Pivotal

Financial Statements
September 30, 2023

Roslund Prestage & Company
Certified Public Accountants

Pivotal
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September 30, 2023

Independent Auditor's Report

To the Members of the Board
Pivotal
Centreville, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and each major fund of Pivotal (the CMHSP) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the CMHSP's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the CMHSP as of September 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2024, on our consideration of the CMHSP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CMHSP's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CMHSP's internal control over financial reporting and compliance.

Sincerely,

Roslund, Prestage & Company, P.C.

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

March 25, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") introduces the financial statements of Pivotal (the "Authority") for the fiscal year ending September 30, 2023. This presentation is an effort to inform the reader of the financial statements and presents an analysis and overview of the financial activities and conditions of the organization during the past fiscal year 2023.

The Authority was established by the Board of Commissioners of St. Joseph County, pursuant to the Michigan Mental Health Code, to operate, control, and manage an integrated behavioral healthcare system in order to better serve the citizens of St. Joseph County. The members of the Mental Health Board are appointed by the County Board of Commissioners. The Mental Health Board governs the authority.

Financing History

In 1998, the Community Mental Health system went from a fee-for-service system to a capitated arrangement. In such an arrangement, each Community Mental Health Services Program (CMHSP) receives a payment each month for each Medicaid recipient in the county. This payment is designed to cover the cost of providing mental healthcare to those Medicaid recipients in need of such services. A similar arrangement, using primarily historical data, provides funding to the CMHSP system to serve the non-Medicaid residents of the county. Under this arrangement, the revenue does not change when the Authority serves more people or provides more care.

Prior to the switch to a capitated system, and for nearly two decades, the CMH system in Michigan received an ever-increasing share of its funding through the federal Medicaid system, on a fee-for-service basis. Therefore, the more services provided, the more money the Authority received. The Authority received approximately one federal dollar for every state dollar that was spent serving a Medicaid recipient. State funding during this period was not increased. The state funds used to match the federal dollars were those state funds that were already in our budget.

The CMH system took on a number of mental health responsibilities formerly held by the state, including the community placement of former state hospital residents, AIS homes, utilization management of a payment for the local inpatient psychiatric hospital care. These were the primary sources of revenue growth for the CMH system over the past decades and they constitute a transfer of responsibility more than a true increase in revenue sources. No new state dollars were added to the system during this time, so true revenues remained relatively flat or decreased.

Beginning January 1, 2014, the Michigan Department of Community Mental Health (now the Michigan Department of Health and Human Services) contracted with a newly formed Prepaid Inpatient Health Plan ("PIHP") for Medicaid services. This new PIHP – Southwest Michigan

Behavioral Healthcare (SWMBH), is comprised of Barry, Berrien, Branch, Calhoun, Cass, Kalamazoo, St. Joseph and Van Buren counties. As such, SWMBH receives Medicaid funding from the State each month based on the number of Medicaid residents who live within the geographic area. SWMBH then entered into a Medicaid sub-contract agreement with the eight CMHSP's in the geographic area.

The amount of funding varies when the number of Medicaid enrollees in the eight counties increase or decrease. SWMBH distributes a portion of the total Medicaid received to each of the other eight CMHSP's. Medicaid is defined as an entitlement program: therefore, services are required to be provided as defined in the Michigan Medicaid Provider manual. SWMBH holds the financial risk related to this entitlement program.

A separate General Fund contract is issued to the Authority by the State of Michigan. This contract provides funding to provide an array of services for non-Medicaid individuals with low-income levels. The Authority holds the financial risk related to these services.

Overview of the Financial Statements

As permitted by GASB Statement No. 34, the Authority uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements. These financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner like a private sector business. This is done by reporting the Authority's assets and liabilities using the full accrual method of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The Statement of Net Position presents information on all of the Authority's assets and liabilities, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the Authority's revenue and expenses changed during the most recent fiscal year. All changes in revenue and expenses are reported as soon as the underlying event which gives rise to the change occurs, regardless of the timing of the related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. In addition, this statement discloses non-cash expenditures, such as depreciation, which affects the ending book value of capital assets.

The Statement of Cash Flows presents information about the source and usage of cash and cash equivalents, and it divides the information reported into four classifications: operating, noncapital financing, capital and related financing, and investing. The Authority's operations generate and use cash in the normal flow of activity: the collection of revenues and payments to contractors plus the non-cash activity add-backs such as depreciation. Financing activities include borrowing and repayment of long-term debt and the purchase of equipment. Investing includes the investment of cash and other long-term assets.

