

**Berrien Mental
Health Authority**

Financial Statements
September 30, 2009



Berrien Mental Health Authority
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INDEPENDENT AUDITOR'S REPORT

Berrien Mental Health Authority
Benton Harbor, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Berrien Mental Health Authority (the Authority), as of and for the year ended September 30, 2009, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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 Authority as of September 30, 2009, 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 February 1, 2010 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The other supplemental financial information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Roslund, Prestage & Company, P.C.

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

February 1, 2010

MANAGEMENT'S DISCUSSION and ANALYSIS



BERRIEN MENTAL HEALTH AUTHORITY

Management's Discussion and Analysis

For the year ended September 30, 2009

This section of the Berrien Mental Health Authority (BMHA) annual financial report presents management's discussion and analysis of financial performance for the year ended September 30, 2009. This discussion and analysis is designed to assist the reader in focusing on significant financial issues and activities, and to identify significant changes in financial position and results of operations. Please read this section in conjunction with the auditor's report and with our financial statements, notes to financial statements and supplemental information taken as a whole.

The Michigan Department of Community Health (MDCH) contracts for Medicaid specialty supports and services through designated Prepaid Inpatient Health Plans (PIHPs) in regional geographic areas. Summit Pointe (the Community Mental Health Authority of Calhoun County) is the designated Medicaid PIHP for a region consisting of Barry, Branch, Berrien, Calhoun, and Van Buren counties. BMHA is affiliated with and subcontracts for Medicaid funding through Summit Pointe, rather than directly with the state. State general fund revenue and other grants and earned contracts continue to be sourced directly from the state.

FINANCIAL HIGHLIGHTS

1. Operating results showed a surplus of \$930 thousand. (1)
2. Unrestricted net assets increased \$733 thousand or 20.1% to \$4.372 million. (2)
3. Outlay for depreciable assets decreased \$85 thousand from the prior year. There were only two (2) items purchased this year and both were in the information technology area. (3) (4)
4. A General Fund Internal Service Fund was reestablished during the year. This fund may only be used for cost overruns at State operated inpatient facilities such as the Kalamazoo Regional Psychiatric Hospital. The amount deposited into the fund was \$268 thousand. (5) (6)
5. While the ability to carry forward a maximum of five percent (5%) of General Fund Revenue continues, there were \$228 thousand surplus funds available as of September 30, 2009. The ability to carry F/Y 2008 General Fund Revenue forward into F/Y 2009 was aided by a \$50 thousand transfer of excess General Fund dollars from Genesee County. This was subsequently removed in cost settlement with the Department of Community Health for the 2008 F/Y as it added to our carry forward and was not allowable. (7)
6. General Fund appropriations in the amount of \$75 thousand were transferred from the Berrien Mental Health Authority to the Van Buren Community Mental Health Authority. Pines Behavioral Health Services (Branch County CMH) and a Venture Behavioral Health affiliate, transferred \$35 thousand of their General Fund appropriation to the Van Buren Community Mental Health Authority.
7. In F/Y 2009, the authority received a grant from the state court administrator's office to set up and fund the operation of a Mental Health Court. The amount of the grant was \$90 thousand.
8. FY '09 saw a 52.4% decrease in the utilization of State facilities. Total cost was \$515 thousand while State facility funding was \$1,049 million. Mt. Pleasant Center (a facility for the

BERRIEN MENTAL HEALTH AUTHORITY

Management's Discussion and Analysis

For the year ended September 30, 2009

developmentally disabled) closed in October 2009. The last Authority consumer was transferred from the Center in August 2009.

9. Renovations to the Niles outpatient office started during the year. Two new offices and a conference/groupe room are being added as well as updates to comply with ADA regulations. Safety and security updates are also being incorporated.
10. Plans were finalized and renovations are now underway to relocate the Crossroads Clubhouse to downtown Saint Joseph from its current location in Benton Township. Operations in the new location are expected to start on March 1, 2010.

OVERVIEW OF FINANCIAL STATEMENTS

Basic financial statements, in accordance with generally accepted accounting principles (GAAP) according to GASB 34, require the presentation of two types of financial statements. These are government-wide statements and fund statements.

Government-wide financial statements include the statement of net assets and the statement of activities. These provide both long-term and short-term information, and present a broad view of the overall financial status in a manner similar to a private sector business. Information presented in these statements is on the accrual basis of accounting. Long-term assets are capitalized and depreciated. Long-term debt is recorded as a liability. Revenues are recorded when “earned” and expenses recorded when “incurred”, without regard to the timing of cash receipts or disbursement.

The statement of net assets includes all assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of improving or deteriorating financial position. The statement of activities presents information showing how net assets changed during the year as a result of operating activity.

Fund financial statements contain individual groups of related accounts and are used to report current assets, current liabilities, fund balance, revenues and expenditures for specific activities or funds segregated for legal requirements or other governmental objectives. These are presented in more detail as compared to the government-wide statements. The fund financial statements are reported on the modified accrual basis of accounting. Only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized only to the extent that they are normally expected to be paid with current financial resources. Purchased capital assets are reported as expenditures in the year of acquisition. Issuance of debt is recorded as a financial resource with current year payment of principal and interest recorded as expenditure. Fund financial statements are essentially identical in presentation, format and content to prior year annual financial reports.

Fund financial statements are divided into two categories. These are governmental fund financial statements and proprietary fund financial statements.

Governmental fund financial statements show how the community mental health supports and services programs were financed in the short term as well as what remains for future spending.

Proprietary fund financial statements show internal service funds reserved for risk management. These funds are held as a self-funded insurance risk reserve to protect against unanticipated current and future financial exposures related to specialty supports and services at-risk contracts.

BERRIEN MENTAL HEALTH AUTHORITY

Management's Discussion and Analysis

For the year ended September 30, 2009

SUMMARY OF NET ASSETS

The following summarizes the assets, liabilities and net assets on a government-wide basis as of September 30, 2009 and 2008.

	<i>(In \$000s)</i>			
	2009	2008	<u>Incr/ (Decr)</u>	% Change
<u>Assets</u>				
Current assets	\$ 9,184	\$ 7,537	\$ 1,647	21.9%
Restricted assets	705	385	320	83.1%
Capital assets	1,102	1,209	(107)	-8.9%
Total assets	<u>10,991</u>	<u>9,131</u>	<u>1,860</u>	20.4%
<u>Liabilities</u>				
Current liabilities	4,840	3,935	905	23.0%
Noncurrent liabilities	841	817	24	2.9%
Total liabilities	<u>5,681</u>	<u>4,752</u>	<u>929</u>	19.5%
<u>Net Assets</u>				
Investment in capital assets	670	740	(70)	-9.5%
Restricted for risk management	268	-	268	100.0%
Unrestricted	4,372	3,639	733	20.1%
Total net assets	\$ 5,310	\$ 4,379	\$ 931	21.3%

Current financial position is defined as the excess of current assets over current liabilities. A positive current financial position is an indicator of financial strength and an increase in current financial position is an indicator of improving financial position.

