Kent County
CMH Authority

Network 180
Kent County Community Mental Health Authority

Years Ended
September 30,
2021 and 2020

Financial Statements and Single Audit Act Compliance

KENT COUNTY CMH AUTHORITY

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Independent Auditor's Report

Board of Directors
Kent County CMH Authority
Grand Rapids, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the enterprise fund and the aggregate remaining fund information of the Kent County CMH Authority (the Authority), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority'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 enterprise fund and the aggregate remaining fund information of the Authority, as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 Authority 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 Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Authority'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 Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-12 and the required supplementary information on pages 50-62 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 Authority's basic financial statements. The 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 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 31, 2022 on our consideration of the Authority'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 Authority'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 Authority's internal control over financial reporting and compliance.

BDO USA, LLP

March 31, 2022

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

This section of the Kent County CMH Authority's (the “Authority”) annual financial report presents management’s discussion and analysis (MD&A) of activities and financial performance during the fiscal years ended September 30, 2021 and 2020. Please review it in conjunction with the Independent Auditor's Report, the Financial Statements, the Notes to the Financial Statements, and the Required Supplementary Information presented in this financial report.

Kent County CMH Authority is doing business as Network180, and is an Authority established by the State of Michigan and the County of Kent to operate, control, and manage an integrated behavioral healthcare and substance abuse system in order to better serve its residents. The mission of the Authority is to inspire hope, improve mental health, support self-determined lives and encourage recovery.

This MD&A contains information on the basic financial statements of the Authority, together with any required explanation, which would be essential to acquire a full understanding of the data contained therein.

Financial Position Summary

Analysis of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position over time serves as a useful indicator of the Authority’s financial position. The Authority’s assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by $3,495,169 and $4,099,339 as of September 30, 2021 and 2020, respectively. These represent $604,170 and $553,380 decreases from the prior periods.

Management's Discussion and Analysis

A condensed summary of the Authority's statements of net position for the years ended September 30, 2021 and 2020 is shown below:

	Net Position			
	2021	2020	Change	% Change
Assets				
Current and other assets	$ 31,262,498	$ 30,691,509	$ 570,989	1.9%
Capital assets, net	4,850,827	4,077,375	773,452	19.0%
Total assets	36,113,325	34,768,884	1,344,441	3.9%
Deferred outflows of resources	1,252,655	1,285,468	(32,813)	-2.6%
Liabilities				
Current and other liabilities	27,548,911	26,551,175	997,736	3.8%
Net pension liability	4,512,082	5,066,685	(554,603)	-10.9%
Total liabilities	32,060,993	31,617,860	443,133	1.4%
Deferred inflows of resources	1,809,818	337,153	1,472,665	436.8%
Net position				
Investment in capital assets	4,850,827	4,077,375	773,452	19.0%
Restricted for OPEB	66,526	19,592	46,934	239.6%
Unrestricted	(1,422,184)	2,372	(1,424,556)	-60057.2%
Total net position	$ 3,495,169	$ 4,099,339	$ (604,170)	-14.7%

The amount of the Authority's investment in capital assets at September 30, 2021 is $4,850,827 or 138.8% percent of total net position. Unrestricted net position of $(1,422,184) represents -40.7% percent of total net position. The decrease in unrestricted net position is a result of the increase pension and other post employment benefits related expenses. Capital asset activity is discussed separately on a subsequent page.

Management's Discussion and Analysis

A condensed summary of the Authority's statements of net position for the years ended September 30, 2020 and 2019 is shown below:

	Net Position			
	2020	2019	Change	% Change
Assets				
Current and other assets	$ 30,691,509	$ 30,945,994	$ (254,485)	-0.8%
Capital assets, net	4,077,375	4,372,836	(295,461)	-6.8%
Total assets	34,768,884	35,318,830	(549,946)	-1.6%
Deferred outflows of resources	1,285,468	2,909,430	(1,623,962)	-55.8%
Liabilities				
Current and other liabilities	26,551,175	27,990,331	(1,439,156)	-5.1%
Net pension liability	5,066,685	5,173,687	(107,002)	-2.1%
Total liabilities	31,617,860	33,164,018	(1,546,158)	-4.7%
Deferred inflows of resources	337,153	411,523	(74,370)	-18.1%
Net position				
Investment in capital assets	4,077,375	4,372,836	(295,461)	-6.8%
Restricted for OPEB	19,592	1,477	18,115	1226.5%
Unrestricted	2,372	278,406	(276,034)	-99.1%
Total net position	$ 4,099,339	$ 4,652,719	$ (553,380)	-11.9%

The amount of the Authority's investment in capital assets at September 30, 2020 is $4,077,375 or 99.5 percent of total net position. Unrestricted net position of $21,964 represents 0.5% percent of total net position. The decrease in unrestricted net position is a result of the increase in pension and other post employment benefits related expenses. Capital asset activity is discussed separately on a subsequent page.

