

**RAMSEY COUNTY CHILDREN'S MENTAL
HEALTH COLLABORATIVE
ANNUAL FINANCIAL REPORTS
December 31, 2020 and 2019**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of net position of Ramsey County Children's Mental Health Collaborative as of December 31, 2020 and 2019, 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 Collaborative's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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, 2020 and 2019, and the changes in its financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management’s discussion and analysis on pages 3 through 7 and the budgetary comparison information on pages 15 through 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2021 on our consideration of the Commission’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.

Hamington Langer & Associates

May 13, 2021

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

December 31, 2020 and 2019
(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, 2020 and 2019.

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, 2020 and 2019.

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

December 31, 2020 and 2019
(Required Supplementary Information)

Financial Highlights

- In 2018 and 2019, RCCMHC revised its Joint Powers Agreement (JPA) to formalize partnerships with Ramsey County and add four suburban School Districts and District 916 to our Governing Board. During the legal review and negotiation process, the Board decided to temporarily delay our Request for Proposals and distribution of awards in the community. This resulted in approximately \$274,000 net Local Collaborative Time Study (LCTS) funds which would need to be awarded between 2019-2021. During negotiations, the LCTS distribution framework was also reviewed. It was determined that Ramsey County owed RCCMHC approximately \$54,000. Those funds were held in escrow and released in 2019. This review led to an increase in RCCMHC's funding percentage from 10.53% to 11.63% of the total LCTS distribution in Ramsey County. JPA and LCTS negotiations also delayed the release of Ramsey County's annual partner contribution. Ramsey County signed the new JPA on August 13, 2019 and their 2019 contribution was released in December 2019. This delayed release of funds pushed back the release of their 2020 contribution to September. The regular payment schedule has now resumed. Ramsey County was invoiced for 2021 and their contribution was paid in January 2021.
- RCCMHC ended 2020 and 2019 with a net position balance of \$971,829 and \$1,086,411, respectively. The net position balance at the end of 2020 was \$114,582, or 11%, lower than the net position balance at the beginning of the year. The net position balance at the end of 2019 was \$102,382, or 10%, higher than the net position balance at the beginning of the year. These respective fluctuations in net position for 2020 and 2019 were, primarily, the result of a one-time escrow disbursement from Ramsey County of retained LCTS funds and the award of grants from private foundation grants in 2019. These transactions, along with lower operating expenses, resulted in a 2019 increase in net position from 2018 and a 2020 decrease in net position.
- 2020 operating revenues were \$73,545, or 15%, lower than 2019. 2019 operating revenues were \$111,257, or 30%, higher than 2018. Specifically, in 2019, the one-time disbursement of LCTS escrowed funds was \$42,344 and the December 2019 awards from private foundation grants were \$45,000. These grants were restricted for use in 2020. Other variances in yearly revenues were the result of normal fluctuations in earned LCTS funds.
- Total operating expenses for 2020 increased \$139,492, or 36%, from the previous year. This increase included a \$33,237, or 16%, increase in personnel and other administrative costs; an \$88,280, or 65%, increase in Cross-System Services & Supports grant expenses; and various other increases and decreases in other expense categories. Further details on 2020 expense variances are discussed below in the expense analysis section.
- Total operating expenses for 2019 increased \$34,467, or 10%, from the previous year. This increase included a \$18,988, or 10%, increase in personnel and other administrative costs; a \$38,691, or 40%, increase in Cross-System Services & Supports grant expenses; and various other increases and decreases in other expense categories. Further details on 2019 expense variances are discussed below in the expense analysis section.

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

December 31, 2020 and 2019
(Required Supplementary Information)

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

Net Position	2020	2019	2018
Assets			
Cash and cash equivalents	\$ 421,515	\$ 384,905	\$ 343,163
Restricted cash	538,215	606,885	623,127
Other Current Assets	72,303	137,592	52,868
Total Assets	<u>1,032,033</u>	<u>1,129,382</u>	<u>1,019,158</u>
Liabilities			
Current Liabilities	<u>60,204</u>	<u>42,971</u>	<u>35,129</u>
Total Liabilities	<u>60,204</u>	<u>42,971</u>	<u>35,129</u>
Net Position			
Restricted	601,877	761,714	647,892
Unrestricted	<u>369,952</u>	<u>324,697</u>	<u>336,137</u>
Total Net Position	<u>\$ 971,829</u>	<u>\$ 1,086,411</u>	<u>\$ 984,029</u>

