accrued vacation, vested sick leave, and OPEB	1,147,272	1,099,651
Claims payable	504,731	589,696
TOTAL CURRENT LIABILITIES	1,988,922	1,794,245
TOTAL LIABILITIES	1,988,922	1,794,245
NET ASSETS:		
Unrestricted	277,047	276,125
TOTAL NET ASSETS	\$ 277,047	\$ 276,125

Copper Country Community Mental Health Services Board
EMPLOYEE BENEFIT FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the year ended September 30, 2012
With comparative actual amounts for the year ended September 30, 2011

	2012	2011
OPERATING REVENUES:		
Contributions	\$ 4,088,471	\$ 4,548,936
TOTAL OPERATING REVENUES	4,088,471	4,548,936
OPERATING EXPENSES:		
Personnel services	4,083,550	4,550,360
Other services and charges	11,967	6,542
TOTAL OPERATING EXPENSES	4,095,517	4,556,902
OPERATING INCOME (LOSS)	(7,046)	(7,966)
NON-OPERATING REVENUES (EXPENSES):		
Interest income	7,968	8,495
TOTAL NON-OPERATING REVENUES (EXPENSES)	7,968	8,495
CHANGE IN NET ASSETS	922	529
Net assets, beginning of year	276,125	275,596
NET ASSETS, END OF YEAR	\$ 277,047	\$ 276,125

Copper Country Community Mental Health Services Board
EMPLOYEE BENEFIT FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2012
With comparative actual amounts for the year ended September 30, 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from charges for services	\$ 3,860,274	\$ 4,763,794
Other operating expenses	(4,254,903)	(4,695,506)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(394,629)	68,288
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Net cash provided to finance accrued vacation and vested sick leave	354,062	308,366
NET CASH PROVIDED FOR NONCAPITAL FINANCING ACTIVITIES	354,062	308,366
 CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) decrease in internally committed assets	56,359	(3,941)
Interest income	7,968	8,495
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	64,327	4,554
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	23,760	381,208
Cash and cash equivalents, beginning of year	1,131,046	749,838
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,154,806	\$ 1,131,046
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (7,047)	\$ (7,966)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(33,540)	501
(Increase) decrease in due from other funds	(194,657)	214,357
Increase (decrease) in accounts payable	(74,420)	(34,479)
Increase (decrease) in due to other funds	-	(223,785)
Increase (decrease) in claims payable	(84,965)	119,660
TOTAL ADJUSTMENTS	(387,582)	76,254
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (394,629)	\$ 68,288

Copper Country Community Mental Health Services Board
EQUIPMENT FUND
STATEMENT OF NET ASSETS
September 30, 2012

With comparative actual amounts for the year ended September 30, 2011

	2012	2011
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 8,859	\$ 97,747
Accounts receivable	5,939	13
Due from other funds	80,538	-
Prepaid expenses	-	-
	95,336	97,760
TOTAL CURRENT ASSETS		
Capital assets:		
Vehicles	816,037	816,037
Accumulated depreciation	(730,589)	(529,835)
	85,448	286,202
TOTAL CAPITAL ASSETS		
TOTAL ASSETS		
	180,784	383,962
LIABILITIES:		
Current liabilities:		
Accounts payable	3,913	1,364
Due to other funds - capital advance	-	205,729
	3,913	207,093
TOTAL CURRENT LIABILITIES		
TOTAL LIABILITIES		
	3,913	207,093
NET ASSETS:		
Invested in capital assets, net of related debt	85,448	80,473
Unrestricted	91,423	96,396
	176,871	176,869
TOTAL NET ASSETS		

Copper Country Community Mental Health Services Board
EQUIPMENT FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the year ended September 30, 2012
With comparative actual amounts for the year ended September 30, 2011

