

**RAMSEY COUNTY CHILDREN'S MENTAL  
HEALTH COLLABORATIVE  
ANNUAL FINANCIAL REPORTS  
December 31, 2022 and 2021**

DRAFT

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Ramsey County Children's Mental Health Collaborative  
St. Paul, Minnesota

### **Report on the Audit of the Financial Statements**

#### *Opinions*

We have audited the accompanying statements of net position of Ramsey County Children's Mental Health Collaborative as of and for the years ended December 31, 2022 and 2021, and the related statements of revenues, expenses, and changes in net position; and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ramsey County Children's Mental Health Collaborative as of December 31, 2022 and 2021, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audits 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 Ramsey County Children's Mental Health Collaborative 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 Ramsey County Children's Mental Health Collaborative'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 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 opinion. 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 Ramsey County Children's Mental Health Collaborative'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 Ramsey County Children's Mental Health Collaborative'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 management's discussion and analysis on pages 4 through 7 and the budgetary comparison information on pages 16 through 18 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 February 1, 2024 on our consideration of Ramsey County Children's Mental Health Collaborative'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 effectiveness of Ramsey County Children's Mental Health Collaborative'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 Ramsey County Children's Mental Health Collaborative's internal control over financial reporting and compliance.

February 1, 2024

**RAMSEY COUNTY CHILDREN'S MENTAL HEALTH COLLABORATIVE  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2022 and 2021

(Required Supplementary Information)

The management of the Ramsey County Children's Mental Health Collaborative (RCCMHC) offers readers of our financial statements the following narrative overview and analysis of our financial activities for the years ended December 31, 2022 and 2021.

**Basic Financial Statements**

Our basic financial statements are prepared using proprietary fund (enterprise fund) accounting that uses the same basis of accounting as private-sector business enterprises. RCCMHC is operated under one enterprise fund. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting is used.

Revenue is recorded when earned and expenses are recorded when incurred. The basic financial statements include the statements of net position, statements of revenues, expenses and changes in net position, and statements of cash flows. These are followed by notes to the financial statements. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. In addition to the basic financial statements, this report also contains required supplementary information pertaining to the budgetary comparison of RCCMHC.

The statements of net position present information on RCCMHC's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of RCCMHC is improving or deteriorating.

The statements of revenues, expenses, and change in net position report the operating revenues and expenses and non-operating revenues and expenses of RCCMHC for the fiscal years with the difference – the net income or loss – being combined with any capital grants to determine the change in net position for the year. That change, combined with the net position at the end of the previous year, totals to the net position at the end of the current year.

The statements of cash flows report cash and investment activities for the fiscal years resulting from operating activities, capital and related financing activities, non-capital and related financing activities and investing activities. The net result of these activities added to the beginning of the year cash and investments balance total to the cash and investments balance at the end of the year.

The information contained in the basic financial statements is used as the basis for the discussion presented on the following pages, surrounding RCCMHC's activities for the years ended December 31, 2022 and 2021.

**RAMSEY COUNTY CHILDREN’S MENTAL HEALTH COLLABORATIVE  
MANAGEMENT’S DISCUSSION AND ANALYSIS**

December 31, 2022 and 2021  
(Required Supplementary Information)

**Financial Highlights**

As a public entity, RCCMHC takes a conservative spending approach to provide essential services while also reserving some funds for future programming or unplanned expenses. In October 2021, the American Academy of Pediatrics, American Academy of Child and Adolescent Psychiatry and Children’s Hospital Association declared a National State of Emergency in Children’s Mental Health. In December 2021, the US Surgeon General issued a rare public health advisory calling for the nation to address the youth mental health crisis. In 2021 and 2022, youth mental health and family wellbeing needs increased significantly in Ramsey County as well. This led to significant unanticipated increases in operating expenses. To respond to this public health crisis and to serve more families, RCCMHC released unallocated funds, formalized a partnership with the Suburban Ramsey Family Collaborative (SRFC) and sought additional funding from local foundations and government contracts.