The current financial position (excess of current assets over current liabilities) was a positive \$4.3 million, an increase of \$742 thousand over the prior year. While this is a positive increase, it is a result of higher cash but also an increase in current liabilities. (8)

Current assets consist of cash and cash equivalents, accounts receivable, amounts due from others and prepaid expenses. These are available for current operations and to pay current obligations.

Current liabilities include accounts payable, accrued payroll, related taxes, benefits, deferred revenue, amounts due to others and the current portion of long-term debt. At year-end, expenses under the state general fund risk contract were less than funds provided by \$228 thousand, and in fiscal 2008 expenses

BERRIEN MENTAL HEALTH AUTHORITY

Management's Discussion and Analysis

For the year ended September 30, 2009

were less than funds provided by \$128 thousand. This amount was recorded as deferred revenue in current liabilities to be carried forward and used in fiscal 2010.

Restricted assets consist of cash and accrued interest receivable. These assets are restricted for payment of compensated absences and risk management exposure. Restricted assets of \$705 thousand have increased \$320 thousand from the prior year. (9)

Assets restricted for risk management are related to the risk obligations of the state general fund (formula funds) risk contract. The risk reserve fund of \$268 thousand at September 30, 2009, can only be used for cost overruns at State hospitals.

Capital assets consist of property and equipment having an estimated useful life of more than one year. These assets are stated at their original book value, net of accumulated depreciation.

In fiscal 2009, \$17 thousand was expended for capital acquisitions. Depreciation expense was \$124 thousand. The net change in capital assets was a decrease of \$107 thousand for the year. (10)

As of year-end, the net book value of capital assets was 35% of the original book value, compared to 38% at the end of the prior year. This percentage is a measure of the relative age of property and equipment. If the percentage is low, it means that property and equipment is relatively old.

Non-current liabilities consist of the liability for compensated absences that includes vested vacation and sick pay obligations, and the long term portion of the mortgages on the Niles office building and Scottdale House. (11)

Restricted net assets include investment in capital assets, net of related debt and restricted cash for cost overruns at state facilities. This was discussed on page I. (12)

Unrestricted net assets at the end of the year were \$4,372 million, an increase of \$733 thousand or 20.1% over the prior year. Unrestricted net assets were 39.8% of total assets, down from 39.9% at the end of the prior year. (13)

BERRIEN MENTAL HEALTH AUTHORITY

Management's Discussion and Analysis

For the year ended September 30, 2009

SUMMARY OF ACTIVITIES

The following summarizes the revenues, expenses and change in net assets on a government-wide basis for the years ended September 30, 2009 and 2008.

For the years ended September 30, 2009 and 2008

(In \$000s)

	<u>2009</u>	<u>2008</u>	<u>Incr/(Decr)</u>	<u>% Change</u>
<u>REVENUE</u>				
Medicaid specialty supports and services	\$ 22,348	\$ 22,654	\$ (306)	-1.4%
State general fund priority populations	4,429	4,686	(257)	-5.5%
Adult benefit waiver program	546	560	(14)	-2.5%
MI Child	42	20	22	110.0%
Program service revenue	949	917	32	3.5%
Grants and earned contracts	712	1,058	(346)	-32.7%
County appropriation	500	500	-	0.0%
Interest income	72	160	(88)	-55.0%
Other local income	5	21	(16)	-76.2%
TOTAL REVENUE	<u>29,603</u>	<u>30,576</u>	<u>(973)</u>	-3.2%
<u>EXPENSE</u>				
Contractual providers	16,086	17,507	(1,421)	-8.1%
Program operations	9,352	9,233	119	1.3%
Managed care administration	627	655	(28)	-4.3%
General & Board administration	2,098	2,074	24	1.2%
Local funds contributed to State	385	385	-	0.0%
Depreciation	124	138	(14)	-10.1%
TOTAL EXPENSE	<u>28,672</u>	<u>29,992</u>	<u>(1,320)</u>	-4.4%
NET (EXPENSE) OVER REVENUE	931	584	347	59.4%
NET CHANGE IN UNRESTRICTED FUNDS	<u>\$ 931</u>	<u>\$ 584</u>	<u>\$ 347</u>	59.4%

Excess of Revenue over Expense from activities for the current year was \$931 thousand or 3.1% of revenue. This is an increase of \$347 thousand or 59.4% from the prior year revenue of \$584 thousand. General Fund Carry forward amounted to \$228 thousand being removed from revenue in the current year and set up as deferred revenue in the liability section of the Statement of Net Assets. (14)

Revenue for the year was \$29.6 million, a decrease of \$973 thousand or 3.2% over the prior year.

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Management's Discussion and Analysis

For the year ended September 30, 2009

Medicaid specialty supports and services revenue of \$22.3 million represents 75.5% of total revenue and decreased \$306 thousand or 1.4% compared to the prior year. This Medicaid subcontract is on a net cost not to exceed basis. There were unspent Medicaid subcontract funds at the end of fiscal 2009 resulting in a payback to the PIHP. (15)

State general fund priority population revenue (formula funding) and (categorical) of \$4.4 million represents 15.0% of total revenue and decreased \$257 thousand or 5.5% compared to the prior year. This funding is established by MDCH as a part of the legislative appropriation process under the Michigan Mental Health Code and is used to provide supports and services to indigent priority populations, including state facility utilization and other allowable expenses. There were funds carried forward into fiscal 2009 from fiscal 2008. There was no lapse of state general funds to MDCH in the current year. There is a carry forward of General Fund monies in the amount of \$228 thousand into fiscal 2010. (16)

Program service revenue of \$949 thousand includes charges for services for consumers not covered by Medicaid risk contracts or state general fund revenue sources. This represents 3.2% of total revenue and has increased \$32 thousand or 3.5% over the prior year. This revenue is becoming a significant source of local funds to meet match fund requirements and contribute to increased unrestricted fund balance.