	2012	2011
OPERATING REVENUES:		
Charges for services	\$ 428,209	\$ 433,245
TOTAL OPERATING REVENUES	428,209	433,245
OPERATING EXPENSES:		
Personnel services	18,043	20,325
Other services and charges	209,488	212,680
Depreciation	200,754	201,716
TOTAL OPERATING EXPENSES	428,285	434,721
OPERATING INCOME (LOSS)	(76)	(1,476)
NON-OPERATING REVENUES (EXPENSES):		
Interest income	78	218
Interest expense	-	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	78	218
CHANGE IN NET ASSETS	2	(1,258)
Net assets, beginning of year	176,869	178,127
NET ASSETS, END OF YEAR	\$ 176,871	\$ 176,869

Copper Country Community Mental Health Services Board
EQUIPMENT FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2012
With comparative actual amounts for the year ended September 30, 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from charges for services	\$ 341,745	\$ 433,781
Other operating expenses	(430,711)	(327,218)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(88,966)	106,563
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	-	(179,002)
Principal payment on debt	-	-
Contributed capital	-	-
Interest payment on debt	-	-
NET CASH PROVIDED (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES	-	(179,002)
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest income	78	218
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	78	218
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(88,888)	(72,221)
Cash and cash equivalents, beginning of year	97,747	169,968
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 8,859	\$ 97,747
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (76)	\$ (1,476)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	200,754	201,716
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(5,926)	536
(Increase) decrease in prepaid expenses	-	-
(Increase) decrease in due from other funds	(80,538)	-
Increase (decrease) in accounts payable	2,549	(2,739)
Increase (decrease) in due to other funds	(205,729)	(91,474)
TOTAL ADJUSTMENTS	(88,890)	108,039
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (88,966)	\$ 106,563

Copper Country Community Mental Health Services Board
 BUILDING AND GROUNDS FUND
 STATEMENT OF NET ASSETS
 September 30, 2012

With comparative actual amounts for the year ended September 30, 2011

	2012	2011
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 122,143	\$ 91,331
Accounts receivable	-	(89)
Prepaid expenses	1,940	1,584
TOTAL CURRENT ASSETS	124,083	92,826
Capital assets:		
Land	350,338	350,338
Construction in progress	20,607	24,418
Land improvements	75,984	75,984
Buildings and building improvements	4,893,577	4,869,159
Furniture and fixtures	133,323	133,323
Accumulated depreciation	(4,178,876)	(3,971,555)
TOTAL CAPITAL ASSETS	1,294,953	1,481,667
TOTAL ASSETS	1,419,036	1,574,493
LIABILITIES:		
Current liabilities:		
Accounts payable	19,848	41,789
Due to other funds	-	-
Notes payable - current maturities	53,809	51,703
TOTAL CURRENT LIABILITIES	73,657	93,492
Long-term liabilities:		
Long-term capital advance - other funds	595,839	683,864
Notes payable	280,798	330,377
TOTAL LONG-TERM LIABILITIES	876,637	1,014,241
TOTAL LIABILITIES	950,294	1,107,733
NET ASSETS:		
Invested in capital assets, net of related debt	364,507	415,723
Unrestricted	104,235	51,037
TOTAL NET ASSETS	\$ 468,742	\$ 466,760

Copper Country Community Mental Health Services Board
BUILDING AND GROUNDS FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the year ended September 30, 2012
With comparative actual amounts for the year ended September 30, 2011

	2012	2011
OPERATING REVENUES:		
Charges for services	\$ 760,950	\$ 791,900
TOTAL OPERATING REVENUES	760,950	791,900
OPERATING EXPENSES:		
Personnel services	175,669	185,103
Other services and charges	363,092	367,906
Depreciation	207,321	235,709
TOTAL OPERATING EXPENSES	746,082	788,718
OPERATING INCOME (LOSS)	14,868	3,182
NON-OPERATING REVENUES (EXPENSES):		
Interest income	338	269
Interest expense	(13,224)	(17,823)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(12,886)	(17,554)
CHANGE IN NET ASSETS	1,982	(14,372)
Net assets, beginning of year	466,760	481,132
NET ASSETS, END OF YEAR	\$ 468,742	\$ 466,760