The following table summarizes the Authority's assets, liabilities, and net position as of September 30, 2023, and 2022:

		2023	2022	Change	% Change
Assets					
	Capital Assets	2,414,557	1,774,944	639,613	36.0%
	Other Assets	7,629,515	4,526,150	3,103,365	68.6%
	Total Assets	10,044,072	6,301,094	3,742,978	59.4%
Liabilities					
	Long-Term Liabilities	1,276,963	1,178,709	98,254	8.3%
	Other Liabilities	2,831,920	2,311,981	519,939	22.5%
	Total Liabilities	4,108,883	3,490,690	618,193	17.7%
Net Position					
	Net Investment in Capital Assets	744,993	660,785	84,208	12.7%
	Unrestricted	5,190,196	2,149,619	3,040,577	141.4%
	Total Net Position	5,935,189	2,810,404	3,124,785	111.2%

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The accompanying notes are an integral part of the financial statements and must be reviewed in conjunction with the information reported on the financial statements to provide a full understanding of the Authority's financial condition.

The following table summarizes the Authority's revenues, expenses, and changes in net position for the years ended September 30, 2023, and 2022:

	2023	2022	Change	% Change
Operating Revenues				
Medicaid	27,367,439	21,553,661	5,813,778	27.0%
State & Federal Grants	1,589,695	1,745,402	(155,707)	-8.9%
County Appropriation	257,268	257,268	0	0.0%
Charges for Services	716,532	434,672	281,860	64.8%
Other Revenue	46,470	43,468	3,002	6.9%
Total Revenues	29,977,404	24,034,471	5,942,933	24.7%
Operating Expenses				
Mental Health Services	23,073,073	19,988,023	3,085,050	15.4%
Management and General	3,849,626	3,304,051	545,575	16.5%
Total Expenses	26,922,699	23,323,976	3,638,322	15.6%
Operating Income (loss)	3,054,705	710,495	2,344,210	329.9%
Nonoperating Revenues				
Investment Earnings	39,599	(44,252)	83,851	189.5%
Total Earnings	39,599	(44,252)	83,851	189.5%
Nonoperating Expenses				
Interest Expense	(40,284)	(31,902)	(72,186)	226.3%
Total Expenses	(40,284)	(31,902)	(8,382)	26.3%
Change in Net Position	3,054,020	634,341	2,419,679	381.4%
Prior Year Adjustment	70,765	0	70,765	100.0%
Net Position, Beginning of Year	2,810,404	2,099,909	710,495	33.8%
Net Position, End of year	5,935,189	2,810,404	3,124,785	111.2%

Future Financing

Future funding for the Community Mental Health System in the State of Michigan is subject to any number of variables. Historically, the Authority has been significantly underfunded in General Fund revenue from the state. On October 1, 2019, the MDHHS changed how General Fund amounts are allocated to the CMHSPs. Over the following five years, the Authority is targeted to receive an increase of 252% increasing the funding from $295,916 to $1,042,561. We are currently in year five of the five-year increase.

Federal budget issues are likely to place additional pressures on future Medicaid funding levels. Medicaid revenue is also affected by the rebasing of the rates, and by the increases and decreases in Medicaid-eligible enrollees. Medicaid-eligible enrollees are likely to continue to decrease as the effects of the end of the COVID-19 emergency. The effect of these items on future funding levels for the Authority is unknown. The Authority will pursue appropriate cost reduction options and seek out other sources of revenue to assist in working through future funding challenges.

In October of 2021, we started a new program: Certified Community Behavioral Health Center, or CCBHC. This combines the physical and mental health of mild to moderate clients and allows them to be seen through the CMH. This is a demographic that we have now been serving for two years. This will continue to open the door to increased staffing needs, and the services we will need to offer. With the landscape changing, and uncertainty of what that model will be, there could be potential funding issues.

Additionally, health care reform, potential Medicaid expansion, the development of local Federally Qualified Health Centers, and the location of local medical homes will further change the Community Mental Health landscape in St. Joseph County.