RCCMHC ended 2022 and 2021 with a net position balance of \$637,786 and \$777,967, respectively. The net position balance at the end of 2022 was \$140,181, or 18%, lower than the net position balance at the beginning of the year. The net position balance at the end of 2021 was \$193,862, or 20%, lower than the net position balance at the beginning of the year. Intentional use of unallocated funding to address increased community need for services resulted in the decrease in net position for both years.

The following is a condensed comparative summary of the Collaborative’s net position:

Net Position	2022	2021	2020
<b>Assets</b>			
Cash and cash equivalents	\$ 261,901	\$ 494,277	\$ 421,515
Restricted cash	277,647	293,110	538,215
Other Current Assets	243,860	144,884	72,303
Total Assets	<u>783,408</u>	<u>932,271</u>	<u>1,032,033</u>
<b>Liabilities</b>			
Current Liabilities	<u>145,622</u>	<u>154,304</u>	<u>60,204</u>
Total Liabilities	<u>145,622</u>	<u>154,304</u>	<u>60,204</u>
<b>Net Position</b>			
Restricted	480,624	444,910	601,877
Unrestricted	<u>157,162</u>	<u>333,057</u>	<u>369,952</u>
Total Net Position	<u>\$ 637,786</u>	<u>\$ 777,967</u>	<u>\$ 971,829</u>

**RAMSEY COUNTY CHILDREN’S MENTAL HEALTH COLLABORATIVE  
MANAGEMENT’S DISCUSSION AND ANALYSIS**

December 31, 2022 and 2021  
(Required Supplementary Information)

The following is a condensed comparative summary of the Collaborative’s changes in net position:

Changes in Net Position	2022	2021	2020
<b>Operating Revenues</b>			
Ramsey County annual partner contribution	\$ 190,000	\$ 190,000	\$ 190,000
LCTS grant funds	255,454	254,746	211,713
Other operating revenues	324,154	127,763	8,100
Total Operating Revenues	769,608	572,509	409,813
<b>Non-Operating Revenues</b>			
Investment income	1,399	15,721	4,348
Total Non-Operating Revenues	1,399	15,721	4,348
Total Revenues	771,007	588,230	414,161
<b>Expenses</b>			
Personnel and other administrative costs	151,945	265,705	237,685
Cross-System Services & Supports	416,967	426,561	223,286
Other operating expenses	342,276	89,826	67,772
Total Expenses	911,188	782,092	528,743
<b>Change in Net Position</b>	(140,181)	(193,862)	(114,582)
<b>Net Position, Beginning</b>	777,967	971,829	1,086,411
<b>Net Position, Ending</b>	\$ 637,786	\$ 777,967	\$ 971,829

**Revenues**

The major sources of operating revenues for RCCMHC include Local Collaborative Time Study (LCTS), the Ramsey County annual partner contribution and a Memorandum of Understanding with the Suburban Ramsey Family Collaborative (SRFC.) LCTS is Minnesota’s federally approved claiming mechanism for Medicaid (MA) and Title IV-E administrative reimbursement for Minnesota’s Family Service and Children’s Mental Health Collaboratives. LCTS funds are restricted by state statute for use in the expansion of early intervention and prevention services in Minnesota communities. The Ramsey County annual partner contribution is available to be used at the discretion of the Collaborative. SRFC funds are restricted to Cross System Services and Supports/School Linked Mental Health and Youth and Family Engagement as detailed in the annual MOU. In 2021 and 2022, RCCMHC operated under a January to December fiscal calendar whereas SRFC operated under a schoolyear fiscal calendar, so the formalized partnership and related funding corresponded with the school years 2021-2022 and 2022-2023.

**RAMSEY COUNTY CHILDREN'S MENTAL HEALTH COLLABORATIVE  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2022 and 2021  
(Required Supplementary Information)

The operating revenues for 2021 were \$572,509. From 2020 to 2021, operating revenues increased \$162,696 (a 40% increase). This increase was primarily due to a new partnership with SRFC which added \$77,763, a \$43,033 increase in annual LCTS grant funds, and \$41,900 in increased donations from local foundations. The operating revenues for 2022 were \$769,608. From 2021 to 2022, operating revenues increased \$197,099 (a 34% increase). This increase was primarily due to the 2022-2023 increased partnership with SRFC as well as a System of Care government contract and a grant from the Saint Paul Children's Collaborative.