Copper Country Community Mental Health Services Board
BUILDINGS AND GROUNDS FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2012
With comparative actual amounts for the year ended September 30, 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from charges for services	\$ 760,861	\$ 791,989
Other operating expenses	<u>(649,083)</u>	<u>(727,933)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>111,778</u>	<u>64,056</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(20,607)	(30,813)
Proceeds from sale of assets	-	-
Proceeds on notes	-	-
Principal payments on debt	(47,473)	(53,909)
Interest payments on debt	<u>(13,224)</u>	<u>(17,823)</u>
NET CASH PROVIDED (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(81,304)</u>	<u>(102,545)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest income	<u>338</u>	<u>269</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>338</u>	<u>269</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	30,812	(38,220)
Cash and cash equivalents, beginning of year	<u>91,331</u>	<u>129,551</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 122,143</u>	<u>\$ 91,331</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	<u>\$ 14,868</u>	<u>\$ 3,182</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	207,321	235,709
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(89)	89
(Increase) decrease in due from other funds	-	-
(Increase) decrease in prepaid expenses	(356)	(1,584)
Increase (decrease) in accounts payable	(21,941)	(6,239)
Increase (decrease) in due to other funds	-	-
Increase (decrease) in deferred revenue	-	-
Increase (decrease) in long-term advance - other funds	<u>(88,025)</u>	<u>(167,101)</u>
TOTAL ADJUSTMENTS	<u>96,910</u>	<u>60,874</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 111,778</u>	<u>\$ 64,056</u>

COMPLIANCE SECTION



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**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**

Board of Health
Copper Country Community Mental Health Services Board
901 W. Memorial Drive
Houghton, MI 49931

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Copper Country Community Mental Health Services Board, as of and for the year ended September 30, 2012, which collectively comprise Copper Country Community Mental Health Services Board's basic financial statements and have issued our report thereon dated March 17, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Copper Country Community Mental Health Services Board is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Copper Country Community Mental Health Services Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Copper Country Community Mental Health Services Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Copper Country Community Mental Health Services Board's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as identified above.

Board of Health
Copper Country Community Mental Health Services Board

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Board, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

March 17, 2013

COMMUNICATIONS SECTION



ANDERSON, TACKMAN & COMPANY, PLC

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*Copper Country Community Mental Health Services Board
Communication with Those Charged with Governance
For the Year Ended September 30, 2012*

March 17, 2013

Copper Country Community Mental Health Services Board
901 W. Memorial Drive
Houghton, Michigan 49931

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Copper Country Community Mental Health Services Board for the year ended September 30, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), 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 dated February 4, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Copper Country Community Mental Health Services Board are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012. We noted no transactions entered into by the governmental unit 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 estimate(s) affecting the Authority's financial statements (were):

Management's estimate of the allowance for doubtful accounts is based on past history of accounts receivable write-offs. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of depreciation expense is based on the useful lives of assets and salvage value assigned to such assets. We evaluated the key factors and assumptions used to develop depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the accrued compensated absences is based on board policies and the employee benefit fund supplemental schedule updated and maintained by Authority staff. We evaluated the key factors and assumptions used to develop the accrued compensated absences balance in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the amount of other post employment benefits liability is based on actuarial valuations as of October 1, 2012. The actuarial assumptions utilized are outlined in Note T to the financial statements. We evaluated the key factors and assumptions used to develop the amount of the other post employment benefits liability in determining that it is reasonable in relation to the financial statements taken as a whole.

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 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, professional standards define a disagreement with management as 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.

Copper Country Community Mental Health Services Board
Houghton, Michigan 49931

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 17, 2013.

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 governmental unit’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 governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the board and management of Copper Country Community Mental Health Services Board and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Anderson, Jackman & Company, PLLC
Certified Public Accountants