



HealthWest
(a Fund of the County of Muskegon, Michigan)

Financial Statements
Years Ended September 30, 2021 and 2020

Required Supplementary Information,
Schedule of Expenditures of Federal
Awards and Reporting Required by
Government Auditing Standards and
Uniform Guidance
Year Ended September 30, 2021

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Federal Awards and Reporting Required by *Government Auditing
Standards* and Uniform Guidance
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Independent Auditor's Report

Board of Directors
HealthWest
(a Fund of the County of Muskegon, Michigan)
Muskegon, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the major special revenue fund and the aggregate remaining fund information of HealthWest (the Organization) as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the major special revenue fund and the aggregate remaining fund information of the Organization, as of September 30, 2021 and 2020, and the respective changes in financial position thereof 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 (GAAS) 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 Organization 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 Organization's ability to continue as a going concern for 12 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 GAAS 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 GAAS 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 Organization'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 Organization'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 audits.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Organization's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2022 on our consideration of the Organization'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 Organization'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 the Organization's internal control over financial reporting and compliance.

BDO USA, LLP

March 18, 2022

HealthWest (a Fund of the County of Muskegon, Michigan)

Management's Discussion and Analysis

This section of HealthWest's (the Organization) annual financial report presents management's discussion and analysis (MD&A) as an introduction into the financial statements of HealthWest for the fiscal years ended September 30, 2021 and 2020. This presentation is an effort to inform the reader of the financial statements and the MD&A presents an analysis and overview of the financial activities and conditions of the Organization during the past two fiscal years. Please read this MD&A in conjunction with the auditor's report, the financial statements, the notes to the financial statements, the supplementary information, and the required supplementary information taken as a whole.

HealthWest Form of Government

A County Fund, Not an Authority

HealthWest, formerly known as Community Mental Health Services of Muskegon County, is a special revenue fund of the County of Muskegon, Michigan (the County). HealthWest has always operated as a Community Mental Health (CMH) county agency since its founding pursuant to State of Michigan Public Act 54 of 1963. A county CMH agency is an official county (or sometimes multicounty) agency created under section 210 of the Mental Health Code (Act 258 of 1974 330.1210). HealthWest has not elected to become a CMH authority or a CMH organization.

Governance

As a county CMH agency, HealthWest operates as a CMH services program and provides services related to mental health, developmental disabilities, and other related mental health needs for residents of the County. HealthWest activities are under the control of the HealthWest Board of Directors (the HealthWest Board) which consists of 12 members appointed by the Muskegon County Board of Commissioners. The HealthWest Board operates as a Community Mental Health Board under the provisions of Act 258 of the Public Acts of 1974, as amended.

Funding Structure in Michigan

HealthWest is a member of the Lakeshore Regional Entity (LRE), the Prepaid Inpatient Health Plan (PIHP) for the region. Through its affiliation with the LRE, HealthWest receives Medicaid and Healthy Michigan funding for both Mental Health Services and Substance Use Disorder services. HealthWest receives approximately 10% of its revenue directly from the Michigan Department of Health and Human Services (MDHHS). Other funding includes revenues passed through MDHHS as well as other grants, commercial insurance, and other sources for services provided to County residents. The mission of HealthWest is to be a leader in integrated healthcare, inspiring hope, and wellness in partnership with individuals, families, and the community.

Using This Annual Report

As a special revenue fund of the County, HealthWest is a county department and, unlike CMH authorities in Michigan, is not a separate legal entity. Accordingly, HealthWest in this report provides fund financial statements using the current financial resources measurement focus and the modified accrual basis of accounting. Management has chosen to not present government wide HealthWest financial statements that would use the economic resources measurement focus and the accrual basis of accounting. HealthWest capital assets and long-term debt, for example, are not included in its fund financial statements and are included in the County's comprehensive annual financial report.

HealthWest
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Management's Discussion and Analysis

Overview of the HealthWest Financial Statements

Governmental Fund

The HealthWest special revenue fund accounts for funds earmarked to provide mental health and related services to residents of the County. Funding is provided by federal, state, and county appropriations, grants, contributions, and charges for services. The fund includes several separate programs for individuals with mental impairments or developmental disabilities. Both out-patient and in-patient services for adults and children are provided.

As mentioned, the HealthWest special revenue fund governmental fund statements use the current financial resources measurement focus and the modified accrual basis of accounting required of governmental funds. A 90-day availability period is used for most revenues, including for Medicaid programs. Of the \$17.0 million balance due from other governments at the end of the fiscal year, \$14.0 million had not been collected within three months of the fiscal year-end from the Lakeshore Regional Entity (LRE), the Prepaid Inpatient Health Plan (PIHP) organization that acts as fiscal agent for Medicaid program monies. This portion of the receivables is not included in 2021 revenues, but instead is recorded as deferred inflows of resources on the governmental funds balance sheet. Deferred inflows of resources are converted to revenues as collections are received.