**Expenses**

In 2021 and 2022, direct services to youth and families made up the largest portion of expenses. These direct service costs are reflected in Staffing, Cross-System Services & Supports grant agreements, and Family & Community Engagement expenses. Direct services included therapy and youth mental health or family wellbeing services that are not billable to insurance, screening, resource navigation, care team coordination, resilience coaching, peer support, caregiver trainings, youth programs, resource sharing events, and supplies such as crisis bags, CALM Toolkits, and Family Care Organizers.

Personnel costs, Cross-System Services & Supports grant agreements, and Family & Community Engagement expenses make up the largest portion of expenses.

The operating expenses for 2021 were \$782,092. From 2020 to 2021, operating expenses increased \$253,349 (a 48% increase). This increase was primarily due to the Board's decision to increase Cross-System Services & Support grants by \$203,276 (a 91% increase). Other key fluctuations from the previous year included audit expenses and increased direct services as described in the expenses section above. The operating expenses for 2022 were \$911,188. From 2021 to 2022, operating expenses increased \$129,096 (a 17% increase). This increase was primarily due to direct service staffing which increased \$91,671 (a 51% increase). Other key fluctuations from the previous year increased direct services as described in the expenses section above.

**Budgetary Analysis: 2021**

In 2021, the Ramsey County annual partner contribution was the same as previous years; \$190,000. LCTS revenues exceeded budgeted amounts by \$61,797 due to normal fluctuations related to this funding source.

In response to increased youth mental health needs, the Board released \$180,000 unallocated funds from net assets to be used for Non-Billable Services grants. The Collaborative awarded \$149,116 of this \$180,000. RCCMHC also distributed \$286,371 in Cross System Services and Supports which includes School Linked Mental Health (SLMH) grants, Innovative Services grants, and Professional Development grants. \$79,533 of these Cross-System Services and Supports grants were underspent in 2021 because mental health agencies struggled with staff capacity issues. This was especially a challenge for grantees based in schools. Underspent funds were carried into the 2022 budget for Cross-System Services and Supports.

In 2021-2022 we signed a MOU with SRFC to manage their SLMH grants. SRFC also invested in RCCMHC direct services which enabled us to serve more families. The higher number of contracts and larger budget resulted in higher administrative costs such as accounting, insurance, and intern supervision. We were able to meet these expanded costs with grants from Saint Paul Foundation, Bigelow Foundation, Blue Cross Blue Shield, and Affinity Bank as well as an unanticipated interest payment from Ramsey County, a canceled Safe Families contract, and unallocated funds from net assets.



**RAMSEY COUNTY CHILDREN'S MENTAL HEALTH COLLABORATIVE  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2022 and 2021  
(Required Supplementary Information)

The number of families directly served by RCCMHC increased tenfold. In previous years, RCCMHC hosted 3-5 unpaid interns and a few volunteers to supplement our direct service staff. However, to accommodate the increased number of clients in 2021, we hosted 21 interns. Because most of our new families presented with complex, multi-system needs, the Board decided that RCCMHC could not use interns and volunteers for direct services anymore. Instead, we increased our W2 and contracted direct service staff.

**Budgetary Analysis: 2022**

During 2022, the Ramsey County annual partner contribution was \$190,000. LCTS revenues exceeded budgeted amounts by \$55,454 due to normal fluctuations related to this funding source.

During 2019-2021, LCTS revenues and interest had been trending higher than anticipated, so the Board released \$163,620 unallocated LCTS from net assets to address the increased number of clients and direct service staff. We also sustained programs with underspending from 2021 SLMH grants, a Bigelow Foundation grant, a Systems of Care contract, and the MOU partnership with SRFC.

Underutilization of grant funds for School Linked Mental Health services based in schools led us to launch a new SLMH+ initiative in partnership with SRFC for the 2022-2023 school year. We added a comprehensive client data system, online referral portal, specialized Youth and Family Screening, and online search tool.