Grants and earned contract revenue of \$712 thousand includes revenue sources for which the use of funds is restricted to a specific purpose. These represent 2.4% of total revenue and have decreased \$346 thousand or 32.7% from the prior year. Grants that ended during the fiscal year were: SAMHSA; Homelessness; and Child Care Expulsion Programme. Grants or earned contracts that operated in fiscal year 2008 but not in 2009 were: Health Integration and Brief Strategic Family Therapy.

County appropriation revenue, interest income and other local income totaling \$577 thousand is available to meet state matching fund requirements. These revenue sources constitute 1.9% of revenue and have decreased \$104 thousand or 15.3% from the prior year. The county appropriation was unchanged at \$500 thousand, this being set by the Authority Agreement in 1998. The decrease in this funding stream is attributable to lower interest rates than we saw in the prior fiscal year.

Total expense of \$28.672 million decreased \$1.320 million or 4.4% compared to the prior year. Personnel expense of \$8.7 million is 30.2% of total expense and has decreased \$392 thousand or 4.7%. Operating expense of \$19.8 million is 69.1% of total expense and has decreased \$1.731 million or 8.0%. The decrease in operating expense was a direct result of decreases in external health care and contractual expenses of \$1.720 million or 9.2% from the prior year. (17)

BUDGET

The fiscal 2009 budget saw an increase in Medicaid funding from Summit Pointe (PIHP) as a result of "rebasings" Medicaid costs and encounters. The General Fund contract from the Michigan Department of Community Health has been amended twice to cover a four (4) year period from 10/1/05 through 9/30/09.

BERRIEN MENTAL HEALTH AUTHORITY

Management's Discussion and Analysis

For the year ended September 30, 2009

MDCH AUDIT

On December 5, 2005, MDCH began their audit of fiscal year 2004. Field work was completed April 13, 2006. The total payback proposed is \$16,000. This was related to the way depreciation was calculated on capital purchases. The Authority will recover all of this payback in future years through depreciation expense. While the preliminary results of this audit were known at the end of fiscal 2006, final results were received in January 2008. As of February 2010, the issue has not been closed.

FUTURE OUTLOOK

The state of Michigan is struggling to balance huge budget deficits. Federal deficits are placing additional pressures on Medicaid funding. Current discussions relative to an economic stimulus package include possible increased Medicaid funding especially to distressed states. The effect of these on future funding for community mental health specialty supports and services is unknown, but the outlook does not look favorable.

Management is optimistic that Medicaid revenue will increase in fiscal 2010 as the MDCH has rebased the Medicaid rates. Currently Venture is very low in Medicaid funding rates compared to other PIHP's. While new rates have been published and with the potential for significant increases to the PIHP; CMS, as of February 2010, has yet to approve the new rates for Michigan. The expected increase to the BMHA is four to five million dollars.

A major source of funding is the Adult Benefit Waiver (ABW). During fiscal 2009 this program supplied \$546 thousand of revenue. However this programme expired in December of 2009. It has been learned that this programme will continue under Title XIX (Medicaid). However, instead of funds coming directly to the BMHA, they will flow through the PIHP and we will lose the ability to treat any excess funds as local match. The Department of Community Health reduced our General Fund revenue when ABW was initiated in order to come up with "match" dollars to leverage ABW funds from the Federal Government.

While the financial position of BMHA is currently fair, balancing the priorities and budgets will become increasingly more difficult.

GASB Statement No. 45

Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, was approved by the GASB in June of 2005. Other post-employment benefits are defined as post-employment benefits other than pensions that employees earn during their years of service but that they will not receive until after they stop working. They include all post-employment healthcare benefits and any other type of benefits that are provided separately from a pension plan.

BERRIEN MENTAL HEALTH AUTHORITY

Management's Discussion and Analysis

For the year ended September 30, 2009

The basic idea of GASB 45 is that other post-employment benefits are earned and should be recognized when the employee provides services, just like wages and compensated absences. Under the County Pension Plan, post retirement health insurance is not considered an "earned benefit." Per section 21.2 of the plan: "The County reserves the right to modify or discontinue health benefits or County subsidies at any time and the right to modify eligibility requirements at any time." For the calendar year 2009, the BMHA contribution to post retirement healthcare benefits was 5.04% of payroll. For the calendar year 2010, the BMHA contribution rate will be 3.90% of payroll. This represents a 22.6% decrease in the contribution rate.

In a revised report from the pension plan actuaries, Gabriel Roeder Smith & Company, dated May 18, 2009, the BMHA is underfunded for the provision of post retirement health benefits by \$1.493 million. The liability decreased \$712 thousand or 32.3% from the previous report. This unfunded amount will be amortized over a 30 year period

The Authority implemented this new standard for the fiscal year ending September 30, 2009.

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As always, questions, comments and suggestions are welcomed from interested parties and the general public. These can be directed to management.

BERRIEN MENTAL HEALTH AUTHORITY
Management's Discussion and Analysis
For the year ended September 30, 2009

REFERENCE NOTES

1. Reference to Statement of Activities – “Change in Net Assets” Page 2
2. Reference to Net Assets section of the Statement of Net Assets, Page 1. and Comparative Data section on Page 12 of the Notes to Financial Statements.
3. Reference to Expenditures section of the Statement of Revenues, Expenditures and Changes in Fund Balances, Page 6.
4. Reference to schedule of change in Authority's capital assets, Page 17
5. Reference to Statement of Net Assets, - Net Assets – “Restricted for risk management.” Page 1.
6. Reference to Statement of Net Assets – Proprietary Funds, Page 8.
7. Reference to Statement of Net Assets – Liabilities – “Deferred revenue.” Page 1
8. Reference to Total Current Assets and Total Current Liabilities sections of the Statement of Net Assets, Page 1.
9. Reference to Non-current Assets section of the Statement of Net Assets, Page 1.
10. Reference to Expenditures section of the Statement of Revenues, Expenditures and Changes in Fund Balances, Page 6. Also reference Summary of Activities - Expense section on the Management's Discussion and Analysis, Page V. and Page 17 – Notes to Financial Statements.
11. Reference Liabilities section of the Statement of Net Assets, Page 1. Also Page 18 – Notes to Financial Statements.
12. Reference Net Assets section of the Statement of Net Assets, Page 1.
13. Reference Net Assets section of the Statement of Net Assets, Page 1.
14. Summary of Net Assets – “Current Liabilities” on Page III of the Management's Discussion and Analysis
15. References the Statement of Activities in the audit report on Page 2. Total Revenue of \$30.576 million references three figures from Page 2: Charges for Services, Operating Grants and Contributions, and General Revenues.
16. Reference is to Revenue section of the Summary of Activities on Page V of the M D & A.
17. Reference is to Pages 24 & 25 of the audit report – “Supporting Schedules.”