KENT COUNTY CMH AUTHORITY

Management's Discussion and Analysis

The following summarizes the revenues, expenses, and changes in net position for the years ended September 30, 2021 and 2020:

	Changes in Net Position			
	2021	2020	Change	% Change
Operating revenues				
Medicaid	$ 123,717,647	$ 110,653,051	$ 13,064,596	11.8%
Healthy Michigan Plan	22,422,857	17,302,815	5,120,042	29.6%
Medicaid - Autism benefit	22,123,414	19,587,810	2,535,604	12.9%
State general fund	4,720,542	6,514,142	(1,793,600)	-27.5%
Earned contracts, grants and OBRA	7,759,052	7,737,231	21,821	0.3%
Local funds	5,327,680	5,293,136	34,544	0.7%
Total operating revenues	186,071,192	167,088,185	18,983,007	11.4%
Operating expenses				
Mental health program services:				
Provider network	140,399,343	130,660,282	9,739,061	7.5%
Direct services	15,882,629	13,084,577	2,798,052	21.4%
Grant expenses	7,676,124	7,820,555	(144,431)	-1.8%
Earned contracts	1,589,021	1,244,244	344,777	27.7%
Access center and administration	21,149,338	14,841,676	6,307,662	42.5%
Total expenses	186,696,455	167,651,334	19,045,121	11.4%
Operating loss	(625,263)	(563,149)	(62,114)	11.0%
Nonoperating revenues (expenses)				
Interest income	22,743	9,995	12,748	127.5%
Loss on disposal of capital assets	(1,650)	(226)	(1,424)	630.1%
Total nonoperating revenues	21,093	9,769	11,324	115.9%
Change in net position	(604,170)	(553,380)	(50,790)	9.2%
Net position, beginning of year	4,099,339	4,652,719	(553,380)	-11.9%
Net position, end of year	$ 3,495,169	$ 4,099,339	$ (604,170)	-14.7%

Management's Discussion and Analysis

The following summarizes the revenues, expenses, and changes in net position for the years ended September 30, 2020 and 2019:

	Changes in Net Position			
	2020	2019	Change	% Change
Operating revenues				
Medicaid	$ 110,653,051	$ 106,161,829	$ 4,491,222	4.2%
Healthy Michigan Plan	17,302,815	15,922,360	1,380,455	8.7%
Medicaid - Autism benefit	19,587,810	22,605,069	(3,017,259)	-13.3%
State general fund	6,514,142	5,671,397	842,745	14.9%
SED-DHS waiver	-	444,048	(444,048)	-100.0%
Children's model waiver	-	507,838	(507,838)	-100.0%
Earned contracts, grants and OBRA	7,737,231	8,657,955	(920,724)	-10.6%
Local funds	5,293,136	5,206,090	87,046	1.7%
Total operating revenues	167,088,185	165,176,586	1,911,599	1.2%
Operating expenses				
Mental health program services:				
Provider network	130,660,282	134,446,474	(3,786,192)	-2.8%
Direct services	13,084,577	8,696,165	4,388,412	50.5%
Grant expenses	7,820,555	8,616,178	(795,623)	-9.2%
Earned contracts	1,244,244	797,709	446,535	56.0%
Access center and administration	14,841,676	13,661,398	1,180,278	8.6%
Total expenses	167,651,334	166,217,924	1,433,410	0.9%
Operating loss	(563,149)	(1,041,338)	478,189	-45.9%
Nonoperating revenues				
Investment revenue	9,995	18,863	(8,868)	-47.0%
Loss on disposal of capital assets	(226)	-	(226)	0.0%
Total nonoperating revenues (expenses)	9,769	18,863	(9,094)	-48.2%
Change in net position	(553,380)	(1,022,475)	469,095	-45.9%
Net position, beginning of year	4,652,719	5,675,194	(1,022,475)	-18.0%
Net position, end of year	$ 4,099,339	$ 4,652,719	$ (553,380)	-11.9%

Management's Discussion and Analysis

Financial Operations Highlights

The following are significant financial operating highlights for the fiscal year ended September 30, 2021:

- Deferred outflows of resources decreased by 2.6% or $(32,813) from $1,285,468 to $1,252,655 principally due to fluctuations in investment returns for assets held in trust for the defined benefit pension plan. More detailed information is available in the notes to the financial statements.

- The net pension liability decreased by 10.9% or $(554,603) from $5,066,685 to $4,512,082 principally due to increases in investment returns on the assets held in trust, as noted above under the deferred outflows of resources. More detailed information is available in the notes to the financial statements.