Private foundation grants were received in 2021 with the donor's intent that they be used in 2022. This resulted in a budget variance of \$14,500 in 2021 and 2022.

\$104,243 of Cross Systems and Supports were underspent in 2022 because of fewer Safe Families and Non-Billable grants being issued than were budgeted for. These underspent funds were carried into the 2023 budget for Non-Billable Services Bank.

**Requests for Information**

This financial report is intended to provide an overview of the finances of RCCMHC for those with an interest in this organization. Questions concerning any information within this report may be directed to the Executive Director of RCCMHC.

**RAMSEY COUNTY CHILDREN'S MENTAL HEALTH COLLABORATIVE**  
**STATEMENTS OF NET POSITION**  
December 31, 2022 and 2021

	2022	2021
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 261,901	\$ 494,277
Restricted cash	277,647	293,110
Accounts receivable	216,784	135,328
Prepaid expenses	27,076	9,556
<b>TOTAL CURRENT ASSETS</b>	<b>783,408</b>	<b>932,271</b>
<b>TOTAL ASSETS</b>	<b>783,408</b>	<b>932,271</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	103,871	114,610
Accrued expenses	41,751	39,694
<b>TOTAL CURRENT LIABILITIES</b>	<b>145,622</b>	<b>154,304</b>
<b>TOTAL LIABILITIES</b>	<b>145,622</b>	<b>154,304</b>
<b>NET POSITION</b>		
Restricted	480,624	444,910
Unrestricted	157,162	333,057
<b>TOTAL NET POSITION</b>	<b>\$ 637,786</b>	<b>\$ 777,967</b>

See accompanying notes  
to basic financial statements

**RAMSEY COUNTY CHILDREN'S MENTAL HEALTH COLLABORATIVE**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
For the Years Ended December 31, 2022 and 2021

	2022	2021
<b>OPERATING REVENUES</b>		
Ramsey County annual partner contribution	\$ 190,000	\$ 190,000
LCTS grant funds	255,454	254,746
Other grants and contributions	324,154	127,763
<b>TOTAL OPERATING REVENUES</b>	<b>769,608</b>	<b>572,509</b>
<b>OPERATING EXPENSES</b>		
Personnel	87,404	180,957
Other administrative costs	64,541	84,748
Cross-System Services & Supports	416,967	426,561
Family & Community Engagement	321,770	77,476
Professional development & training	8,449	12,350
Other expenses	12,057	-
<b>TOTAL OPERATING EXPENSES</b>	<b>911,188</b>	<b>782,092</b>
<b>OPERATING INCOME</b>	<b>(141,580)</b>	<b>(209,583)</b>
<b>NON-OPERATING REVENUES</b>		
Investment income	1,399	15,721
<b>TOTAL NON-OPERATING REVENUE</b>	<b>1,399</b>	<b>15,721</b>
<b>CHANGE IN NET POSITION</b>	<b>(140,181)</b>	<b>(193,862)</b>
<b>NET POSITION, BEGINNING</b>	<b>777,967</b>	<b>971,829</b>
<b>NET POSITION, ENDING</b>	<b>\$ 637,786</b>	<b>\$ 777,967</b>

See accompanying notes  
to basic financial statements

**RAMSEY COUNTY CHILDREN'S MENTAL HEALTH COLLABORATIVE**

**STATEMENTS OF CASH FLOWS**

For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from operations	\$ 688,152	\$ 496,983
Payments to suppliers and vendors	(852,043)	(515,610)
Payments to employees	(85,347)	(169,437)
	<hr/>	<hr/>
NET CASH USED IN OPERATING ACTIVITIES	(249,238)	(188,064)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	<hr/> 1,399	<hr/> 15,721
	<hr/>	<hr/>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(247,839)	(172,343)
 <b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<hr/> 787,387	<hr/> 959,730
 <b>CASH AND CASH EQUIVALENTS, ENDING</b>	<hr/> <u>\$ 539,548</u>	<hr/> <u>\$ 787,387</u>
 <b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION</b>		
Cash and cash equivalents	\$ 261,901	\$ 494,277
Restricted cash	<hr/> 277,647	<hr/> 293,110
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS	<hr/> <u>\$ 539,548</u>	<hr/> <u>\$ 787,387</u>
 <b>RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Operating loss	\$ (141,580)	\$ (209,583)
Adjustments:		
Net change in assets, liabilities, and deferred outflows of resources:		
Accounts receivable	(81,456)	(75,526)
Prepaid expenses	(17,520)	2,945
Accounts payable	(10,739)	82,580
Accrued expenses	<hr/> 2,057	<hr/> 11,520
	<hr/>	<hr/>
NET CASH USED IN OPERATING ACTIVITIES	<hr/> <u>\$ (249,238)</u>	<hr/> <u>\$ (188,064)</u>