**BASIC FINANCIAL STATEMENTS -
GOVERNMENT WIDE FINANCIAL STATEMENTS**



Berrien Mental Health Authority
Statement of Net Assets
September 30, 2009 and 2008

	Governmental Activities	
	2009	2008
Assets		
Current assets		
Cash and investments	\$ 8,495,623	\$ 6,155,965
Accounts receivable, net	320,320	348,773
Due from other governmental units	74,480	650,551
Prepaid items	293,798	381,946
Total current assets	<u>9,184,221</u>	<u>7,537,235</u>
Noncurrent assets		
Cash and cash equivalents - restricted	705,110	385,278
Capital assets - land	128,000	128,000
Capital assets - depreciable, net	973,692	1,080,928
Total noncurrent assets	<u>1,806,802</u>	<u>1,594,206</u>
Total assets	<u>10,991,023</u>	<u>9,131,441</u>
Liabilities		
Current liabilities		
Accounts payable	2,790,214	3,106,523
Accrued wages and other payroll liabilities	351,872	321,117
Deferred revenue	228,306	252,633
Due to other governmental units	1,441,993	218,056
Notes payable - current portion	28,113	37,329
Total current liabilities	<u>4,840,498</u>	<u>3,935,658</u>
Noncurrent liabilities		
Note payable - long-term portion	403,981	431,615
Compensated absences	437,207	385,278
Total noncurrent liabilities	<u>841,188</u>	<u>816,893</u>
Total liabilities	<u>5,681,686</u>	<u>4,752,551</u>
Net Assets		
Invested in capital assets, net of related debt	669,598	739,984
Restricted for risk management	267,903	-
Unrestricted	4,371,836	3,638,906
Total net assets	<u>\$ 5,309,337</u>	<u>\$ 4,378,890</u>

Berrien Mental Health Authority
Statement of Activities
For the Year Ended September 30, 2009, With Comparative Data

Functions	<u>Program Revenues</u>			Net (Expense) Revenue and Changes Net Assets	<u>2008</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		
Governmental activities					
Health & Welfare - Mental Health	<u>\$ 28,672,445</u>	<u>\$ 23,297,111</u>	<u>\$ 6,229,296</u>	\$ 853,962	\$ 419,335
General revenues					
Unrestricted investment earnings				71,500	159,885
Miscellaneous revenues				<u>4,985</u>	<u>4,677</u>
Total general revenues				<u>76,485</u>	<u>164,562</u>
Change in net assets				930,447	583,897
Net assets - beginning of year				<u>4,378,890</u>	<u>3,794,993</u>
Net assets - end of year				<u>\$ 5,309,337</u>	<u>\$ 4,378,890</u>

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

FUND FINANCIAL STATEMENTS



Berrien Mental Health Authority
Balance Sheet
Governmental Funds
September 30, 2009 and 2008

	General Fund	
	2009	2008
Assets		
Cash and investments	\$ 8,495,623	\$ 6,155,965
Accounts receivable, net	320,320	348,773
Due from other governmental units	74,480	650,551
Prepaid items	293,798	381,946
Cash and cash equivalents - restricted	705,110	385,278
Total Assets	\$ 9,889,331	\$ 7,922,513
Liabilities		
Accounts payable	\$ 2,790,214	\$ 3,106,523
Accrued wages and other payroll liabilities	351,872	321,117
Deferred revenue	228,306	252,633
Due to other governmental units	1,441,993	218,056
Due to other funds	267,903	-
Total liabilities	5,080,288	3,898,329
Fund balances		
Reserved for prepaid items	293,798	381,946
Reserved for compensated absences	705,110	385,278
Unreserved	3,810,135	3,256,960
Total fund balances	4,809,043	4,024,184
Total liabilities and fund balances	\$ 9,889,331	\$ 7,922,513

Berrien Mental Health Authority
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
to Net Assets of Governmental Activities on the Statement of Net Assets
For the Year Ended September 30, 2009

Total fund balance - governmental funds	\$ 4,809,043
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add: capital assets	3,183,221
Deduct: accumulated depreciation	(2,081,529)
An internal service fund is used by management to cover the risk of overspending the Managed Care Specialty Services Program contract. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	
Add: net assets of governmental activities accounted for in the internal service fund.	267,903
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Deduct: notes payable	(432,094)
Deduct: compensated absences	(437,207)
Net assets of governmental activities	<u>\$ 5,309,337</u>

Berrien Mental Health Authority
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Years Ended September 30, 2009 and 2008

Revenues	General Fund	
	2009	2008
State grants		
Department of Community Health contract general fund formula and categorical	\$ 4,429,118	\$ 4,685,852
Adult Benefit Waiver	546,088	559,638
MI Child Capitation	42,558	19,622
Other State grants	137,704	140,027
Total State grants	5,155,468	5,405,139
Federal grants	573,828	618,929
Contributions - local units		
County appropriations	500,000	500,000
Charges for services		
Medicaid - Venture contract	22,347,782	22,654,204
Client and third party pay	834,358	917,597
Other contract revenue	114,971	315,993
Total charges for services	23,297,111	23,887,794
Interest and rents		
Interest	71,500	159,885
Other revenue		
United way	-	2,904
Miscellaneous	4,985	1,773
Total other revenue	4,985	4,677
Total revenues	29,602,892	30,576,424

Berrien Mental Health Authority
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Years Ended September 30, 2009 and 2008

	General Fund	
	2009	2008
Expenditures		
Health & Welfare - Mental Health		
Personnel costs	\$ 8,661,707	\$ 8,269,266
Operating expenditures	19,813,840	21,544,943
Capital outlay	16,750	102,111
Debt service		
Principal	36,850	87,750
Interest	20,983	23,283
	<u>28,550,130</u>	<u>30,027,353</u>
Excess of revenues over expenditures	1,052,762	549,071
Other financing sources (uses)		
Transfers in (out)	<u>(267,903)</u>	<u>-</u>
Excess of revenues and other sources over expenditures and other uses	784,859	549,071
Fund balance, beginning of year	<u>4,024,184</u>	<u>3,475,113</u>
Fund balance, end of year	<u><u>\$ 4,809,043</u></u>	<u><u>\$ 4,024,184</u></u>

Berrien Mental Health Authority
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2009