Emily Versteeg
Chief Finance Officer
Pivotal

BASIC FINANCIAL STATEMENTS

Pivotal
Statement of Net Position
September 30, 2023

Assets		
Current assets		
Cash and cash equivalents - unrestricted	$	1,729,830
Investments		1,389,636
Accounts receivable		84,380
Due from other governmental units		4,248,349
Prepaid expenses		177,320
Total current assets		7,629,515
Noncurrent assets		
Cash and cash equivalents - restricted		285,568
Capital assets not being depreciated		309,398
Capital assets being depreciated, net		1,819,591
Total noncurrent assets		2,414,557
Total assets		10,044,072
Liabilities		
Current liabilities		
Accounts payable		1,719,870
Accrued payroll and benefits		145,562
Incurred but not reported liability		498,257
Due to other governmental units		175,028
Unearned revenue		12,231
Compensated absences, due within one year		26,091
Direct borrowings, due within one year		254,881
Total current liabilities		2,831,920
Noncurrent liabilities		
Compensated absences, due beyond one year		147,848
Direct borrowings, due beyond one year		1,129,115
Total noncurrent liabilities		1,276,963
Total liabilities		4,108,883
Net position		
Net investment in capital assets		744,993
Unrestricted		5,190,196
Total net position	$	5,935,189

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

Pivotal
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ending September 30, 2023

Operating revenues		
Medicaid	$	27,367,439
State and federal grants		1,589,695
County appropriations		257,268
Charges for services		716,532
Other operating revenues		46,470
Total operating revenues		29,977,404
Operating expenses		
Salary and wages		5,815,831
Fringe benefits		1,983,323
Contracted services		17,898,529
Depreciation		244,581
Inpatient		35,359
Insurance		103,791
Local match drawdown		64,536
Miscellaneous		127,689
Professional fees		28,646
Rent		26,248
Repairs and maintenance		144,644
Supplies		170,020
Training and education		55,704
Travel		106,975
Utilities		116,823
Total operating expenses		26,922,699
Operating income (loss)		3,054,705
Nonoperating revenues (expenses)		
Investment earnings/(loss)		39,599
Interest expense		(40,284)
Total nonoperating revenues (expenses)		(685)
Change in net position		3,054,020
Net position, beginning of year		2,810,404
Prior period adjustment		70,765
Net position, end of year	$	5,935,189

Pivotal
Statement of Cash Flows
For the Year Ending September 30, 2023

Cash flows from operating activities		
Receipts from the State and other local governments	$	25,517,279
Receipts from customers and users		774,395
Payments to suppliers and service providers		(18,242,896)
Payments to employees for salaries and benefits		(7,966,324)
Net cash provided by (used in) operating activities		82,454
Cash flows from capital and related financing activities		
Purchase of capital assets		(598,626)
Proceeds from issuance of lease obligation		91,103
Principal payments on long-term obligations		178,734
Interest payments on long-term obligations		(40,284)
Net cash flows provided by (used in) capital and related financing activities		(369,073)
Cash flows from investing activities		
Purchase of investments		(532,408)
Investment earnings/(loss)		39,599
Net cash flows provided by (used in) investing activities		(492,809)
Net increase in cash and cash equivalents		(779,428)
Cash and cash equivalents, beginning of year		2,794,826
Cash and cash equivalents, end of year	$	2,015,398
Reconciliation of operating income to net cash provided by (used in) operating activities:		
Operating income (loss)	$	3,054,705
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense		244,581
Accounts receivable		11,393
Due from other governmental units		(3,697,123)
Prepaid expenses		(10,239)
Accounts payable		362,596
Accrued liabilities		(84,683)
Incurred but not reported liability		253,707
Due to other governmental units		56,745
Unearned revenue		(26,741)
Compensated absences		(82,487)
Net cash provided by (used in) operating activities	$	82,454

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Community Mental Health and Substance Abuse Services of St. Joseph County, doing business as Pivotal, (the CMHSP) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the CMHSP.

Reporting Entity

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

Financial Statement Presentation

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

All amounts shown are in U.S. dollars.

Fund Accounting

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

The CMHSP reports the following major enterprise fund:

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

Basis of Accounting and Measurement Focus

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

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

Cash and Cash Equivalents

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

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

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

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

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

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

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

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

Land and construction in process, if any, are not depreciated. The other tangible and intangible property, plant, equipment, and the right to use assets of the CMHSP are depreciated/amortized using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	10-25
Equipment and furnishings	5-15
Computers	5
Vehicles	4-5
Right to use – equipment	5
Right to use - buildings	5

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

Accrued Payroll and Benefits
Accrued payroll and benefits relate to salaries and wages earned in September but not paid until October.