**RAMSEY COUNTY CHILDREN’S MENTAL HEALTH COLLABORATIVE**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities:**

In 1993, Minnesota enacted legislation that established Collaboratives as special districts to reduce fragmentation and enhance funding flexibility by creating a multi-agency “system of care” in which the family is a full partner. Minnesota Statutes direct children’s mental health collaboratives to develop and sustain an integrated mental health system that targets the complex, multisystem needs of youth with (or at risk for) mental health disorders and their families.

Ramsey County Children’s Mental Health Collaborative (RCCMHC) was originally established in 1997 through an interagency agreement. In 2019, a Joint Powers Agreement (JPA) was entered into by Ramsey County, Independent School District No. 625, St. Paul Public Schools, Northeast Metro Intermediate School District No. 916, Independent School District No. 621, Mounds View Public Schools, Independent School District No. 622 North St. Paul–Maplewood-Oakdale, Independent School District No. 623, Roseville Area Schools, Independent School District No. 624, White Bear Lake Area Schools, and Minnesota Association for Children’s Mental Health (MACMH).

RCCMHC’s Governing Board sets an annual budget to support the following strategies:

- Partnerships, Policy and Collaboration
- Youth, Family & Community Engagement
- Capacity Building, Professional Training, and Development of Culturally-Specific Providers
- Cross-System Services and Supports
- Community Defined/Driven and Data-Informed Decision Making
- Resource Sharing & Development

RCCMHC, as a special district operating through joint powers agreement, is considered a governmental entity and as such is exempt from state and federal income taxes.

**Measurement Focus, Basis of Accounting and Basis of Presentation:**

The Collaborative has adopted Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments, which establishes the financial reporting standards for all state and local government entities.

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting and reflect transactions on behalf of the Collaborative, the reporting entity. The Collaborative accounts for its operations as an enterprise fund. Operating revenues and expenses result from providing services. All other revenues and expenses are reported as non-operating revenue and expenses.

**Cash and Cash Equivalents:**

For the purpose of the statements of cash flows, the Collaborative considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

The Collaborative has reported all investment income as non-operating revenue in the Statement of Revenues, Expenses, and Changes in Net Position.

**RAMSEY COUNTY CHILDREN'S MENTAL HEALTH COLLABORATIVE**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

**Accounts Receivable:**

Bad debts are recorded on the allowance method based on historical experience and management's evaluation of outstanding accounts receivable. At December 31, 2022 and 2021, management considered all outstanding amounts to be fully collectible. Accordingly, there was no allowance for doubtful accounts.

**Capital Assets:**

Capital assets, which include property and equipment, are reported in the statements of net position. Capital assets are defined by the Collaborative as assets with an initial cost of at least \$2,500. Capital assets are recorded at historical cost when purchased. Donated assets are recorded at their estimated fair market value on the date of donation.

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

Depreciation of exhaustible assets is provided on the straight-line basis over the estimated useful lives.

**Revenues:**

Collaborative revenue consists primarily of contributions and LCTS grant funds.

**Compensated Absences:**

Vested or accumulated vacation and sick leave is accrued for all eligible employees based on their past service and amounted to \$39,279 and \$36,840 as of December 31, 2022 and 2021, respectively.

**Net Position:**

In the government-wide financial statements, net position is classified in the following categories:

**Net Investment in Capital Assets**- This amount consists of capital assets, net of accumulated depreciation and reduced by outstanding debt attributed to the acquisition, construction, or improvement of assets.