- Deferred inflows of resources increased by 436.8% or $1,472,665 from $337,153 to $1,809,818 due to differences in experience and changes in the assumptions used in the actuarial valuation for the defined benefit pension and other postemployment benefits plans. More detailed information is available in the notes to the financial statements.

- Total operating revenues increased by 11.4% or $18,983,007 from $167,088,185 in 2020 to $186,071,192 in 2021 principally due to changes in State funding, direct care wage pass through funding and stabilization dollars provided to service providers.

- In 2021 operating expenses increased by $19,045,121 from $167,651,334 in 2020 to $186,696,455 in 2021. This is principally due to premium pay funded by the State of Michigan for direct care workers and stabilization payments to employees and providers.

The following are significant financial operating highlights for the fiscal year ended September 30, 2020:

- Deferred outflows of resources decreased by 55.8% or $(1,623,962) from $2,909,430 to $1,285,468 principally due to fluctuations in investment returns for assets held in trust for the defined benefit pension plan. More detailed information is available in the notes to the financial statements.

- The net pension liability decreased by 2.1% or $(107,002) from $5,173,687 to $5,066,685 principally due to decreases in investment returns on the assets held in trust, as noted above under the deferred outflows of resources. More detailed information is available in the notes to the financial statements.

- Deferred inflows of resources decreased by 18.1% or $(74,370) from $411,523 to $337,153 due to differences in experience and changes in the assumptions used in the actuarial valuation for the defined benefit pension and other postemployment benefits plans. More detailed information is available in the notes to the financial statements.

- Total operating revenues increased by 1.2% or $1,911,599 from $165,176,586 in 2019 to $167,088,185 in 2020 principally due to changes in State funding and increased service provided to clients.

- Operating expenses stayed very similar from 2019 to 2020. In 2020 operating expenses increased by $1,433,410 from $166,217,924 to $167,651,334 principally due to premium pay funded by the State of Michigan for direct care workers.

Management's Discussion and Analysis

Capital Assets

As of September 30, 2021, the Authority had approximately $4.9 million invested in a variety of capital assets as reflected in the following schedule:

	Capital Assets		
	2021	2020	2019
Not being depreciated:			
Work in progress	$ 1,015,854	$ -	$ -
Being depreciated:			
Land improvements	$ 529,278	$ 529,278	$ 529,278
Leasehold improvements	5,597,960	5,505,267	5,394,308
Office equipment and furniture	3,533,678	3,467,147	3,384,124
Accumulated depreciation	(5,825,943)	(5,424,317)	(4,934,874)
Total capital assets, net	$ 4,850,827	$ 4,077,375	$ 4,372,836

In 2021, the Authority had significant capital additions related to leasehold improvements at its Fuller building. In 2020, the Authority had capital additions of information technology infrastructure. For more information about the Authority's capital assets, see note 3.

Factors Impacting the Future

The public mental health system in Michigan continues to operate in an ever changing environment. Legislative changes at the State and Federal level may present organizational and funding changes that are not yet known. Network180 continues to stay abreast of such changes and advocate and adapt as necessary to promote its mission.

In January 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (the COVID-19 outbreak). In March 2020, the WHO classified the COVID-19 outbreak as a pandemic. The full impact that the COVID-19 outbreak will have on the Authority is unknown at the time of this report. Management is actively monitoring the impact of the situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Refer to Note 12 for further discussion.

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Kent County CMH Authority. Questions concerning any of the information provided in this report or request for additional information may be addressed to the Chief Financial Officer at 3310 Eagle Park Drive NE, Suite 100, Grand Rapids, MI 49525.

BASIC FINANCIAL STATEMENTS

KENT COUNTY CMH AUTHORITY

Statements of Net Position

	September 30,	
	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	$ 20,554,817	$ 10,382,821
Accounts receivable	1,651,568	1,760,170
Due from County of Kent	190,387	161,925
Due from Lakeshore Regional Entity	7,401,956	17,059,530
Due from State of Michigan	534,583	686,310
Prepaids and other current assets	388,141	329,761
Total current assets	30,721,452	30,380,517
Noncurrent assets:		
Capital assets not being depreciated	1,015,854	-
Capital assets being depreciated, net	3,834,973	4,077,375
Net OPEB asset	541,046	310,992
Total noncurrent assets	5,391,873	4,388,367
Total assets	36,113,325	34,768,884
Deferred outflows of resources		
Deferred pension amounts	1,252,655	1,239,715
Deferred OPEB amounts	-	45,753
Total deferred outflows of resources	1,252,655	1,285,468
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	25,423,172	26,189,206
Due to State of Michigan	1,780,876	349,969
Unearned revenue	344,863	12,000
Total current liabilities	27,548,911	26,551,175
Noncurrent liability:		
Net pension liability	4,512,082	5,066,685
Total liabilities	32,060,993	31,617,860
Deferred inflows of resources		
Deferred pension amounts	1,335,298	-
Deferred OPEB amounts	474,520	337,153
Total deferred inflows of resources	1,809,818	337,153
Net position		
Investment in capital assets	4,850,827	4,077,375
Restricted for OPEB	66,526	19,592
Unrestricted	(1,422,184)	2,372
Total net position	$ 3,495,169	$ 4,099,339

The accompanying notes are an integral part of these financial statements.

