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## AUDIT-RELATED COMMUNICATIONS

To the Board of Directors  
Northeast Michigan  
Community Mental Health Authority

We have audited the financial statements of the business-type activities, the major fund and the aggregate remaining fund information of the Northeast Michigan Community Mental Health Authority (the "Authority") for the year ended September 30, 2009. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 22, 2009. Professional standards also require that we communicate to you the following information related to our audit.

### *Compliance*

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Authority's compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance accompanies our report on the financial statements.

### *Internal Controls*

As part of our audit, we considered the internal control of the Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Our report on internal controls accompanies our report on the financial statements.

### ***Qualitative Aspects of Accounting Practices***

Management is responsible for selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2009. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were: the useful lives of fixed assets in determining depreciation expense and the cash settlement under State contracts.

Management's estimate of the depreciation expense is based on management's approved capitalization policy detailing the useful lives of its fixed assets. Management's estimate of initial cash settlements under State contracts are based on procedures provided by the Michigan Department of Community Health. We evaluated the key factors and assumptions used in determining depreciation expense and managed care cash settlements in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. You may find Note B related to cash to be particularly sensitive.

### ***No Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We noted one unposted misstatement related to fiscal year 2008 leave and insurance expenses of \$18,316 recorded during fiscal year 2009. The adjustment was not material to the financial statements as a whole.

***No Disagreements with Management***

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

***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated February 2, 2010.

***Management Consultations with Other Independent Accountants***

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

***Other Audit Findings or Issues***

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

We wish to thank the staff of Northeast Michigan Community Mental Health for their assistance during the audit.

To the Board of Directors  
Northeast Michigan  
Community Mental Health Authority  
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This information is intended solely for the use of Northeast Michigan Community Mental Health Authority Board of Directors, Michigan Departments of Community Health and Treasury, management and others within the Authority and is not intended to be and should not be used by anyone other than these specified parties.

We commend the Authority for its excellent recordkeeping system and appreciate the opportunity to serve the Northeast Michigan Community Mental Health Authority. If you have any questions, or if we can be of further service, please feel free to contact us.

*Dennis, Gartland & Niergarth*

February 2, 2010