**Restricted Net Position**- This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At December 31, 2022 and 2021, there was restricted net position of \$480,624 and \$444,910, substantially all of which consisted of LCTS funds restricted for use in the expansion of early intervention and prevention services.

**Unrestricted**- This amount includes all other net position.

**RAMSEY COUNTY CHILDREN'S MENTAL HEALTH COLLABORATIVE**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

When both restricted and unrestricted resources are available for use, it is the Collaborative's policy to use restricted resources first, then unrestricted resources as they are needed.

**Use of Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in these financial statements. Actual results could differ from those estimates.

**NOTE 2. DEPOSITS AND INVESTMENTS**

**Deposits:**

In accordance with applicable Minnesota Statutes, the Collaborative maintains deposits at authorized depository banks, all of which are members of the Federal Reserve System.

Minnesota Statutes require that all deposits be protected by insurance, surety bonds, or collateral. The market value of the collateral pledged must equal 110% of the deposits not covered by insurance or bonds.

Minnesota statutes require that securities pledged as collateral be held in safekeeping by the Collaborative or in a financial institution other than that furnishing the collateral. Authorized collateral includes following:

- United States government treasury bills, treasury notes, treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by the same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc. or Standard & Poor's Corporations; and
- Time deposits that are fully insured by the Federal Deposit Insurance Corporation.

*Custodial Credit Risk-Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to the Collaborative. The Collaborative does not have a deposit policy for custodial credit risk. At December 31, 2022 and 2021, all of the Collaborative's deposits were either fully insured or collateralized by an irrevocable and unconditional Letter of Credit with Bremer Bank, N.A.

**Investments:**

RCCMHC did not hold any investments during 2022 and 2021, and does not have a formal investment policy that limits risk.

**RAMSEY COUNTY CHILDREN'S MENTAL HEALTH COLLABORATIVE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3. RISK MANAGEMENT**

The Collaborative is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Collaborative carries insurance. There were no significant reductions in insurance from the previous year or settlements in excess of insurance.

**NOTE 4. RAMSEY COUNTY SUPPORT**

Ramsey County has been a partner and primary funder for RCCMHC since 1997. Each year, Ramsey County provides support to RCCMHC through local collaborative time study (LCTS) funds, and an annual partner contribution. During 2022 and 2021, Ramsey County provided \$445,454 and \$444,746, respectively, of support to the Collaborative, which represented 58% and 76%, respectively of total operating revenues. The Department of Human Services (DHS) disburses MA and Title IV-E reimbursement claimed through the LCTS to county social service agencies who, in turn must transfer the funds to the integrated fund of the Collaborative.

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**RAMSEY COUNTY CHILDREN'S MENTAL HEALTH COLLABORATIVE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Ramsey County annual partner contribution	\$ 190,000	\$ 190,000	\$ 190,000	\$ -
LCTS grant funds	98,440	200,000	255,454	55,454
Other grants and contributions	322,060	347,060	324,154	(22,906)
Investment income	200	200	1,399	1,199
Transfer from reserves	498,149	498,149	-	(498,149)
<b>TOTAL REVENUES</b>	<u>1,108,849</u>	<u>1,235,409</u>	<u>771,007</u>	<u>(464,402)</u>
<b>EXPENDITURES</b>				
Personnel	74,753	74,753	87,404	(12,651)
Other administrative costs	51,866	51,866	64,541	(12,675)
Cross-System Services & Supports	512,993	512,993	416,967	96,026
Family & Community Engagement	254,945	353,051	321,770	31,281
Professional development & training	10,000	10,000	8,449	1,551
Other expenses	4,000	15,000	12,057	2,943
<b>TOTAL EXPENDITURES</b>	<u>908,558</u>	<u>1,017,664</u>	<u>911,188</u>	<u>106,476</u>
<b>REVENUES UNDER EXPENDITURES</b>	<u>\$ 200,291</u>	<u>\$ 217,745</u>	<u>\$ (140,181)</u>	<u>\$ (357,926)</u>