Net change in fund balances - total governmental funds	\$ 1,052,762
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Add: capital outlay	16,750
Deduct: depreciation expense	(123,986)
Payment of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt).	
Add: principal payments on long term debt	36,850
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Deduct: increase in accrual for compensated absences	<u>(51,929)</u>
Change in net assets of governmental activities	<u><u>\$ 930,447</u></u>

Berrien Mental Health Authority
Statement of Net Assets
Proprietary Funds
September 30, 2009 and 2008

	<u>Internal Service Fund</u>	
	<u>2009</u>	<u>2008</u>
Assets		
Due from other funds	<u>\$ 267,903</u>	<u>\$ -</u>
Liabilities		
Due to other funds	<u>-</u>	<u>-</u>
Net assets		
Restricted	<u>\$ 267,903</u>	<u>\$ -</u>

Berrien Mental Health Authority
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Years Ended September 30, 2009 and 2008

	Internal Service Fund	
	2009	2008
Operating transfers		
Operating transfers in - general fund	267,903	-
Change in net assets	267,903	-
Net assets, beginning of year	-	-
Net assets, end of year	\$ 267,903	\$ -

Berrien Mental Health Authority
Statement of Cash Flows
Proprietary Funds
For the Years Ended September 30, 2009 and 2008

	Internal Service Fund	
	2009	2008
Cash flows from noncapital financing activities		
Internal activity - operating transfers in	\$ -	\$ -
Net cash provided by operating activities	-	-
Net increase in cash	-	-
Cash and cash equivalents, beginning of year	-	-
Cash and cash equivalents, end of year	\$ -	\$ -
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating transfers in - general fund	\$ 267,903	\$ -
Change in assets and liabilities:		
Due from other funds	(267,903)	-
Cash flows from operating activities	\$ -	\$ -

NOTES TO THE FINANCIAL STATEMENTS



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Berrien Mental Health Authority (the Authority) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the Authority.

Reporting Entity

The Authority operates as a Community Mental Health Authority under the provisions of Act 258 - Public Acts of 1974, as amended. The Authority provides funding for services in the areas of mental illness, developmental disabilities, and other related mental health needs for residents of Berrien County.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Authority's reporting entity, and which organizations are legally separate, component units of the Authority. Based on the application of the criteria, the Authority does not contain any component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Authority. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to consumers who purchase, use or directly benefit from services provided by a given function. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than as program revenues.

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements - The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Proprietary Fund Financial Statements – The financial statements of the proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the internal service fund are charges to other funds for insurance services. Operating expenses for internal service funds include the cost of claims, administration and reinsurance. Any revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Authority reports the following major governmental and proprietary funds:

Governmental Funds

General Fund – This fund is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in other funds.

Proprietary Funds

Internal Service Fund - This fund represents amounts set aside to fund the net uninsured exposure of potential shortfalls of contract revenues.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Comparative Data

Comparative total data for the prior year has been presented in order to provide an understanding of the changes in financial position and operations. Also, certain amounts presented in the prior year may have been reclassified in order to be consistent with the current year's presentation.

Budgetary Data

The Authority adopts an annual budget for the general fund. The budget is adopted and prepared on the modified accrual basis of accounting. The budget is adopted at the function level. The budgeted revenues and expenditures for governmental fund types, as presented in this report, include any authorized amendments to the original budget as adopted.

Cash and Cash Equivalents

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

Restricted Cash Equivalents

Cash has been restricted for the amount that the Authority has charged to the Department of Community Health the vested portion of compensated absences as of September 30. The Authority holds a separate deposit account for payment of the compensated absences liability. Also, cash has been restricted for amounts accounted for in the internal service fund.

Receivables

Accounts receivable in all funds report amounts that have arisen in the ordinary course of business and are stated net of allowances for uncollectible amounts.

Due from other governmental entities consist primarily of amounts due from the Michigan Department of Community Health.

Receivables and Payables between Funds

Activity between funds that is representative of lending / borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to / from other funds" (i.e. the current portion of interfund loans) or "advances to / from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to / from other funds". Any residual balances outstanding between the governmental activities are reported in the government-wide financial statements as "internal balances".

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Inventories

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

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as individual assets with an initial cost equal to or more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

The Authority does not have infrastructure type assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction of capital assets is not capitalized. No interest expense was incurred during the current year on construction of capital assets.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements and proprietary fund financial statements.

Capital assets of the Authority are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Land	N/A
Buildings and Improvements	15 - 25
Furniture, Fixtures and Equipment	5
Vehicles	4
Capital Lease Obligations	3

Inpatient / Residential Cost Liability

The amount recorded for inpatient / residential liability is based on management's estimate. This estimate is based on 1) the number of clients at each facility, 2) the number of days each client is at each facility, and 3) the daily rate charged for each facility.

The Authority does not receive actual billings for these services until several months after the service date. Therefore, the liability is not liquidated within the normal 60 day period after year end. Also, the actual cost may vary from the estimated due to reimbursements from third party payors that are applied to the total cost before the billings are sent to the Authority. This liability is included in accounts payable and due to other governmental units.

Deferred Revenue

Deferred revenues arise when resources are received by the Authority before it has a legal claim to them. In subsequent periods, when the revenue recognition criterion is met, or when the Authority has a legal claim to the resources, the liability for deferred revenue is removed from the fund financial statements and government-wide financial statements, and revenue is recognized.

Net Assets and Fund Balances

Restricted net assets shown in the government-wide financial statements will generally be different from amounts reported as reserved/designated fund balances in the governmental fund financial statements. This occurs because of differences in the measurement focus and basis of accounting used in the government-wide and fund financial statements and because of the use of funds to imply that restrictions exist.

Fund Balances - Reserves and Designations

Fund balances in the governmental fund financial statements are reported as reserved when a portion of fund balance is either:

- Not available for appropriation for expenditure, or
- Legally segregated for a specific future use.

Fund balances in the governmental fund financial statements may be reported as designated to reflect management's self-imposed limitations on the use of otherwise available financial resources. Designations represent management's intended use of resources and should reflect actual plans approved by them.

Net Assets - Restrictions

Net assets in the government-wide financial statements are reported as restricted when constraints placed on net assets use is either:

- Externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or
- Imposed by law through constitutional provisions or enabling legislation.

MDCH Revenue

General Fund Revenue

The Authority provides mental health services on behalf of the Michigan Department of Community Health (MDCH). Currently, the Authority contracts directly with the MDCH for General Fund revenues to support the services provided for priority population residing in Berrien County.