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

Changes in Net Position	2020	2019	2018
Operating Revenues			
Ramsey County annual partner contribution	\$ 190,000	\$ 190,000	\$ 190,000
LCTS grant funds	211,713	237,860	170,719
Other operating revenues	<u>8,100</u>	<u>55,498</u>	<u>11,382</u>
Total Operating Revenues	<u>409,813</u>	<u>483,358</u>	<u>372,101</u>
Non-Operating Revenues			
Investment income	<u>4,348</u>	<u>8,275</u>	<u>797</u>
Total Non-Operating Revenues	<u>4,348</u>	<u>8,275</u>	<u>797</u>
Total Revenues	<u>414,161</u>	<u>491,633</u>	<u>372,898</u>

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

December 31, 2020 and 2019
(Required Supplementary Information)

Expenses

Personnel and other administrative costs	237,685	204,448	185,460
Cross-System Services & Supports	223,286	135,006	96,315
Other operating expenses	67,772	49,797	73,009
	<hr/>	<hr/>	<hr/>
Total Expenses	528,743	389,251	354,784
	<hr/>	<hr/>	<hr/>
Change in Net Position	(114,582)	102,382	18,114
	<hr/>	<hr/>	<hr/>
Net Position, Beginning	1,086,411	984,029	965,915
	<hr/>	<hr/>	<hr/>
Net Position, Ending	\$ 971,829	\$ 1,086,411	\$ 984,029
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Revenues

The major sources of operating revenues for RCCMHC include Local Collaborative Time Study (LCTS) and the Ramsey County annual partner contribution. 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.

Expenses

Personnel costs, Cross-System Services & Supports grant agreements, and Family & Community Engagement expenses make up the largest portion of expenses. 2020 operating expenses increased \$139,492, or 36%, from 2019. Key factors driving these results include:

- Personnel and other administrative costs increased \$33,237, or 16%, from the previous year. These increases were due to increasing the hours of the Family Engagement Director from part-time to full-time with benefits and decreasing other administrative costs in response to the COVID-19 pandemic.
- Responding to the increased need for youth mental health services, in 2020, RCCMHC had extra LCTS funds available due to the release of previously held escrow funds, an increased LCTS distribution percentage, and unallocated net LCTS. This enabled the Board to increase Cross-System Services & Supports grant expenses by \$88,280, or 65%, as compared to the previous year. We added a new Non-Billable Services Bank, increased School Linked Mental Health grants by \$57,000 and increased services for Family & Community Engagement (described in the paragraph below). After COVID began, the need for youth mental health and crisis services increased even more dramatically. To rapidly respond to immediate needs in the community, the Board shifted funds from all non-essential administrative expenses to our Non-Billable Services awards.
- Other key fluctuations from the previous year included a \$29,637, or 78%, increase in Family & Community Engagement expenses which was possible because of the increase in available LCTS funds as discussed in the preceding paragraph and a decrease of \$11,662 of combined other expenses related to the prioritizing of emerging needs of the COVID-19 pandemic and following state-imposed restrictions on public gatherings.

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

December 31, 2020 and 2019
(Required Supplementary Information)

2019 operating expenses increased \$34,467, or 10%, from 2018. Key factors driving these results include:

- Personnel and other administrative costs increased \$18,988, or 10% from the previous year due to several changes in staffing, 2018 audit fees paid in 2019 and the new administrative category of Board stipends for parents and youth.
- Use of LCTS funds increased \$38,691, or 40% from the previous year due to the delayed release of Ramsey County's annual partner contribution. During the JPA negotiation process, the Board approved the use of net LCTS funds for direct service expenses such as Family and Community Engagement and Family Engagement wages and benefits.
- Other key fluctuations from the previous year resulted in a decrease of \$13,755 of Family & Community Engagement expenses and \$9,242 of Professional Development & Training expenses due to a conservative posture on spending during the JPA negotiation process.

Budgetary Analysis: 2020

During 2020, the Ramsey County annual partner contribution was not budgeted due to the timing of its delayed release. Private foundation grants were received in 2019 with the donor's intent that they be used in 2020. This resulted in a budget variance of \$37,000 in 2020.