Statements of Revenues, Expenses and Changes in Fund Net Position

	Year Ended September 30,	
	2021	2020
Operating revenues		
Medicaid	$ 123,717,647	$ 110,653,051
Healthy Michigan Plan	22,422,857	17,302,815
Medicaid - Autism benefit	22,123,414	19,587,810
State general fund	4,720,542	6,514,142
Earned contracts, grants and OBRA	7,759,052	7,737,231
Local funds	5,327,680	5,293,136
Total operating revenues	186,071,192	167,088,185
Operating expenses		
Mental health program services:		
Provider network	140,399,343	130,660,282
Direct services	15,882,629	13,084,577
Grant expenses	7,676,124	7,820,555
Earned contracts	1,589,021	1,244,244
Access center and administration	21,149,338	14,841,676
Total operating expenses	186,696,455	167,651,334
Operating loss	(625,263)	(563,149)
Nonoperating revenues (expenses)		
Investment income	22,743	9,995
Loss on disposal of capital assets	(1,650)	(226)
Total nonoperating revenues (expenses)	21,093	9,769
Change in net position	(604,170)	(553,380)
Net position, beginning of year	4,099,339	4,652,719
Net position, end of year	$ 3,495,169	$ 4,099,339

The accompanying notes are an integral part of these financial statements.

KENT COUNTY CMH AUTHORITY

Statements of Cash Flows

	Year Ended September 30,	
	2021	2020
Cash flows from operating activities		
Cash received from contracts, grants, consumers, and others	$ 196,293,496	$ 168,418,497
Cash paid to suppliers	(157,718,079)	(145,571,128)
Cash paid to employees	(27,157,120)	(21,745,229)
Net cash provided by operating activities	11,418,297	1,102,140
Cash flows for capital and related financing activity		
Purchase of capital assets	(1,269,044)	(199,643)
Cash flows from investing activity		
Investment income	22,743	9,995
Change in cash and cash equivalents	10,171,996	912,492
Cash and cash equivalents, beginning of year	10,382,821	9,470,329
Cash and cash equivalents, end of year	$ 20,554,817	$ 10,382,821

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KENT COUNTY CMH AUTHORITY

Statements of Cash Flows

	Year Ended September 30,	
	2021	**2020**
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	$ (625,263)	$ (563,149)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense	402,509	494,878
Disposal of capital assets	91,433	-
Changes in operating assets, deferred outflows, liabilities and deferred inflows that provided (used) cash:		
Accounts receivable	108,602	164,477
Due from Lakeshore Regional Partners	9,657,574	204,072
Due from State of Michigan	151,727	624,692
Due from County of Kent	(28,462)	325,071
Prepaid and other current assets	(58,380)	(22,415)
Net OPEB asset	(230,054)	(128,920)
Deferred outflows - pensions	(12,940)	1,614,192
Deferred outflows - OPEB	45,753	9,770
Accounts payable and accrued liabilities	(766,034)	(694,339)
Due to Lakeshore Regional Partners	-	(353,795)
Due to State of Michigan	1,430,907	(403,022)
Unearned revenue	332,863	12,000
Net pension liability	(554,603)	(107,002)
Deferred inflows - pensions	1,335,298	(175,405)
Deferred inflows - OPEB	137,367	101,035
Net cash provided by operating activities	$ 11,418,297	$ 1,102,140

concluded

The accompanying notes are an integral part of these financial statements.

Statements of Fiduciary Net Position

Other Postemployment Benefits Trust Fund

	September 30, 2021	September 30, 2020
Assets		
Investments	$ 1,599,683	$ 1,311,241
Net position		
Restricted for other postemployment benefits	$ 1,599,683	$ 1,311,241

The accompanying notes are an integral part of these financial statements.

KENT COUNTY CMH AUTHORITY

Statements of Changes in Fiduciary Net Position

Other Postemployment Benefits Trust Fund

	Year Ended September 30,	
	2021	2020
Additions		
Contributions:		
Employer	$ 15,787	$ 17,576
Investment income	291,152	89,101
Total additions	306,939	106,677
Deductions		
Benefits paid to participants or beneficiaries	15,787	17,577
Administrative expense	2,710	2,252
Total deductions	18,497	19,829
Change in fiduciary net position	288,442	86,848
Net position, beginning of year	1,311,241	1,224,393
Net position, end of year	$ 1,599,683	$ 1,311,241

The accompanying notes are an integral part of these financial statements.