Medicaid Revenue

Also, the Authority contracts to receive Medicaid revenue through Summit Pointe for Medicaid-qualified services rendered to residents of Berrien County. Summit Pointe contracts with the MDCH to administer these Medicaid funds.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted at the function level and on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year end. The Authority does not maintain a formalized encumbrance accounting system. The budgeted revenues and expenditures, as presented in this report, include any authorized amendments to the original budget as adopted.

Excess of Expenditures over Appropriations (Budgets)

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

Budget to actual comparisons are shown at the back of this report.

NOTE 3 - DETAIL NOTES

Cash and Investments

At September 30, the carrying amount of the Authority's cash and investments was as follows:

	2009	2008
Petty cash	\$795	\$895
Cash and cash equivalents	12,932	6,155,070
Cash and cash equivalents - restricted	705,110	385,278
Investments	8,481,896	-
Totals	\$9,200,733	\$6,541,243

Berrien Mental Health Authority
Notes to Financial Statements

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits might not be recovered. At September 30, 2009, the carrying amount of the Authority's deposits was \$718,042, and the bank balance was \$670,555. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. Deposits which exceed FDIC insurance coverage limits are held at local banks. The Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Authority evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

A reconciliation of deposits as shown above follows:

	2009	2008
Cash and cash equivalents – current assets	\$12,932	\$6,155,070
Cash and cash equivalents – restricted assets	705,110	385,278
Totals	\$718,042	\$6,540,348

Investments

State statutes authorize the Authority to invest in obligations and certain repurchase agreements of the United States Treasury and related governmental agencies, commercial paper, banker's acceptances of the United States banks, obligations of the State of Michigan or any of its political subdivisions, and mutual funds composed entirely of the above investments.

The Authority's investment policy complies with the State statutes and has no additional investment policies that would limit its investment choices.

As of September 30, the Authority had the following investments:

	Fair Value	Weighted average maturity (in years)	%
Repurchase Agreement - Chemical Bank Sweep	\$8,481,896	.0027	100%
1 day maturity equals approximately .0027 years.			

Interest Rate Risk – Investments

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

Custodial Credit Risk – Investments

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

Berrien Mental Health Authority
Notes to Financial Statements

Credit Risk

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

Concentration of Credit Risk

The Authority places no limit on the amount it may invest in any one issuer.

Due from Other Governmental Units

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

	2009	2008
Department of Community Health – OBRA	\$31,596	\$61,015
Department of Community Health – PATH Grant	20,506	12,856
Department of Community Health – Child Consultation	-	16,279
Department of Community Health – MI Child	22,378	-
Other Governmental Units	-	20,676
Summit Pointe	-	539,725
Totals	\$74,480	\$650,551

Changes in Capital Assets

A summary of changes in the Authority's capital assets is as follows:

Assets	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$128,000	\$-	\$-	\$128,000
Buildings and Improvements	811,593	-	-	811,593
Furniture, Fixtures and Equipment	2,066,770	16,750	-	2,083,520
Vehicles	160,108	-	-	160,108
Sub-totals	3,166,471	16,750	-	3,183,221
Accumulated Depreciation				
Buildings and Improvements	(72,295)	(40,978)	-	(113,273)
Furniture, Fixtures and Equipment	(1,753,087)	(70,214)	-	(1,823,301)
Vehicles	(132,161)	(12,794)	-	(144,955)
Sub-totals	(1,957,543)	(123,986)	-	(2,081,529)
Totals	\$1,208,928	(\$107,236)	\$-	\$1,101,692

Depreciation expense was charged to the Health & Welfare – Mental Health Program.

Due to Other Governmental Units

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

	2009	2008
Department of Community Health	\$296,855	\$218,056
Summit Pointe	1,145,138	-
Totals	\$1,441,993	\$218,056

Accrued Wages and Other Payroll Liabilities

This liability represents amounts paid to employees during October that was earned during September. Also included are employer payroll taxes.

Deferred Revenue

The amount reported as deferred revenue includes amounts received from the State of Michigan that are to be recognized as revenue in the 2010 year.

Long Term Liabilities – Compensated Absences

Authority policy allows full time employees to accumulate vacation time at various rates, depending on the employee’s length of service with the Authority. As of September 30, 2009 and 2008, this liability was \$437,207 and \$385,278, respectively.

Long –Term Liabilities – Loans

Telephone System Loan

During the 2004 fiscal year, the Authority entered into a loan agreement for the purchase of a telephone system. Payments are due monthly in the amount of \$5,165, including interest at the rate of 2.99% per annum. As of September 30, 2009 and 2008, the balance of this loan was \$0 and \$15,101, respectively.

Real Estate Loan

During the 2005 fiscal year, the Authority entered into a loan agreement for the purchase of real estate. Payments are due monthly in the amount of \$1,111, including interest at a rate of 3.83% per annum. As of September 30, 2009 and 2008, the balance of this loan was \$116,823 and \$124,148, respectively. The Authority pledged the real property purchased with this loan as collateral.

Real Estate Loan

During the 2007 fiscal year, the Authority entered into a loan agreement for the purchase of real estate. Payments are due monthly in the amount of \$2,860, including interest at a rate of 4.99% per annum. As of September 30, 2009 and 2008, the balance of this loan was \$315,271 and \$329,695, respectively. The Authority pledged the real property purchased with this loan as collateral.

See the schedule of long-term debt in the back of this report.

Berrien Mental Health Authority
Notes to Financial Statements

During the year, the following changes occurred in long-term liabilities:

Liability	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated Absences	\$385,278	\$51,929	\$-	\$437,207	\$-
Telephone System Loan	15,101	-	(15,101)	-	-
Real Estate Loans	453,843	-	(21,749)	432,094	28,113
Totals	\$854,222	\$51,929	(\$36,850)	\$869,301	\$28,113

Operating Leases

The Authority has entered into various operating leases for the use of real property and vehicles. Operating leases do not give rise to property rights or lease obligations, and therefore, are not capitalized.

The following is a schedule of future minimum rental payments required under the operating leases that have initial or remaining noncancelable lease terms as of September 30, 2009:

YEAR ENDING SEPTEMBER 30,	AMOUNT
2010	\$393,275
2011	371,770
2012	332,270
2013	\$332,270

Retirement Systems

401(a) Money Purchase Plan

Plan Description

Effective January 1, 1998, the Authority was registered as a new governmental entity due to Authority Status. Accordingly, the employees of the Authority voted to join a 401(a) Money Purchase Plan instead of participating in the Social Security system.

Funding Policy

Full time employees contribute a mandatory 6.2% of their wages to this plan. Employer contributions for the years ended September 30, 2009 and 2008 were 4.9% of employee wages.