\$72,283 of Cross-System Services and Supports grants were underspent in 2020 because of the COVID-19 pandemic. Mental health and family service agencies were unable to provide in-person services and they struggled with telehealth and family engagement. This was especially a challenge for School Linked Mental Health providers.

Additionally, \$55,858 of Non-Billable Services Bank awards were either not yet entirely spent by recipient agencies as of December 31, 2020 or contracts were not yet awarded. These unspent and/or underspent funds were carried into the 2021 budget for Non-Billable Services Bank.

Budgetary Analysis: 2019

During 2019, LCTS revenues exceeded budgeted amounts by approximately \$53,860 because of the one-time payment of escrowed LCTS funds that had been previously underpaid by Ramsey County and other normal fluctuations in LCTS draws. Other operating revenues exceeded budget by \$62,920, driven primarily by the timing of private foundation awards of \$45,000, recording higher in-kind donations and interest earnings.

The overall decrease in expenditures from the 2019 budget were \$86,112. Cross-System Services and Supports grants were under budget by \$55,870 because the Board awarded several multi-year contracts at the end of 2019 so the bulk of the spending occurred in 2020. Family & Community Engagement spending was under budget by \$15,444 as a conservative response to JPA negotiations and all other expenditures were managed to result in spending that was \$14,798 under budget.

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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 421,515	\$ 384,905
Restricted cash	538,215	606,885
Accounts receivable	59,802	127,871
Prepaid expenses	<u>12,501</u>	<u>9,721</u>
 TOTAL ASSETS	 <u>1,032,033</u>	 <u>1,129,382</u>
 LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	32,030	17,254
Accrued expenses	<u>28,174</u>	<u>25,717</u>
 TOTAL LIABILITIES	 <u>60,204</u>	 <u>42,971</u>
 NET POSITION		
Restricted	601,877	761,714
Unrestricted	<u>369,952</u>	<u>324,697</u>
 TOTAL NET POSITION	 <u>\$ 971,829</u>	 <u>\$ 1,086,411</u>

RAMSEY COUNTY CHILDREN'S MENTAL HEALTH COLLABORATIVE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Years Ended December 31, 2020 and 2019

	2020	2019
OPERATING REVENUES		
Ramsey County annual partner contribution	\$ 190,000	\$ 190,000
LCTS grant funds	211,713	237,860
Other grants and contributions	8,000	45,145
In-kind contributions	100	10,353
TOTAL OPERATING REVENUES	409,813	483,358
OPERATING EXPENSES		
Personnel	179,163	176,711
Other administrative costs	58,522	27,737
Cross-System Services & Supports	223,286	135,006
Family & Community Engagement	67,672	38,035
Professional development & training	-	1,409
In-kind expenses	100	10,353
TOTAL OPERATING EXPENSES	528,743	389,251
OPERATING INCOME	(118,930)	94,107
NON-OPERATING REVENUES		
Investment income	4,348	8,275
TOTAL NON-OPERATING REVENUE	4,348	8,275
CHANGE IN NET POSITION	(114,582)	102,382
NET POSITION, BEGINNING	1,086,411	984,029
NET POSITION, ENDING	\$ 971,829	\$ 1,086,411

See accompanying notes
to basic financial statements

RAMSEY COUNTY CHILDREN'S MENTAL HEALTH COLLABORATIVE

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from operations	\$ 477,782	\$ 388,665
Payments to suppliers and vendors	(337,484)	(202,220)
Payments to employees	<u>(176,706)</u>	<u>(169,220)</u>
 NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	 (36,408)	 17,225
 CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	<u>4,348</u>	<u>8,275</u>
 NET CHANGE IN CASH AND CASH EQUIVALENTS	 (32,060)	 25,500
 CASH AND CASH EQUIVALENTS, BEGINNING	 <u>991,790</u>	 <u>966,290</u>
 CASH AND CASH EQUIVALENTS, ENDING	 <u><u>\$ 959,730</u></u>	 <u><u>\$ 991,790</u></u>
 RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Cash and cash equivalents	\$ 421,515	\$ 384,905
Restricted cash	<u>538,215</u>	<u>606,885</u>
 CASH AND CASH EQUIVALENTS	 <u><u>\$ 959,730</u></u>	 <u><u>\$ 991,790</u></u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income	\$ (118,930)	\$ 94,107
Adjustments:		
Net change in assets, liabilities, and deferred outflows of resources:		
Accounts receivable	68,069	(84,340)
Prepaid expenses	(2,780)	(384)
Accounts payable	14,776	351
Accrued expenses	<u>2,457</u>	<u>7,491</u>
 NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	 <u><u>\$ (36,408)</u></u>	 <u><u>\$ 17,225</u></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, 2020 and 2019, 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 \$26,214 and \$19,333 as of December 31, 2020 and 2019, 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, 2020 and 2019, there was restricted net position of \$601,877 and \$761,714, 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, 2020 and 2019, 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 2020 and 2019, 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 2020 and 2019, Ramsey County provided \$401,713 and \$427,860, respectively, of support to the Collaborative, which represented 98% and 89%, 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.