The governmental fund statements focus on near-term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Governmental fund information is designed to help the user determine whether there are more or fewer financial resources that can be spent in the near future to finance HealthWest programs. Changes in fund balance serve as a useful indicator in determining whether the financial position is improving or deteriorating. These governmental fund statements do not include long-term assets and liabilities that would be included on government-wide statements.

Fiduciary Fund

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. HealthWest is the fiduciary for certain amounts held on behalf of clients receiving services from HealthWest. Monies held on behalf of clients are accounted for in a separate custodial fund. The HealthWest Custodial Fund is reported herein in the statements of fiduciary net position and statements of changes in fiduciary net position.

Analysis of Fund Balance of Governmental Fund

The following table is a governmental fund condensed balance sheet (in millions) for HealthWest.

<i>September 30,</i>	2021	2020	2019
Assets	\$ 18.51	\$ 20.86	\$ 17.06
Liabilities	\$ 17.77	\$ 20.06	\$ 16.75
Deferred inflows of resources	14.04	13.14	12.28
Fund balance (deficit)	(13.30)	(12.34)	(11.97)
Total Liabilities, Deferred Inflows of Resources, and Fund Balance (Deficit)	\$ 18.51	\$ 20.86	\$ 17.06

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Management's Discussion and Analysis

Due to the COVID-19 pandemic, HealthWest has seen a dramatic change in the services and delivery of these services within FY2021. HealthWest is seeing a dramatic increase at our front door for crisis services and a decline in services that required face to face contact. The delivery of many services was moved to telemedicine, as allowed under the MDHHS coding chart. This coupled with a remaining delay in payments received from the State, through the LRE, has had an impact across the balance sheet. An ongoing effect of the delay in reimbursements of 2021 expenditures was an increase of \$0.9 million (7%) in deferred inflows of resources to \$14.04 million compared to the prior year. Liabilities decreased from \$20.06 million to \$17.77 million largely due to the decrease in accounts payable and accrued liabilities. HealthWest is working in conjunction with the Muskegon County Health Department to educate, obtain and distribute personal protective equipment, test and vaccinate the Muskegon community in response to the pandemic. The funding for these services was provided by multiple grants and contracts specific to the pandemic.

Cash flow was significantly impacted by the delays in reimbursements that also caused the deferred inflows of resources beginning with 2018. One effect of the delay in reimbursements of 2020 expenditures was an increase of \$0.86 million (7%) in deferred inflows of resources to \$13.14 million compared to the prior year. Liabilities increased from \$16.75 million to \$20.06 million largely due to the increase in accounts payable and accrued liabilities. In 2019, delayed payments continued to have negative impacts.

While the LRE funding sources comprise the majority of the deferred inflows of resources at 99.92%, the State of Michigan and Department of Housing and Urban Development (HUD) have a small, deferred inflow of resources of \$10,900 due for prior fiscal years. Deferred inflows of resources at the end of fiscal 2021 were \$14.04 million, at the end of fiscal 2020 were \$13.14 million, and at the end of fiscal 2019 were \$12.28 million.

Receivables Analysis

The following table provides a year-to-year aging comparison of receivable balances due from other governments and is a measure of the delay in reimbursement by the LRE of funding sources appropriated by the State (dollars in millions).

<i>September 30,</i>	2021	2020	2019
Due from other governments	\$ 17.0	\$ 20.3	\$ 16.8
Accounts receivable	1.3	0.5	0.3
Total Receivables	\$ 18.3	\$ 20.8	\$ 17.1
Average days reimbursements in FYE receivables	98	109	88
Receivables at FYE unpaid 92 days after FYE	\$ 14.0	\$ 13.1	\$ 12.3
Percentage of FYE receivables unpaid 92 days after FYE (%)	76	63	72

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Management's Discussion and Analysis

Deferred Inflows of Resources Summary

The change for the year in the balance of deferred inflows is summarized as follows (in millions):

	Portion of Deferred Inflows of Resources from Receivables Created in Fiscal Year		
	2021	2020	2019
Balance , beginning of year	\$ 13.146	\$ 12.281	\$ 3.885
Less: recognition of revenue from collection of prior year receivables	(0.63)	(0.394)	(2.191)
Add: deferral of revenue from delayed payment of new receivables	1.521	1.259	10.587
Balance , end of year	\$ 14.037	\$ 13.146	\$ 12.281

Prior to 2017, the timing of receipts from State funding sources to HealthWest had not resulted in delayed collections beyond December 31st following fiscal year end. The fund balance deficits at the end of 2019, 2020, and 2021 resulted solely from these delayed payments and, barring future payment delays, the fund balance deficit is expected to be eliminated at the time that sufficient payments have been received on the deferred inflows of resources balances.