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NOTES TO FINANCIAL STATEMENTS

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Kent County CMH Authority (the “Authority”), established under Section 205 of the Mental Health Code, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority’s accounting policies are described below.

Reporting Entity

Kent County CMH Authority was created by the County of Kent, Michigan (the "County") Board of Commissioners to operate, control and manage an integrated behavioral healthcare system in order to serve County of Kent residents. The Authority does business as Network180. The Authority is governed by a community mental health services board. The County also provides financial support annually to the Authority.

Fiduciary Component Unit

The Other Post Employment Trust Fund is a single-employer defined benefit postemployment healthcare plan established and administered by the Authority to provide medical and healthcare benefits for retirees and their beneficiaries. The OPEB Trust Fund is included as a fiduciary component unit of the Authority because (1) the OPEB Trust Fund is a legally separate entity; (2) the OPEB Trust Fund is managed by the Authority; (3) the Authority makes contributions to the OPEB Trust Fund on behalf of its participants.

Financial Statements

The financial statements report information on all of the activities of the Authority.

The operations of the Authority are accounted for as an enterprise fund (a proprietary fund) which is designed to be self-supporting. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Enterprise fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The enterprise fund is the Authority’s primary operating fund. It accounts for all financial resources of the government.

Additionally, the Authority reports an other postemployment benefits trust fund which accounts for the accumulation of resources to be used for certain retirement healthcare payments to eligible full-time employees of the Authority.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's operating fund are contract revenues received directly or indirectly from the Michigan Department of Health and Human Services (MDHHS) and first and third party billings. Operating expenses include the cost of providing mental health and substance abuse services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

Deposits

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Authority to invest in:

- 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.

- 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 authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

The Authority participates in the Kent County Investment Pool (the "Pool") which is managed by the County Treasurer. Investments underlying the County External Investment Pool consist primarily of short-term certificates of deposit, which are carried at cost plus accrued interest, and U.S. treasuries and agencies, which are carried at fair value. Investment income earned as a result of cash pooling is allocated to participating governments.

Receivables and Payables

Accounts receivable, representing outstanding balances on contracts and grants, are considered fully collectible.

Transactions between the Authority and various departments of the State of Michigan, and Lakeshore Regional Partners, that are representative of service provider/purchaser and borrowing arrangements outstanding at year-end are reported as due from/to State of Michigan and Lakeshore Regional Partners. After year-end, due from/to balances with the Lakeshore Regional Partners are settled based on the Authority's Financial Status Report.

Transactions between the Authority and provider agencies that represent the differences outstanding at year-end between amounts advanced to agencies and qualifying expenses are included in accounts receivable/payable and accruals. Receivables and payables are expected to be settled within one year.

Prepaids

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

Capital Assets

Capital assets are defined as assets with an initial cost of more than $5,000 and an estimated useful life in excess of two years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are recorded for reporting purposes at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are recorded at their estimated acquisition cost as of the date of the donation.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	Years
Land improvements	10-20
Leasehold improvements	3-40
Office equipment and furniture	2-15

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expense) until then. The Authority's deferred outflows of resources are related to the net pension liability and net OPEB asset.

Compensated Absences

It is the Authority's policy to permit employees to accumulate paid time off, subject to certain limitations. Any earned but unused paid time off is reported as a current liability or long-term liability in the statement of net position based on client balance and historical use.

Unearned Revenue

Unearned revenue may include the portion of the current year MDHHS General Fund contract amount that may be carried-over to and expended in subsequent fiscal years. Such carryover is generally limited to five percent of the MDHHS contract amount. The funds carried over must generally be spent in the following year. At September 30, 2021 $332,863 was carried forward and in 2020, there was no General Fund carryover balance. Additionally, the Authority reports unearned revenue for the unspent portion of private, State and Federal grants received in advance.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Authority's deferred inflows of resources are related to the net pension liability and net OPEB asset.

Pensions and Other Postemployment Benefits Assets and Liabilities

For purposes of measuring the net pension liability and OPEB asset, deferred outflows and inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on its use either through legislation or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. Net position reported as investment in capital assets represent the amount of net position that is not available for future appropriation. Except for the other post employment benefit trust fund, there were no restrictions of net position as of September 30, 2021 or 2020.

Reclassification

Certain amounts as reported in the 2020 financial statements have been reclassified to conform with the 2021 presentation.