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

Incurred But Not Reported (IBNR) Liability
The amounts recorded in liabilities include amounts for incurred inpatient, residential and community provider claims liability based on management’s estimate. The CMHSP may not be billed for these until several months after the date of service. The actual cost may vary from the estimated amount for a variety of reasons that include, but are not limited to, retroactive consumer eligibility or cost recovery from other third-party payers.

The methodology used in estimating reserves considers factors such as historical data adjusted for payment patterns, cost trends, service and benefit mixes, seasonality, utilization of health care services, internal processing changes, the amount of time it took to pay claims from prior periods, changes in the past few months in the claims adjudication procedures, changes in benefits, events that would lead to excessive claims, large increases or decreases in membership, and other relevant factors.

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

Deferred Outflows of Resources
In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The CMHSP has no items that qualify for reporting in this category.

Deferred Inflows of Resources
In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The CMHSP has no items that qualify for reporting in this category.

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

Leases as Lessee
The CMHSP is a lessee for noncancelable leases. The CMHSP recognizes a lease liability and an intangible right-to-use lease asset in the financial statements. The CMHSP recognizes lease liabilities and an intangible right-to-use lease asset in the financial statements.

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

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

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

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

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

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

- *Net investment in capital assets* consist of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

- *Restricted* net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

- *Unrestricted* net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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

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

<u>Medicaid Revenue</u>
Beginning January 2014, Southwest Michigan Behavioral Health assumed the regional entity contract with the MDHHS. The CMHSP contracts to receive Medicaid, Healthy Michigan, Autism and other revenues through the regional entity. The CMHSP performs an annual cost settlement of capitated funding with the regional entity.

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents
Michigan's statutory authority allows governmental entities to invest in the following investments:

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

A reconciliation of carrying amounts to the basic financial statements follows:

Description	Amount
Cash and Cash Equivalents – Unrestricted	1,729,830
Cash and Cash Equivalents – Restricted	285,568
Total	2,015,398

Cash and Cash Equivalents - Restricted
The CMHSP has charged to MDHHS for the vested portion of compensated absences as of September 30th. The CMHSP holds, in a separate bank account, funds restricted for the payment of the compensated absences as they come due.

Custodial credit risk
In the case of deposits, this is the risk that, in the event of a bank's failure, the CMHSP's deposits may not be returned to it. The CMHSP evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories. The CMHSP bank balance was $2,139,035 and $1,889,035 of that amount was exposed to custodial credit risk because it was uninsured by FDIC.

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

Investment Type	Rating	Rating Agency	Amount
U.S. agencies	AA	Moody's	863,244
U.S. obligations	AA+	Moody's	119,278
CDs in investment account	Not applicable	N/A	187,211
Money market in investment account	Not applicable	N/A	219,903
Total			1,389,636

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

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

Years	1 - 5	6 - 10	11 - 15	Total
U.S. agencies	863,244	-	-	863,244
U.S. obligations	119,278	-	-	119,278
Total	982,522	-	-	982,522

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

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

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

Investment Type	Issuer	% of Portfolio
U.S. agencies	Federal Home Bank Loan	57.10%
U.S. agencies	Federal Farm Credit Bank	5.03%

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

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

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

Description	Value as of Sept 30th	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
U.S. agencies	863,244	863,244	-	-
U.S. obligations	119,278	119,278	-	-
CDs in investment account	187,211	187,211	-	-
Money market in investment account	219,903	219,903	-	-
Total investments by fair value level	1,389,636	1,389,636	-	-

NOTE 3 – ACCOUNTS RECEIVABLE

The CMHSP believes that the accounts receivable will be collected in full and therefore the receivable balance has not been offset by an allowance for doubtful accounts.

NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS

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

Description	Amount
Southwest Michigan Behavioral Health	4,170,658
State of Michigan	13,374
St. Joseph County	64,317
Total	4,248,349

NOTE 5 - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets not being depr/amort					
Land	309,398	-	-	-	309,398
Total capital assets not being depr/amort	309,398	-	-	-	309,398
Capital assets being depr/amort					
Buildings and improvements	2,594,467	55,160	-	-	2,649,627
Equipment and furnishings	236,498	34,364	-	-	270,862
Computers	178,900	-	-	-	178,900
Vehicles	119,744	-	-	-	119,744
Right to use – equipment	91,103	-	-	-	91,103
Right to use – building space	-	509,102	-	-	509,102
Total capital assets being depr/amort	3,220,712	598,626	-	-	3,819,338
Accumulated depr/amort					
Buildings and improvements	(1,324,104)	(107,816)	-	-	(1,431,920)
Equipment and furnishings	(136,554)	(12,806)	-	-	(149,360)
Computers	(178,900)	-	-	-	(178,900)
Vehicles	(104,979)	(12,403)	-	-	(117,382)
Right to use – equipment	(10,629)	(18,221)	-	-	(28,850)
Right to use – building space	-	(93,335)	-	-	(93,335)
Total accumulated depr/amort	(1,755,166)	(244,581)	-	-	(1,999,747)
Capital assets being depr/amort, net	1,465,546	354,045	-	-	1,819,591
Capital assets, net	1,774,944	354,045	-	-	2,128,989