Changes in Fund Balance

The following table is a governmental fund condensed statement of revenues, expenditures, and changes in fund balances for HealthWest (in millions).

<i>Year ended September 30,</i>	2021	2020	2019
Total revenues	\$ 72.75	\$ 68.11	\$ 62.33
Total expenditures	73.18	67.86	70.45
Excess (Deficiency) of Revenues Over Expenditures	(0.43)	0.25	(8.12)
Transfers in	0.70	0.74	0.74
Transfers out	(1.23)	(1.36)	(1.02)
Changes in Fund Balance	(0.96)	(0.37)	(8.40)
Fund Balance (Deficit) , beginning of year	(12.34)	(11.97)	(3.57)
Fund Balance (Deficit) , end of year	\$ (13.30)	\$ (12.34)	\$ (11.97)

Expenditures and Transfers Out

HealthWest's expenditures plus transfers out for the 2021 fiscal year increased approximately 7.4% from the prior year to \$74.41 million. HealthWest's expenditures plus transfers out for the 2020 fiscal year decreased approximately 3% from the prior year to \$69.23 million. The fund balance deficits for 2021, 2020, and 2019 are the result of payments on receivables not being received prior to December 31 after the September 30 fiscal year-end.

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Management's Discussion and Analysis

Deferred Recognition of Revenue

The following table analyzes the factors causing revenue recognition to be short of expenditures and transfers out. The table starts with HealthWest governmental funds revenue for fiscal 2021 and adjusts for (1) 2021 revenues that reimbursed for prior year expenditures previously deferred, and (2) 2021 expenditures that do not have associated 2021 revenues because of delayed payments causing deferred inflows of resources.

2021 revenues - HealthWest special revenue fund	\$ 72,749,397
Less: 2021 revenue from reimbursement of 2020 expenditures	(490,368)
Add: portion of 9/30/2021 receivables not collected by 12/31/2021 for which revenue is not recognized in 2021	1,372,758
	<hr/> \$ 73,631,787 <hr/>

Expenditures Increase Factors

Expenditures for the year represented an increase of \$5.30 million over the prior year. Expenditures for the 2020 fiscal year represented a decrease of \$2.59 million, of 3.8%, from 2019. Expenditures for the 2019 fiscal year represented an increase of \$1.45 million, of 2.1%, from 2018. Expenditures to be covered by Medicaid specialty supports and services funding of \$63.9 million represents 87% of the total. Expenditures to be supported by State general fund priority population funding of \$2.2 million represents 3% of total expenditures. Funding is established by MDHHS as part of the legislative appropriation process under the Michigan Mental Health Code and is used to provide supports and services to indigent priority populations, including other allowable expenditures. Grants and earned contract revenue include revenue sources for which the use of funds is restricted to a specific purpose. County appropriation revenue, interest income, and other local income are available to meet state matching fund requirements. The County's local match maintenance of effort appropriation was reduced by \$30,116 to \$706,819 in order to assist the County of Muskegon with their fund balance needs for fiscal year 2021.

Budgetary Highlights

HealthWest Budget Process

The budget for any particular fiscal year is developed several months prior to the notification of funding levels from some of the funding sources. The HealthWest Board reviews notification of funding levels from all funding sources. The HealthWest Board reviews and adopts an annual budget in July of every year for the beginning of the next fiscal year starting October 1. A budget amendment for the current year is also completed and approved by the HealthWest Board every July.

Appropriations from State of Michigan

The state legislature in the past few years has established and approved the State operating budget early to mid-summer each year. However, this did not change the methodology and timing of the notice to the CMH system on what the budget appropriation would be from State of Michigan General Fund/General Purpose (GF/GP) appropriations. Notice from the State on its GF/GP appropriations for the following year typically comes late in the summer just before the start of the new fiscal year. Funding levels are also subject to change during the fiscal year based on changes in a

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Management's Discussion and Analysis

program's activity. HealthWest is required to provide services to Mental Health Code priority populations and Medicaid-eligible individuals who meet the criteria according to the Michigan Department of Health and Human Services (MDHHS) Community Mental Health Master Contract.