Pension Plan

Plan Description

Substantially all employees of the Authority are covered by the Berrien County Employees Amended Retirement Plan (the "Plan"). The Plan provides retirement, disability and death benefits to members and their beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to Gabriel, Roeder, Smith & Company, One Towne Square, Suite 800, Southfield, Michigan 48076.

The most recent period for which actuarial data was available was for the year ended December 31, 2008. The Authority's payroll for employees covered by the Plan for the 2008 and 2007 years was \$5,991,100 and \$6,031,144, respectively.

Funding Policy

All Authority employees who work more than 1,000 hours per year are eligible to participate in the plan. Members who retire at or after age 60 with 5 years of service are entitled to a retirement benefit, payable monthly for life, equal to 1.7% of their final 5-year average earnings, as defined, for each year of credited service.

Vested employees may retire on or after age 55 with 5 years of service, or after 25 years of service regardless of age, and receive reduced retirement benefits. The plan also provides death and disability benefits.

Covered employees are required to contribute 4.5% of their salary to the plan. The Authority contributes a percentage of payroll calculated and recommended each year by the plan's actuary. For the years ended September 30, 2009, 2008 and 2007 the Authority contributed \$191,436, \$132,355 and \$119,314 respectively, to this retirement plan.

The actuarial accrued liability at December 31, 2008 (the date of the most recent available information) for the plan as a whole, determined through an actuarial valuation performed as of that date, was \$146.5 million. The plan's valuation assets at December 31, 2008 were \$129.7 million resulting in funding below actuarial accrued liability of \$16.8 million. Valuation assets, determined by the actuary, are equal to reported fair value assets, adjusted for amortization of actuarial gains and losses.

For Berrien Mental Health Authority, the actuarial accrued liability at December 31, 2008, determined through an actuarial valuation performed as of that date, was \$12.4 million. The plan's valuation assets allocated to the Authority at December 31, 2008 were \$15.9 million resulting in funding in excess of the actuarial accrued liability of \$3.5 million.

Historical trend information showing the plan's progress in accumulating sufficient assets to pay benefits when due, and other information regarding the plan, is presented in the financial statements of the County of Berrien, Michigan for the year ended December 31, 2008.

In addition to pension benefits, employees of the Authority who retire under provisions of the plan may elect to continue their hospitalization and health care insurance coverage, provided they pay fifty percent of the actual cost of premiums.

Net Other Post-Employment Benefit Obligations

In fiscal year 2009, the Authority implemented GASB Statement No. 45 "*Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions*". This pronouncement requires the Authority to calculate and recognize a net other post-employment benefit obligation (NOPEBO) at year end. The NOPEBO is, in general, the cumulative difference between the actuarial required contribution and the actual contributions since October 1, 2008. The Authority has made all required contributions. Therefore, the NOPEBO is zero as of year-end.

Compliance Audits

The Authority participates in various federal, state, and local grants for mental health and substance abuse programs. Certain provisions and allowable levels of participation and expenditures not qualifying for participation are subject to interpretation and adjustment by appropriate governmental agencies. State grants are subject to audit by responsible state agencies. Although these audits may result in some changes, they are not expected to have a material effect on the financial statements.

Risk Management

Michigan Municipal Risk Management Authority

The Authority participated in the public entity risk pool – Michigan Municipal Risk Management Authority (MMRMA) for auto and general liability, property and crime and vehicle physical damage coverage.

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

As a member of this pool, the Authority is responsible for paying all losses, including damages, loss adjustment expenses and defense costs, for each occurrence that falls within the member's self-insured retention. If a covered loss exceeds MMRMA's limits, all further payments for such loss are the sole obligation of the Authority. If for any reason, the MMRMA's resources available to pay losses are depleted, the payment of all unpaid losses of the Authority is the sole obligation of the Authority.

The Authority's coverage limits are \$15,000,000 for liability, \$1,500,000 for vehicle physical damage, and between \$10,000 and \$50,000,000 for property and crime. The premium charged to the Authority by MMRMA was \$121,295 for the period July 1, 2008 to July 1, 2009.

Risk Management – Internal Service Fund

During the September 30, 2009 fiscal year, the Authority authorized the establishment of an Internal Service Fund. This fund is used to cover the risk of overspending the Managed Care Specialty Services Program (MCSSP) contract. This contract provides for the use of Department of Community Health funding for the establishment of an Internal Service Fund, which is restricted to meet the expected future risk corridor requirements of the contract. Expenditures from the Internal Service Fund will occur when, in any one fiscal year, the Authority finds it necessary to expend more to provide services at State facilities necessary to carry out the MCSSP contract requirements than revenue provided to the Authority by the contract for those services.

REQUIRED SUPPLEMENTAL INFORMATION



Berrien Mental Health Authority
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
General Fund
For The Year Ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Between Actual and Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
State grants				
Department of Community Health contract general fund formula and categorical	\$ 4,750,180	\$ 4,333,485	\$ 4,429,118	\$ 95,633
Adult Benefit Waiver	550,000	546,000	546,088	88
MI Child Capitation	19,228	20,180	42,558	22,378
Other State grants	115,520	120,209	137,704	17,495
Total State grants	<u>5,434,928</u>	<u>5,019,874</u>	<u>5,155,468</u>	<u>135,594</u>
Federal grants	<u>574,305</u>	<u>590,472</u>	<u>573,828</u>	<u>(16,644)</u>
Contributions - local units				
County appropriations	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>-</u>
Charges for services				
Medicaid - Venture contract	22,126,425	22,420,778	22,347,782	(72,996)
Client and third party pay	1,190,021	771,393	834,358	62,965
Other contract revenue	226,533	204,495	114,971	(89,524)
Total charges for services	<u>23,542,979</u>	<u>23,396,666</u>	<u>23,297,111</u>	<u>(99,555)</u>
Interest and rents				
Interest	<u>95,000</u>	<u>47,557</u>	<u>71,500</u>	<u>23,943</u>
Other revenue				
Miscellaneous	18,525	19,795	4,985	(14,810)
Total other revenue	<u>18,525</u>	<u>19,795</u>	<u>4,985</u>	<u>(14,810)</u>
Total revenues	30,165,737	29,574,364	29,602,892	28,528