2. DEPOSITS AND INVESTMENTS

Following is a reconciliation of deposit and investment balances as of September 30, 2021 and 2020:

	2021	2020
Statements of Net Position		
Cash and cash equivalents	$ 20,554,817	$ 10,382,821
Statements of Fiduciary Net Position		
Investments	1,599,683	1,311,241
Total	$ 22,154,500	$ 11,694,062
Deposits and investments		
Deposits:		
Checking/savings accounts	$ 20,475,077	$ 10,303,540
Kent County Investment Pool	79,740	79,281
Total deposits	20,554,817	10,382,821
Investments:		
MERS total market portfolio	1,599,683	1,311,241
Total	$ 22,154,500	$ 11,694,062

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. State law does not require and the Authority does not have a policy for deposit custodial credit risk. As of September 30, 2021 and 2020, $20,301,310 and $10,074,770 of the Authority's bank balances of $20,631,050 and $10,324,770, respectively, were exposed to credit risk because they were uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's investment policy mitigates custodial credit risk related to investments by limiting the types of financial entities with which it invests.

Investments in the County of Kent investment pool are categorized in the County's financial statements to give an indication of the level of risk assumed by the County at year-end. It is not feasible to allocate the level of risk to the various County funds, component units, and other entities that have equity in the Investment Pool. Accordingly, the Authority's investments are not categorized in this report. The Authority had no other investments subject to custodial credit risk at September 30, 2021 and 2020.

Credit Risk. State law limits investments to specific government securities, certificates of deposit and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The Authority's investment policy minimizes credit risk by limiting deposits and investments to the safest securities and types of entities. The Authority's investments in the Kent County Investment Pool and MERS total market portfolio are not rated. The Authority had no other investments subject to credit risk at September 30, 2021 and 2020.

Interest Rate Risk. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of investments. The Authority's investment policy complies with State guidelines and seeks to minimize interest rate risk by structuring the investment portfolio so that security maturity dates provide cash to meet ongoing operating requirements, by varying security maturity dates and by limiting the average maturity of the portfolio. The policy does not place specific limitations on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The investment policy states that the investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. The Authority's investments at September 30, 2021 and 2020 consisted entirely of balances in the Kent County Investment Pool and MERS total market portfolio. Such amounts are accessible to the Authority on demand. Accordingly, the investments are not deemed to have a maturity date.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The Authority's investment policy states that with the exception of US Treasury Securities and authorized investment pools, no more than 10 percent of the total investment portfolio shall be invested in a single security or 50 percent with a single financial institution. At September 30, 2021 and 2020, all investments were held with the Kent County Investment Pool, an authorized investment pool, and the MERS total market portfolio, a diversified market portfolio, and therefore were not subject to the limits noted.

Fair Value Measurement

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. The Authority's investments at September 30, 2021 and 2020 consisted entirely of balances in the Kent County Investment Pool and MERS total market portfolio. The MERS total market portfolio is categorized as a Level 1 investment. As investment pools are not subject to fair value levels, the Authority's balance in the Kent County Investment Pool is not categorized.

Notes to Financial Statements

3. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2021 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	$ -	$ -	$ -	$ -	$ -
Work in progress	-	1,107,287	(91,433)	-	1,015,854
	-	1,107,287	(91,433)	-	1,015,854
Capital assets being depreciated:					
Land improvements	529,278	-	-	-	529,278
Leasehold improvements	5,505,267	92,693	-	-	5,597,960
Office equipment and furniture	3,467,147	69,064	(2,533)	-	3,533,678
	9,501,692	161,757	(2,533)	-	9,660,916
Less accumulated depreciation for:					
Land improvements	(332,621)	(23,092)	-	-	(355,713)
Leasehold improvements	(2,209,129)	(236,479)	-	-	(2,445,608)
Office equipment and furniture	(2,882,567)	(142,938)	883	-	(3,024,622)
	(5,424,317)	(402,509)	883	-	(5,825,943)
Total capital assets being depreciated, net	4,077,375	(240,752)	(1,650)	-	3,834,973
Total capital assets, net	$ 4,077,375	$ 866,535	$ (93,083)	$ -	$ 4,850,827

Notes to Financial Statements

Capital asset activity for the year ended September 30, 2020 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets being depreciated:					
Land improvements	$ 529,278	$ -	$ -	$ -	$ 529,278
Leasehold improvements	5,394,308	110,959	-	-	5,505,267
Office equipment and furniture	3,384,124	88,684	(5,661)	-	3,467,147
	9,307,710	199,643	(5,661)	-	9,501,692
Less accumulated depreciation for:					
Land improvements	(307,220)	(25,401)	-	-	(332,621)
Leasehold improvements	(1,963,069)	(246,060)	-	-	(2,209,129)
Office equipment and furniture	(2,664,585)	(223,417)	5,435	-	(2,882,567)
	(4,934,874)	(494,878)	5,435	-	(5,424,317)
Total capital assets being depreciated, net	4,372,836	(295,235)	(226)	-	4,077,375
Total capital assets, net	$ 4,372,836	$ (295,235)	$ (226)	$ -	$ 4,077,375

For the years ended September 30, 2021 and 2020, depreciation expense was allocated to the access center and administration in the Statement of Revenues, Expenses and Changes in Fund Net Position.