Changes from Original to Final Budget

The original budgeted revenue for Medicaid fee for service and capitation increased in the amended budget due to the increase in services provided under the Healthy Michigan and state plan Medicaid categories as well as an increase in need for substance use disorder services. Federal intergovernmental grant revenue also increased from the original budget due to HealthWest receiving many new federal grants in total of \$1 million. The increase in budget for operating costs was primarily due to increases in contractual services for substance use disorder services and adult and child inpatient services. While the full impact of the COVID-19 pandemic on HealthWest clinical services are still being analyzed, preliminary data indicates a drop in the number of persons served from fiscal year 2019 to fiscal year 2020. Early data from fiscal year 2021, however, suggests an increase in demand for services, as the toll of the pandemic ripples through the community.

Final Budget Compared to Actual Results

Actual Medicaid fee for service and capitation revenue is less than budget primarily due to an over anticipation of capitated funds coming in from MDHHS. Personnel costs were under budget due to the many vacant positions within the organization. Operating costs were under budget primarily due to COVID-19.

Future Financing

HealthWest has a 2020-2021 Strategic Plan available at www.healthwest.net. To summarize, the plan has four main goals:

1. Maximize the strength of our DIVERSITY through continual growth, inclusion, and equity-focused change.
2. Position HealthWest for EXCELLENCE, going above and beyond to meet our community's growing needs.
3. Develop sustainable and responsive systems for ongoing DEVELOPMENT, learning and growth.
4. Demonstrate high INTEGRITY in all business operations.

With HealthWest's Strategic Plan goals in mind and the ever-increasing community needs along with a population that requires services with a revenue stream that does not always meet that level of need, HealthWest will continue to seek out other sources of revenue as appropriate to assist in working through future funding challenges and the needs within our community. The LRE, along with its five community mental health services partners, was able to meet the demands for the seven counties of our region for fiscal year 2021. However, the LRE continues to pursue a variety of options in order to deal with the financial results from fiscal year 2017 through 2020. The public mental health system in Michigan continues to operate in an ever-changing environment. Legislative changes at the State and Federal levels represent organizational and funding changes that will be required. HealthWest continues to stay abreast of such changes, advocating and adapting as necessary to promote its mission.

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Management's Discussion and Analysis

Evaluation of Regional Revenue Allocation

MDHHS has fully acknowledged that HealthWest, as well as the CMH System as a whole, has not been properly funded for fiscal years 2019, 2020, and 2021. The State completed an actuary study and because of these findings the capitated funding model greatly increased. Due to the amount of the increase, the State rolled the increase out over a two-year span; half of the increase was recognized in fiscal year 2020 and the other half is planned for fiscal year 2021. The increase in these rates is part of the plan to get cash to the LRE so that the LRE can make HealthWest whole for all previous year receivables.

Requests for Information

This financial report is designed to provide a general overview of HealthWest's finances for all those with an interest. Questions concerning any of the information provided in this report or request for additional information may be addressed to the Chief Financial Officer at 376 East Apple Avenue, Muskegon, Michigan 49442.

Financial Statements

HealthWest
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Balance Sheets
Special Revenue Fund

<i>September 30,</i>	2021	2020
Assets		
Cash and cash equivalents	\$ 2,700	\$ 2,700
Accounts receivable	1,313,047	531,864
Due from other governments	16,999,716	20,323,116
Prepaid items	191,420	6,660
Total Assets	\$ 18,506,883	\$ 20,864,340
Liabilities, Deferred Inflows of Resources, and Fund Balance (Deficit)		
Liabilities		
Checks issued in excess of deposits	\$ 9,493,216	\$ 9,519,002
Accounts payable and accrued expenditures	8,230,276	9,908,497
Due to other governments	-	583,799
Unearned revenue	50,100	50,050
Total Liabilities	17,773,592	20,061,348
Deferred Inflows of Resources		
Deferred Medicaid fee for service and capitation	14,037,177	13,146,570
Fund Balance (Deficit)		
Non-spendable - prepaid items	191,420	6,660
Unassigned deficit	(13,495,306)	(12,350,238)
Total Fund Balance (Deficit)	(13,303,886)	(12,343,578)
Total Liabilities, Deferred Inflows of Resources, and Fund Balance (Deficit)	\$ 18,506,883	\$ 20,864,340

See accompanying notes to financial statements.