NOTE 5. BOARD DESIGNATED UNRESTRICTED NET POSITION

RCCMHC has designated unrestricted net position as of December 31, 2020 as follows:

	2020
Non-Billable Bank	\$ 180,000
Additional administrative support	20,000
Carryover of Non-Billable Bank	32,446
	\$ 232,446

RAMSEY COUNTY CHILDREN'S MENTAL HEALTH COLLABORATIVE
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Ramsey County annual partner contribution	\$ -	\$ -	\$ 190,000	\$ 190,000
LCTS grant funds	192,949	192,949	211,713	18,764
Other grants and contributions	-	-	8,000	8,000
Investment income	8,400	8,400	4,348	(4,052)
Transfer from reserves	466,190	466,190	-	(466,190)
TOTAL REVENUES	667,539	667,539	414,061	(253,478)
EXPENDITURES				
Personnel	237,418	210,555	179,163	31,392
Other administrative costs	42,293	28,193	58,522	(30,329)
Cross-System Services & Supports	297,670	351,426	223,286	128,140
Family & Community Engagement	77,365	77,365	67,672	9,693
Professional development & training	12,793	-	-	-
TOTAL EXPENDITURES	667,539	667,539	528,643	138,896
REVENUES UNDER EXPENDITURES	\$ -	\$ -	\$ (114,582)	\$ (114,582)

RAMSEY COUNTY CHILDREN'S MENTAL HEALTH COLLABORATIVE
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Ramsey County annual partner contribution	\$ -	\$ -	\$ 190,000	\$ 190,000
LCTS grant funds	184,000	184,000	237,860	53,860
Other grants and contributions	-	-	45,145	45,145
Investment income	853	853	8,275	7,422
Transfer from reserves	274,635	290,510	-	(290,510)
TOTAL REVENUES	459,488	475,363	481,280	5,917
EXPENDITURES				
Personnel	183,483	183,483	176,711	6,772
Other administrative costs	36,525	36,525	27,737	8,788
Cross-System Services & Supports	175,000	190,875	135,006	55,869
Family & Community Engagement	53,480	59,080	38,035	21,045
Professional development & training	10,000	4,400	1,409	2,991
Other expenses	1,000	1,000	-	1,000
TOTAL EXPENDITURES	459,488	475,363	378,898	96,465
REVENUES OVER EXPENDITURES	\$ -	\$ -	\$ 102,382	\$ 102,382

**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, 2020 and 2019, the Collaborative approved budget adjustments for various expenditures.

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Nichole Fairbanks, CPA
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Anna Anderson, CPA



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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, 2020 and 2019, 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 May 13, 2021.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Collaborative’s internal control over financial reporting (internal control) to determine the 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 have not been identified. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies and listed as item 2020-1.

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

Ramsey County Children's Mental Health Collaborative's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Collaborative's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Hamington Langer & Associates

May 13, 2021

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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, 2020 and 2019, and the related notes to the financial statements, and have issued our report thereon dated May 13, 2021.

The *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit included all of the listed categories, except we did not test for compliance with the provisions for tax increment financing because the Collaborative has not established a tax increment financing district.

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 *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*. 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, in so far 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.

A handwritten signature in black ink that reads 'Harrington Langer & Associates' in a cursive script.

May 13, 2021

RAMSEY COUNTY CHILDREN'S MENTAL HEALTH COLLABORATIVE
SCHEDULE OF FINDINGS AND RESPONSES
For the Years Ended December 31, 2020 and 2019

2020-1 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.