4. UNEARNED REVENUE

At September 30, 2021 and 2020, unearned revenue consisted of the following:

	2021	2020
State of Michigan Youth Summit	$ 7,000	$ 7,000
BCBS Youth Summit Contribution	5,000	5,000
General fund carryforward	332,863	-
Total	$ 344,863	$ 12,000

5. PENSION PLAN

General Information About the Plan

Plan Description. The Authority participates in the Municipal Employees' Retirement System (MERS) of Michigan, a defined benefit pension plan providing certain retirement, disability and death benefits to plan members and beneficiaries. 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. Public Act 427 of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. 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.

Benefits Provided. Pension benefits are calculated as final average compensation (based on a 3 year period) and with a multiplier of 2.50 percent. Participants are considered to be fully vested in the plan after 5 years. Normal retirement age is 60, with early retirement at age 55 with 15 years of service or at any age with 25 years of service. This plan is closed to employees hired after December 31, 2011.

Employees Covered by Benefit Terms. At December 31, 2020 and 2019, the dates of the two most recent plan valuations, plan membership consisted of the following:

	2020	2019
Inactive employees or beneficiaries currently receiving benefits	78	72
Inactive employees entitled to but not yet receiving benefits	34	37
Active employees (vested and nonvested)	38	41
Total membership	150	150

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the years ended September 30, 2021 and 2020, the Authority made employer contributions in the amount of $475,536 and $480,171. In addition, the employer may establish contribution rates to be paid by its covered employees. Currently, members are required to contribute 9.0 percent of covered payroll.

Net Pension Liability. The Authority's net pension liability was measured as of December 31, 2020 and 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates.

Actuarial Assumptions. The total pension liability in the December 31, 2020 and 2019 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.00% in the long-term
Investment rate of return	7.35%, net of investment expense including inflation

The base mortality tables used are constructed as described below and are based on are amount weighted

- Pre-retirement mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 100% of PubG-2010 Employee Mortality Tables for Ages 18-80, and 100% of PubG-2010 Healthy Retiree Tables for ages 81-120
- Non-disabled retired plan members and beneficiaries mortality based on 106% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 106% of PubG-2010 Employee Mortality Tables for Ages 18-49, and 106% of PubG-2010 Healthy Retiree Tables for ages 50-120
- Disables retired plan members mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, and 100% of PubNS-2010 Disabled Retiree Tables for ages 18-120

The actuarial assumptions used in the December 31, 2020 and 2019 valuation were based on the results of the most recent actuarial experience study of 2014-2018.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class at December 31, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Global equity	60.00%	5.25%	3.15%
Global fixed income	20.00%	1.25%	0.25%
Private investment	20.00%	7.25%	1.45%
	100.00%		4.85%
Inflation			2.50%
Administrative expenses netted above			0.25%
Investment rate of return			7.60%

The target allocation and best estimates of arithmetic real rates of return for each major asset class at December 31, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Global equity	60.00%	5.25%	3.15%
Global fixed income	20.00%	1.25%	0.25%
Private investment	20.00%	7.25%	1.45%
	100.00%		4.85%
Inflation			2.50%
Administrative expenses netted above			0.25%
Investment rate of return			7.60%

Discount Rate. The discount rate used to measure the total pension liability as of December 31, 2020 and 2020 was 7.6 percent. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

The components of the change in the net pension liability are summarized as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2019	$ 40,508,957	$ 35,442,272	$ 5,066,685
Changes for the year:			
Service cost	437,078	-	437,078
Interest	3,166,781	-	3,166,781
Differences between expected and actual experience	(142,785)	-	(142,785)
Changes in assumptions	1,682,009	-	1,682,009
Employer contributions	-	475,536	(475,536)
Employee contributions	-	268,030	(268,030)
Net investment income (loss)	-	4,391,105	(4,391,105)
Benefit payments, including refunds of employee contributions	(2,285,456)	(2,285,456)	-
Administrative expense	-	(70,467)	70,467
Other changes	(158,339)	475,143	(633,482)
Net changes	2,699,288	3,253,891	(554,603)
Balances at December 31, 2020	$ 43,208,245	$ 38,696,163	$ 4,512,082

Changes in assumptions. A 5-year experience study analyzing historical experience from 2013 through 2018 was completed in February 2020. In addition to changes to the economic assumptions which took effect with the fiscal year 2021 contribution rates, the experience study recommended updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, disability, and termination rates.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the Authority, calculated using the discount rate of 7.6 percent, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6.60 percent) or 1 percent higher (8.60 percent) than the current rate at December 31, 2020:

	1% Decrease (6.6%)	Current Discount Rate (7.6%)	1% Increase (8.6%)
Authority's net pension liability at December 31, 2020	$ 9,676,591	$ 4,512,082	$ 196,962