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**Statements of Revenues, Expenditures, and Changes in Fund Balance (Deficit)
Special Revenue Fund**

<i>Year ended September 30,</i>	2021	2020
Revenues		
Medicaid fee for service and capitation	\$ 63,899,492	\$ 60,262,399
Intergovernmental:		
Federal	4,968,037	4,807,991
State	2,305,845	2,218,593
Local	3,637	205,246
Charges for services:		
Other insurance	-	4,902
Other	1,572,386	614,134
Total Revenues	72,749,397	68,113,265
Expenditures		
Health and welfare:		
Personal costs	32,085,639	29,067,765
Operating costs	41,097,212	38,787,940
Total Expenditures	73,182,851	67,855,705
Excess of Revenues Over (Under)		
Expenditures	(433,454)	257,560
Other Financing Source (Use)		
Transfer to Muskegon County	(1,233,673)	(1,369,831)
Transfer from Muskegon County	706,819	736,935
Total Other Financing Source (Use)	(526,854)	(632,896)
Net Changes in Fund Balance (Deficit)	(960,308)	(375,336)
Fund Balance (Deficit), beginning of year	(12,343,578)	(11,968,242)
Fund Balance (Deficit), end of year	\$ (13,303,886)	\$ (12,343,578)

See accompanying notes to financial statements.

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Statements of Fiduciary Net Position
Custodial Fund

<i>September 30,</i>	2021	2020
<hr/>		
Assets		
Cash and cash equivalents	\$ 887,866	\$ 717,438
<hr/>		
Net Position		
Restricted for consumers	\$ 887,866	\$ 717,438

See accompanying notes to financial statements.

HealthWest
(a Fund of the County of Muskegon, Michigan)
Statements of Changes in Fiduciary Net Position
Custodial Fund

Year Ended September 30, 2021

	Balance, October 1, 2020	Additions	Deletions	Balance, September 30, 2021
Assets				
Cash and cash equivalents	\$ 717,438	\$ 4,820,589	\$ 4,650,161	\$ 887,866
Net Position				
Restricted for consumers	\$ 717,438	\$ 7,083,790	\$ 6,913,362	\$ 887,866

Year Ended September 30, 2020

	Balance, October 1 2019	Additions	Deletions	Balance, September 30, 2020
Assets				
Cash and cash equivalents	\$ 331,124	\$ 386,314	\$ -	\$ 717,438
Net Position				
Restricted for consumers	\$ 331,124	\$ 386,314	\$ -	\$ 717,438

See accompanying notes to financial statements.

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Notes to Financial Statements

1. Summary of Significant Accounting Policies

The Organization was created by resolution of the Muskegon County Board of Commissioners pursuant to Act 54 of the Public Acts of 1963, as amended. The Organization is responsible for serving the mental health needs of Muskegon County residents in accordance with its full management contract with the Michigan Department of Health and Human Services (MDHHS) and the Michigan Mental Health Code.

Reporting Entity

These financial statements represent the financial condition and the results of operations of a special revenue fund and a custodial fund of Muskegon County, Michigan (the County) and are an integral part of that reporting entity. The Organization is not a component unit of Muskegon County or any other reporting entity, as defined by accounting principles generally accepted in the United States of America.

Fund Structure

The Organization reports the following major governmental fund:

Special Revenue Fund - Used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. The special revenue fund accounts for Medicaid revenues received from MDHHS, grant revenues, and charges for services to provide mental health services. The Special Revenue Fund is the Organization's primary operating fund.

Additionally, the Organization reports the following fiduciary fund:

Custodial Fund - The Custodial Fund accounts for resources held on the behalf of consumers. This fund does not involve measurement of results of operations since it is custodial in nature.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Organization considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Intergovernmental revenue, charges for services, and other revenue associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Organization.

The Custodial Fund is used to account for assets held by the Organization in a trustee capacity for consumers. The Custodial Fund is custodial in nature and does not involve measurement of results of operations.

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Notes to Financial Statements

Cash and Cash Equivalents

Cash consists of cash on hand, demand deposits, and deposits with the Muskegon County Treasurer.

HealthWest participates in the County of Muskegon, Michigan cash pool. The County of Muskegon, Michigan pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the County of Muskegon, Michigan's investments.

Checks Issued in Excess of Deposits

Checks issued in excess of deposits represent payments made in excess of the Organization's share of the County of Muskegon, Michigan's cash pool. As amounts due to the Organization are collected from other governments, those funds will be used to replenish the Organization's share of the County's cash pool.

Receivables

Receivables primarily consist of amounts due for Medicaid billings and grant reimbursements under the terms of its full management contract and from other agencies, governments, and organizations for services rendered. Amounts receivable under the full management contract are subject to a cost settlement process and, as such, provision has been made by the Organization for adjustments as estimated by management.

Prepaid Items

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

Deferred Inflows of Resources

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Organization reports deferred inflows of resources for revenue not received during the period of availability. These amounts are deferred and recognized as an inflow of resources in the period that the amounts are received.