Berrien Mental Health Authority
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
General Fund
For The Year Ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Between Actual and Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Health & Welfare - Mental Health				
Personnel costs	\$ 8,971,265	\$ 8,649,063	\$ 8,661,707	\$ (12,644)
Operating expenditures	<u>20,873,490</u>	<u>20,267,521</u>	<u>19,888,423</u>	<u>379,098</u>
Total expenditures	<u>29,844,755</u>	<u>28,916,584</u>	<u>28,550,130</u>	<u>366,454</u>
Excess of revenues over expenditures	320,982	657,780	1,052,762	394,982
Other financing sources (uses)				
Transfers in (out)	<u>-</u>	<u>-</u>	<u>(267,903)</u>	<u>(267,903)</u>
Excess of revenues and other sources over expenditures and other uses	320,982	657,780	784,859	127,079
Fund balance, beginning of year	<u>4,024,184</u>	<u>4,024,184</u>	<u>4,024,184</u>	<u>-</u>
Fund balance, end of year	<u>\$ 4,345,166</u>	<u>\$ 4,681,964</u>	<u>\$ 4,809,043</u>	<u>\$ 127,079</u>

OTHER SUPPLEMENTAL INFORMATION



Berrien Mental Health Authority
Supporting Schedule of Personnel Costs
For the Years Ending September 30, 2009 and 2008

	<u>General Fund</u>	
	<u>2009</u>	<u>2008</u>
Personnel costs		
Salaries and wages	\$ 6,674,576	\$ 6,469,618
Fringe benefits	<u>1,987,131</u>	<u>1,799,648</u>
 Total personnel costs	 <u><u>\$ 8,661,707</u></u>	 <u><u>\$ 8,269,266</u></u>

Berrien Mental Health Authority
Supporting Schedule of Operating Expenditures
For the Years Ending September 30, 2009 and 2008

	General Fund	
	2009	2008
Operating expenditures		
Communications	\$ 159,099	\$ 144,222
Contractual services	1,012,550	1,355,301
Grant expense	113,670	107,695
Health care expenses	16,086,584	17,484,132
Insurance	133,926	136,874
Legal and accounting	126,770	98,219
Local funds contribution	384,500	384,500
Rents	473,257	487,075
Repairs and maintenance	260,396	252,066
Staff development	152,075	165,840
Supplies and other	594,106	620,645
Travel	179,404	169,652
Utilities	101,666	102,549
Venture services	35,837	36,173
	\$ 19,813,840	\$ 21,544,943
Total operating expenditures	\$ 19,813,840	\$ 21,544,943

Berrien Mental Health Authority
Debt Payment Schedule
For the Year Ended September 30, 2009

2005 Real Estate Loan	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30,			
2010	\$ 9,085	\$ 4,247	\$ 13,332
2011	9,439	3,893	13,332
2012	9,807	3,525	13,332
2013	10,189	3,143	13,332
2014	10,586	2,746	13,332
2015	10,999	2,333	13,332
2016	11,428	1,904	13,332
2017	11,873	1,459	13,332
2018	12,336	996	13,332
2019	12,817	515	13,332
2020	8,264	74	8,338
	<u>116,823</u>	<u>24,835</u>	<u>141,658</u>
Total	<u>\$ 116,823</u>	<u>\$ 24,835</u>	<u>\$ 141,658</u>

Berrien Mental Health Authority
Debt Payment Schedule
For the Year Ended September 30, 2009

2007 Real Estate Loan	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30,			
2010	\$ 19,028	\$ 15,292	\$ 34,320
2011	20,011	14,309	34,320
2012	21,046	13,274	34,320
2013	22,133	12,187	34,320
2014	23,277	11,043	34,320
2015	24,480	9,840	34,320
2016	25,744	8,576	34,320
2017	27,075	7,245	34,320
2018	28,474	5,846	34,320
2019	29,945	4,375	34,320
2020	31,493	2,827	34,320
2021	33,120	1,200	34,320
2022	9,445	36	9,481
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 315,271</u>	<u>\$ 106,050</u>	<u>\$ 421,321</u>



**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 Directors
Berrien Mental Health Authority
Benton Harbor, Michigan

We have audited the financial statements of the governmental activities and each major fund of Berrien Mental Health Authority (the Authority) as of and for the year ended September 30, 2009, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated February 1, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control. We consider the deficiency described as 2009-1 in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiency described above is a material weakness.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Authority in a separate letter dated February 1, 2010.

Berrien Mental Health Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Authority's response and, accordingly, we express no opinion on it.

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

A handwritten signature in cursive script that reads "Roslund, Prestage & Company, P.C.".

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

February 1, 2010

Schedule of Findings and Responses

Finding 2009-1

Finding considered a significant deficiency

Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client requires assistance to prepare the financial statements and related footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

The staff of the Authority does understand all information included in the annual financial statements; however, we assist in preparing the financial statements and related footnotes.

We do not recommend any changes to this situation at this time and communicate this as required by professional standards.

Client Response

We are aware of this deficiency and believe it is not cost beneficial in our situation to develop this expertise. We will continue to use our external auditors for this technical assistance. We would expect this situation to be ongoing in future years.



MANAGEMENT LETTER

Board of Directors
Berrien Mental Health Authority
Benton Harbor, Michigan

In planning and performing our audit of the financial statements for Berrien Mental Health Authority for the fiscal year ended September 30, 2009, we considered the internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters.

This letter does not affect our audit report dated February 1, 2010, on the financial statements of Berrien Mental Health Authority.

We will review the status of these comments during our next audit engagement. We have discussed these comments and suggestions with management, and will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

Roslund, Prestage & Company, P.C.

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

February 1, 2010

STATUS OF PRIOR YEAR RECOMMENDATIONS

During the audit we were pleased to note that the recommendations identified in the management letter from the prior year had been implemented. We commend you on your efforts to strengthen internal controls and operating efficiencies.

CURRENT YEAR COMMENTS AND RECOMMENDATIONS

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions

The Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, to address issues related to how fund balance was being reported and to clear up confusion regarding the relationship between reserved fund balance and restricted net assets.

As a result of this new statement fund balance will be displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable fund balance*—amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund)
- *Restricted fund balance*—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation
- *Committed fund balance*—amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint
- *Assigned fund balance*—amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority
- *Unassigned fund balance*—amounts that are available for any purpose; these amounts are reported only in the general fund.

Governments should implement Statement 54 no later than the first fiscal year beginning after June 15, 2010 (for example, the fiscal year starting on July 1, 2010 and ending on June 30, 2011). Governments are encouraged to implement the standards earlier.

We recommend that management become familiar with the requirements of GASB Statement No. 54 and begin the process of incorporating the above fund balance classifications into their financial statements.

GASB has issued a *Fact Sheet About Fund Balance Reporting* that we have provided to management to help in understating this statement.