NOTE 6 - DUE TO OTHER GOVERNMENTAL UNITS

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

Description	Amount
State of Michigan	175,028

NOTE 7 - UNEARNED REVENUE

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

Description	Amount
Affinity House restricted donation	4,377
State of Michigan – General Fund Carryforward	6,144
Other	1,710
Total	12,231

NOTE 8 - LONG-TERM LIABILITIES

Direct borrowing:

Description	Original Borrowing	Interest Rate	Final Maturity	Outstanding at Year-end
2021 Building refinance	1,165,815	2.49%	2029	894,370
2022 Equipment lease	91,103	8.64%	2027	66,371
2023 Building lease – Sturgis	179,767	2.49%	2028	148,154
2023 Building lease – Three Rivers	329,335	2.49%	2028	275,101
Total				1,383,996

The CMHSP's outstanding loans from direct borrowings and direct placements related to mental health operations contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

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

Description	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Compensated absences	256,426	51,285	(133,772)	173,939	26,091
Direct borrowings	1,114,159	509,102	(239,265)	1,383,996	254,881
Totals	1,370,585	560,387	(373,037)	1,557,935	280,972

The requirements to pay principal and interest on the long-term debt outstanding at year-end are shown below:

	Direct Borrowings	
Year Ended September 30	Principal	Interest
2024	254,881	35,168
2025	264,486	27,596
2026	274,498	19,680
2027	271,523	11,687
2028	164,941	5,966
2029-2033	153,667	2,014
Total long-term debt	1,383,996	102,111

NOTE 9 - NET INVESTMENT IN CAPITAL ASSETS

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

Net investment in capital assets	Amount
Capital assets not being depreciated	309,398
Capital assets being depreciated, net	1,819,591
Capital related long-term liabilities	(1,383,996)
Net investment in capital assets	744,993

NOTE 10 – RETIREMENT PLANS

Defined Contribution Retirement Plan – Alternative Social Security Plan
Plan Description
Effective February 1, 1989, certain employees of the CMHSP participate in a tax qualified retirement plan in lieu of the Social Security Retirement System. All non-union employees of the CMHSP are eligible to participate in the plan. Employees not eligible to participate in this plan are covered by the federal social security system.

Eligibility
All non-union employees are eligible to participate in the plan.

Contributions
Employer and employee contributions to this plan are at the rate of 6.2% of gross wages.

Normal Retirement Age & Vesting
Retirement age as defined by the plan is 55 years of age. All contributions are 100% vested immediately.

Forfeitures
Contributions are 100% vested immediately. Therefore, there are no forfeitures.

For the year ended September 30th, employer contributions amounted to $78,043. Employee contributions amounted to $78,043. The outstanding liability to the plan at year-end was $0.

Defined Contribution Retirement Plan – Money Purchase Pension Plan
Plan Description
The CMHSP offers all employees a money purchase pension plan created in accordance with the Internal Revenue Code, Section 401(a). The name of the plan is the “Community Mental Health Services of St. Joseph County Money Purchase Pension Plan”. The assets of the plan were held in trust for the exclusive benefit of the participants (employees) and their beneficiaries. Empower acts as the custodian for the plan and holds the custodial account for the beneficiaries of this plan. This plan is funded by employer contributions.

Eligibility
All full-time employees are eligible to participate in the plan. Part time employees and contract employees are excluded from the plan.

Contributions
Employer contributions to this plan are at the rate of 9.5% of gross wages for non-union employees and 5.0% of gross wages for union employees.

Normal Retirement Age & Vesting
Retirement age as defined by the plan is 65.

Forfeitures
Contributions are 100% vested immediately therefore there are no forfeitures.

For the year ended September 30th, employer contributions amounted to $340,524. The outstanding liability to the plan at year-end was $0.