Fund Balance

Fund balance represents the difference between assets, liabilities, and deferred inflows in the special revenue fund financial statements. The Organization's fund balance is classified in the following categories:

Non-Spendable Fund Balance - represents amounts that cannot be spent due to legal requirements or because it is not in spendable form. The Organization reports non-spendable fund balance for prepaid items.

HealthWest
(a Fund of the County of Muskegon, Michigan)

Notes to Financial Statements

Restricted Fund Balance - restricted for specific purposes imposed by grantors, bondholders, constitutional provisions, or enabling legislation. There is no restricted fund balance at September 30, 2021 or 2020.

Unassigned Fund Balance - The Organization reported an unassigned (deficit) fund balance at September 30, 2021 and 2020.

The Organization's spending policy considers restricted fund balances will be spent first when both restricted and unassigned fund balances are available. When expenditures are recorded using unassigned fund balances, assigned amounts are spent first, then unassigned amounts.

Medicaid Revenue

The Organization provides mental health services on behalf of the MDHHS in accordance with a managed specialty supports and services contract. Under the contract, the Organization receives monthly capitation payments based on the number of MDHHS participants, regardless of services actually performed by the Organization. In addition, the MDHHS makes fee-for-service payments to the Organization for certain covered services.

Unearned Revenue

Unearned revenue represents the portion of the current year MDHHS contract amount and other grant revenues that may be carried over to and expended in subsequent fiscal years.

Medicaid savings, which are limited to 7.5% of the MDHHS Medicaid contract amount, must be spent in the following year in accordance with Medicaid Reinvestment Strategy. State general fund savings, which are limited to 5.0% of the MDHHS general fund contract amount, must be spent in the following year.

Transfer In - County Appropriation

This transfer represents a subsidy provided by the County as a local match for various services.

Transfer Out - County Appropriation

This transfer represents the transfer of funds to the County for HealthWest's portion of certain costs.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

HealthWest
(a Fund of the County of Muskegon, Michigan)

Notes to Financial Statements

2. Cash and Cash Equivalents

Deposits

The captions on the financial statements relating to cash and cash equivalents are as follows:

September 30, 2021

	Special Revenue Fund	Custodial Fund	Total
Cash and cash equivalents	\$ 2,700	\$ 887,866	\$ 890,566

September 30, 2020

	Special Revenue Fund	Custodial Fund	Total
Cash and cash equivalents	\$ 2,700	\$ 717,438	\$ 720,138

Cash and cash equivalents are comprised of the following at year-end:

<i>September 30,</i>	2021	2020
Cash on hand	\$ 2,700	\$ 2,700
Deposits (checking and savings account)	887,866	717,438
Total Cash and Cash Equivalents	\$ 890,566	\$ 720,138

These deposits are in one financial institution located in Michigan.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Organization's deposits may not be returned. State law does not require, and the Organization does not have, a policy for mitigating custodial credit risk for deposits.

Deposits of the Organization held by Muskegon County may be covered partially by federal depository insurance. The amount of federal depository insurance is determined for the County as a whole but cannot be separately identified for the Organization.

Statutory Authority

The Organization is authorized by the governing body to invest surplus funds in the following:

- 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 financial institution.

HealthWest
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Notes to Financial Statements

- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two 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 Investment Company Act of 1940 with the Organization 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.

3. Due from Other Governments

Due from other governments is comprised of the following:

	Special Revenue Fund	
<i>September 30,</i>	2021	2020
Due from Federal Government	\$ 50,466	\$ 1,336,561
Due from State of Michigan	1,721,710	478,694
Due from other units of government	3,407	-
Due from Lakeshore Regional Entity	15,224,133	18,507,861
	\$ 16,999,716	\$ 20,323,116

4. Accounts Payable and Accrued Expenditures

Accounts payable and accrued expenditures are comprised of the following:

	Special Revenue Fund	
<i>September 30,</i>	2021	2020
Accounts payable	\$ 6,332,568	\$ 8,687,200
Accrued wages	1,897,708	1,221,297
	\$ 8,230,276	\$ 9,908,497

5. Due to Other Governments

Due to other governments is comprised of the following:

	Special Revenue Fund	
<i>September 30,</i>	2021	2020
Due to Lakeshore Regional Entity	\$ -	\$ 434,801
Due to Federal Government	-	148,998
	\$ -	\$ 583,799

HealthWest
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Notes to Financial Statements

6. Pension Plans

Defined Benefit Plan

The Organization offers a defined benefit plan for its eligible employees through the County of Muskegon (the County). The County's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. The County participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

Funding Policy

The Organization is required to contribute at an actuarially determined rate; the current rate ranges from 29.96% to 70.80% of annual covered payroll. Employees also are required to contribute at a range of 3.86% to 5.41%. The contribution requirements of the Organization and plan members are established, and may be amended, by the MERS Retirement Board.