**RAMSEY COUNTY CHILDREN'S MENTAL HEALTH COLLABORATIVE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Ramsey County annual partner contribution	\$ 190,000	\$ 190,000	\$ 190,000	\$ -
LCTS grant funds	192,949	192,949	254,746	61,797
Other grants and contributions	12,000	17,000	127,763	110,763
Investment income	5,200	5,200	15,721	10,521
Transfer from reserves	647,194	673,502	-	(673,502)
<b>TOTAL REVENUES</b>	<u>1,047,343</u>	<u>1,078,651</u>	<u>588,230</u>	<u>(490,421)</u>
<b>EXPENDITURES</b>				
Personnel	171,740	171,740	180,957	(9,217)
Other administrative costs	89,030	90,309	84,748	5,561
Cross-System Services & Supports	484,334	499,695	426,561	73,134
Family & Community Engagement	90,540	102,008	77,476	24,532
Professional development & training	18,750	18,750	12,350	6,400
<b>TOTAL EXPENDITURES</b>	<u>854,394</u>	<u>882,502</u>	<u>782,092</u>	<u>100,410</u>
<b>REVENUES OVER EXPENDITURES</b>	<u>\$ 192,949</u>	<u>\$ 196,149</u>	<u>\$ (193,862)</u>	<u>\$ (390,011)</u>

**RAMSEY COUNTY CHILDREN'S MENTAL HEALTH COLLABORATIVE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY INFORMATION**

The Board of Directors adopts an annual budget for the Collaborative's enterprise fund. The budget for the fund is prepared on the modified accrual basis and includes capital outlays as expenditures. Additionally, the budget does not include depreciation and amortization as a budgetary expenditure. The reconciliation of the modified accrual basis (budgetary basis) to GAAP basis is found at the bottom of the schedule, as applicable. Budgetary level of control is exercised at the overall budget level. During the years ended December 31, 2022 and 2021, the Collaborative approved budget adjustments for various expenditures.

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**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors  
Ramsey County Children’s Mental Health Collaborative  
St. Paul, Minnesota

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 Ramsey County Children’s Mental Health Collaborative (the Collaborative), as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise Ramsey County Children’s Mental Health Collaborative’s basic financial statements and have issued our report thereon dated February 1, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Collaborative’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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Collaborative’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Collaborative’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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2022-1 that we consider to be significant deficiencies.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Collaborative'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Ramsey County Children's Mental Health Collaborative's Response to the Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Collaborative's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Collaborative's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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.

February 1, 2024

## INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Board of Directors  
Ramsey County Children's Mental Health Collaborative  
St. Paul, Minnesota

We have audited, 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, the financial statements of Ramsey County Children's Mental Health Collaborative as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Collaborative's basic financial statements, and have issued our report thereon dated February 1, 2024.

In connection with our audit, nothing came to our attention that caused us to believe that Ramsey County Children's Mental Health Collaborative failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Collaborative's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

February 1, 2024

**RAMSEY COUNTY CHILDREN'S MENTAL HEALTH COLLABORATIVE**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
For the Years Ended December 31, 2022 and 2021

**2022-1 Financial Reporting Process**

Condition: Like many similarly sized organizations, Ramsey County Children's Mental Health Collaborative has requested assistance from us, the auditors, with drafting financial statements and the related notes.

Criteria: Internal controls should provide a good system of internal accounting controls that includes the preparation of the financial statements and footnotes.

Effect: This control deficiency increases the possibility that errors and irregularities in the presentation of the financial statements and footnotes may not be detected on a timely basis.

Recommendation: The outsourcing of these services is not unusual to organizations of this size and is a result of management's cost-benefit decision to rely on our accounting expertise rather than incurring this internal resource cost. Management and the Board of Directors should continue to monitor the activities of the Collaborative by reviewing the financial statements and related notes and providing oversight to the financial reporting process.

Management Response: Management is aware of the situation, but a cost-benefit analysis of the issue does not currently support the allocation of additional employees or resources at this time. Certain other safeguards are currently maintained (management oversight and review of draft financial statements) which provide satisfactory mitigation of the issue.

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