Defined Contribution Retirement Plan – 457 Plan
Plan Description
The CMHSP offers all employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plan were held in trust, as described in IRC Section 457 (b) for the exclusive benefit of the participants (employees) and their beneficiaries. Empower acts as the custodian for the plan and hold the custodial account for the beneficiaries of this Section 457 plan.

The assets may not be diverted to any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters.

Plan provisions are established or amended by Board resolution. Under the plan, employees may elect to defer a portion of their wages, subject to Internal Revenue Service limits. This plan is funded by employee contributions.

Eligibility
All employees are eligible to participate in the plan.

Contributions
This plan is funded by employee contributions.

Normal Retirement Age & Vesting
Retirement age as defined by the plan is 65 years of age. All contributions are 100% vested immediately.

Forfeitures
Contributions are 100% vested immediately therefore there are no forfeitures.

For the year ended September 30th, employee contributions amounted to $223,863. The outstanding liability to the plan at year-end was $0.

NOTE 11 - RISK MANAGEMENT

The CMHSP is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation), as well as medical benefits provided to employees. The CMHSP has purchased commercial insurance from independent insurance providers. Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage obtained through commercial insurance during the past year.

NOTE 12 – INCURRED BUT NOT REPORTED (IBNR) LIABILITY

The CMHSP estimates certain provider related liabilities which include amounts for incurred inpatient, residential and community provider claims liability based on management's estimate. The CMHSP may not be billed for these until several months after the date of service. The actual cost may vary from the estimated amount for a variety of reasons that include, but are not limited to, retroactive consumer eligibility or cost recovery from other third-party payers.

The change in the claims liability is as follows:

Fiscal Year	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
2021	33,028	13,689,662	(13,722,690)	-
2022	-	14,820,886	(14,576,336)	244,550
2023	244,550	18,152,236	(17,898,529)	498,257

NOTE 13 – CONTINGENT LIABILITIES

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

NOTE 14 – ECONOMIC DEPENDENCE

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

NOTE 15 – PRIOR PERIOD ADJUSTMENT

The prior period adjustment in these financial statements consists of the following items:

Description	Amount
Fiscal year 2022 compliance examination adjustment	70,765

NOTE 16 - UPCOMING ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 100, *Accounting Changes and Error Corrections*, was issued by the GASB in June 2022 and will be effective for the CMHSP's fiscal year September 30, 2024. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement prescribes the accounting and financial reporting for 1) each type of accounting change and 2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period.

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

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

RPC
Roslund Prestage & Company
Certified Public Accountants

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

To the Members of the Board
Pivotal
Centreville, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of Pivotal (the CMHSP) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the CMHSP's basic financial statements, and have issued our report thereon dated March 25, 2024.

Report on Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered the CMHSP's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CMHSP's internal control. Accordingly, we do not express an opinion on the effectiveness of the CMHSP's internal control.

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

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

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

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

Sincerely,

Roslund, Prestage & Company, P.C.

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

March 25, 2024

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

To the Members of the Board
Pivotal
Centreville, Michigan

We have audited the financial statements of the business-type activities and each major fund of Pivotal (the CMHSP) for the year ended September 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you during planning. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the CMHSP are described in the notes to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year. We noted no transactions entered into by the CMHSP during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

> Management's estimate of the payout of employee compensated absences is based on expected payout. We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's allocation of current and noncurrent compensated absences is based on an estimate of the percentage of employee's use of compensated absences.
>
> Management's estimated lives of capital assets are based on the expected life of the asset. We evaluated the key factors and assumptions used to develop the estimated lives of capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.
>
> Management's estimated incremental borrowing rate used to discount future lease payments under GASB 87 is based on the entity's current borrowing rate. We evaluated the key factors and assumptions used to develop the estimated intrinsic borrowing rate in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management 's estimated IBNR liability is based on historical data adjusted for payment patterns, cost trends, service and benefit mixes, seasonality, utilization of health care services, internal processing changes, the amount of time it took to pay claims from prior periods, changes in the past few months in the claims adjudication procedures, changes in benefits, events that would lead to excessive claims, large increases or decreases in membership, and other relevant factors.

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

Difficulties Encountered in Performing the Audit
We encountered no significant difficulties in dealing with management in performing and completing our audit.

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

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

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

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

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

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

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

Sincerely,

Roslund, Prestage & Company, P.C.

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

Roslund Prestage & Company
Certified Public Accountants

Pivotal
Financial Statements
September 30, 2023