Annual Pension Cost

During the year ended September 30, 2021, the Organization made contributions of \$1,602,653 to the plan, which was based on actuarial projections of funding requirements. Employee contributions for the same period were \$214,845. During the year ended September 30, 2020, the Organization made contributions of \$1,381,607 to the plan, which was based on actuarial projections of funding requirements. Employee contributions for the same period were \$232,336.

Additional historical information is not available for the Organization's participation in MERS because a separate actuarial valuation has not been completed. The actuarial data is included in Muskegon County's valuation. Additionally, the funded status of the Organization has not been recorded because a separate actuarial valuation of the Organization has not been completed.

Defined Contribution Plan

The Organization offers a defined contribution plan through the County of Muskegon. The defined contribution pension plan provides benefits to various employees hired after January 1, 2007. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employer and plan member contributions are recognized in the period that the contributions are due. The fiduciary responsibility for the plan rests with MERS.

Participation in the defined contribution plan is mandatory for all eligible employees. The Organization contributes 3.00% of each participant's base salary to the plan. Employees are required to contribute at a range of 4.00% to 4.50% of base pay to the plan. Participating employees are immediately 100% vested in the member's accumulated balance. Employees become vested in the Organization's contribution over a six-year period. The plan provisions and contribution amounts were established by the County Board and may be amended by the County Board. The plan is administered by MERS. For the year ended September 30, 2021, the Organization contributed \$553,066 and employees made contributions of \$681,940. During the year ended September 30, 2020, the Organization contributed \$466,811 and employees made contributions of \$684,475.

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Notes to Financial Statements

7. Litigation

In the normal course of its activities, the Organization has become a party in various legal actions. Management of the Organization is of the opinion that the outcome of such actions will not have a material effect on the financial position of the Organization and, therefore, has not reflected loss reserves in the financial statements.

8. Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. During the year, the Organization carried commercial insurance to cover all risks of losses. The Organization had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

9. Deficit Fund Balance

At September 30, 2021 and 2020, the Organization reported a total fund deficit of \$13,303,886 and \$12,343,578, respectively. The fund deficit is a result of the timing of cash receipts related to certain revenues due from the Organization's PIHP, Lakeshore Regional Entity. Future collection of these amounts due from the LakeShore Regional Entity are expected to eliminate the fund deficit.

Required Supplementary Information

HealthWest
(a Fund of the County of Muskegon, Michigan)

**Schedule of Revenues, Expenditures, and Change in Fund Balance (Deficit) -
Budget and Actual
Special Revenue Fund**

Year ended September 30, 2021

	Original Budget	Amended Budget	Actual	Variance
Revenues				
Medicaid fee for service and capitation	\$ 57,704,323	\$ 67,953,379	\$ 63,899,492	\$ (4,053,887)
Intergovernmental:				
Federal	5,252,755	6,706,346	4,968,037	(1,738,309)
State	2,223,377	2,173,564	2,305,845	132,281
Local	281,630	130,930	3,637	(127,293)
Other	1,392,142	1,778,890	1,572,386	(206,504)
Total Revenues	66,854,227	78,743,109	72,749,397	(5,993,712)
Expenditures				
Health and welfare:				
Personnel costs	35,210,731	40,481,775	32,085,639	8,396,136
Operating costs	30,987,994	37,725,063	41,097,212	(3,372,149)
Total Expenditures	66,198,725	78,206,838	73,182,851	5,023,987
Excess of Revenues Over (Under) Expenditures	655,502	536,271	(433,454)	(969,725)
Other Financing Source (Use)				
Transfer to Muskegon County	(1,531,088)	(1,387,510)	(1,233,673)	153,837
Transfer from Muskegon County	875,586	851,239	706,819	(144,420)
Total Other Financing Source (Use)	(655,502)	(536,271)	(526,854)	9,417
Net Changes in Fund Balance	-	-	(960,308)	(960,308)
Fund Balance (Deficit), beginning of year	(12,343,578)	(12,343,578)	(12,343,578)	-
Fund Balance (Deficit), end of year	\$ (12,343,578)	\$ (12,343,578)	\$ (13,303,886)	\$ (960,308)

HealthWest
(a Fund of the County of Muskegon, Michigan)

Notes to Required Supplementary Information

1. Budgetary Accounting

The Organizations special revenue fund is under formal budgetary control and follows both the County's and MDHHS's annual budget process in establishing the budgetary data presented in the financial statements. The annual fiscal budget is adopted on a basis consistent with generally accepted accounting principles and the requirements of the MDHHS.

2. Budgetary Non-Compliance

P.A. 621 of 1978 Section 18(1), as amended, provides that the Organization shall not incur expenditures in excess of the amount appropriated. The Organization adopts its budget at the functional level, which is the legal level of budgetary control. The Organization incurred operating costs in excess of the amounts appropriated of \$3,344,310 for the year ended September 30, 2021.

Additional Reports Required by the Uniform Guidance

HealthWest
(a Fund of the County of Muskegon, Michigan)

Schedule of Expenditures of Federal Awards

Year ended September 30, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services				
Medicaid Cluster:				
Passed through Michigan Department of Health and Human Services:				
Medical Assistance Program	93.778	E20210664-00	\$ -	\$ 42,400
Total Medicaid Cluster			-	42,400
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	N/A	-	1,332,401
Section 223 Demonstration Programs to improve Community Mental Health Services	93.829	20SM83230AC3	-	1,801,333
Passed through Michigan Department of Health and Human Services:				
COVID-19 - Emergency Grants to Address Mental and Substance Use Disorders During Covid-19	93.665	H79FG000302	-	157,246
Block Grants for Community Mental Health Services:				
Recovery Co-Op Wellness Program	93.958	B09SM082608	-	7,500
Intensive Crisis Stabilization Services Expansion	93.958	B09SM082608	-	132,442
Mental Health COVID Supplemental (SMI)	93.958	E20214878-00	-	8,641
Children's Mental Health COVID Supplemental (SED)	93.958	E20215002-00	-	49
Connecting Veterans	93.958	B09SM010026	-	98,335
			-	246,967
Passed through Lakeshore Regional Entity:				
Opioid State Targeted Response Grant:				
State Opioid Response Grant - 2	93.788	1H79TI083298-01	-	348,060
State Opioid Response Grant - 1	93.788	1H79TI081712-01	-	45,345
			-	393,405
Block Grants for Treatment of Substance Abuse:				
Substance Use Disorder Services	93.959	20164620	-	1,229,611
Passed through Michigan Department of Health and Human Services:				
Every Student Succeeds Act/Preschool Development Grants	93.434	IAMDE21-99033	-	84,298
Total U.S. Department of Health and Human Services			-	5,287,661

HealthWest
(a Fund of the County of Muskegon, Michigan)

Schedule of Expenditures of Federal Awards

Year ended September 30, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Housing and Urban Development				
HUD Supportive Housing Grant #1	14.235	N/A	\$ -	\$ 69,584
HUD Supportive Housing Grant #2	14.235	N/A	-	23,958
HUD Supportive Housing Grant #3	14.235	N/A	-	17,312
HUD Supportive Housing Grant #4	14.235	N/A	-	22,242
Total U.S. Department of Housing and Urban Development			-	133,096
U.S. Department of Justice				
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	2019-MO-BX-0037	-	143,936
Total Expenditures of Federal Awards			\$ -	\$ 5,564,693

See accompanying notes to Schedule of Expenditures of Federal Awards.

HealthWest
(a Fund of the County of Muskegon, Michigan)

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of HealthWest under programs of the federal government for the year ended September 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of HealthWest, it is not intended to and does not present the financial position or changes in net position of HealthWest.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The Organization has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.



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*

Board of Directors
HealthWest
(a Fund of the County of Muskegon)
Muskegon, 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 major special revenue fund and aggregate remaining fund information of HealthWest (the Organization), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated March 18, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered HealthWest'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization'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 have not been identified.



Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether HealthWest'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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

March 18, 2022



Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors
HealthWest
(a Fund of the County of Muskegon)
Muskegon, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited HealthWest’s (the Organization) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization’s major federal programs for the year ended September 30, 2021. The Organization’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization’s federal programs.



Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the uniform guidance, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in



internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

March 18, 2022

HealthWest
(a Fund of the County of Muskegon, Michigan)

Schedule of Findings and Questioned Costs
Year Ended September 30, 2021

Section 1. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes No

Identification of major federal programs:

Federal Assistance Listing Number	Name of Federal Program or Cluster
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

Yes No

Section 2. Financial Statement Findings

There were no findings related to the financial statements that are required to be reported, in accordance with generally accepted government auditing standards.

Section 3. Federal Award Findings and Questioned Costs

There were no findings and questioned costs for federal awards (as defined in 2 CFR 200.516(a)) that are required to be reported.