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2018	$ 37,638,418	$ 32,464,731	$ 5,173,687
Changes for the year:			
Service cost	463,955	-	463,955
Interest	2,946,407	-	2,946,407
Differences between expected and actual experience	162,264	-	162,264
Changes in assumptions	1,378,523	-	1,378,523
Employer contributions	-	480,171	(480,171)
Employee contributions	-	287,258	(287,258)
Net investment income (loss)	-	4,365,934	(4,365,934)
Benefit payments, including refunds of employee contributions	(2,080,610)	(2,080,610)	-
Administrative expense	-	(75,212)	75,212
Other changes	-	-	-
Net changes	2,870,539	2,977,541	(107,002)
Balances at December 31, 2019	$ 40,508,957	$ 35,442,272	$ 5,066,685

Changes in assumptions. In 2020, amounts reported as changes of assumptions resulted primarily from a decrease in the assumed rate of return from 7.75% to 7.35%, and a decrease in the assumed rate of wage inflation from 3.75% to 3.00%.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the Authority, calculated using the discount rate of 7.6 percent, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6.6 percent) or 1 percent higher (8.6 percent) than the current rate at December 31, 2019:

	1% Decrease (6.6%)	Current Discount Rate (7.6%)	1% Increase (8.6%)
Authority's net pension liability at December 31, 2019	$ 9,740,539	$ 5,066,685	$ 1,138,551

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Plan financial statements.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2021, the Authority recognized pension expense of $1,316,624. The Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	$ -	$ 71,392	$ (71,392)
Changes in assumptions	841,004	-	841,004
Net difference between projected and actual earnings on pension plan investments	-	1,263,906	(1,263,906)
	841,004	1,335,298	(494,294)
Contributions subsequent to the measurement date	411,651	-	411,651
Total	$ 1,252,655	$ 1,335,298	$ (82,643)

Notes to Financial Statements

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending September 30, 2022. Other amounts reported as pension-related deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ended September 30,	Amount
2022	$ 525,367
2023	83,334
2024	(733,928)
2025	(369,067)
Total	$ (494,294)

For the year ended September 30, 2020, the Authority recognized pension expense of $1,884,542. The Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
Difference between expected and actual experience	$ 81,132	$ -	$ 81,132
Changes in assumptions	689,261	-	689,261
Net difference between projected and actual earnings on pension plan investments	131,003	-	131,003
	901,396	-	901,396
Contributions subsequent to the measurement date	338,319	-	338,319
Total	$ 1,239,715	$ -	$ 1,239,715

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date was recognized as a reduction in the net pension liability for the year ending September 30, 2021. Other amounts reported as pension-related deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ended September 30,	Amount
2021	$ 689,020
2022	124,828
2023	452,405
2024	(364,857)
Total	$ 901,396

Payable to the Pension Plan. At September 30, 2021 and 2020, the Authority reported payables in the amount of $17,605 and $13,791, respectively, for the outstanding amount of contributions to the pension plan required for the years ended September 30, 2021 and 2020.

6. DEFINED CONTRIBUTION RETIREMENT PLAN

The Authority establishes and amends the benefit provisions of the plan, which is administered by the Municipal Employees' Retirement System of Michigan (MERS). All eligible employees hired after December 31, 2011 and working at least 80 hours per month are covered under a defined contribution plan. Employee contributions to the plan vest immediately upon participation in the plan. The Authority contributes up to 6 percent of the employee's base pay, depending on the employee's contribution to the plan. Employer contributions to the plan for the years ended September 30, 2021 and 2020 were $815,402 and $642,925, respectively.

7. OTHER POSTEMPLOYMENT BENEFITS

General Information About the Plan

Plan Description. The Authority administers a single-employer defined benefit healthcare plan (the "OPEB plan") that provides postretirement healthcare insurance to plan members who are eligible to retire under the Authority's retirement plan, and who are not covered by another employer's healthcare plan or a healthcare plan offered by their spouse's employer. In 2008, the Authority adopted the MERS Retiree Health Funding Vehicle (RHFV) as the trust fund for the plan. All assets placed in the MERS RHFV will be administered by MERS, which acts as an investment fiduciary. Stand-alone financial statements are not issued for the OPEB plan.

The MERS Retiree Health Funding Vehicle (RHFV program) was created in 2004 with the establishment by MERS of an Internal Revenue Code Section 115 Integral Governmental Trust pursuant to an IRS Private Letter Ruling. The RHFV is made available to all municipalities in Michigan. Participating municipalities can contribute monies to the Trust as desired and no contribution method is imposed. These funds constitute a healthcare fund, which enable municipalities to accumulate monies to provide or subsidize health benefits for retirees and beneficiaries as defined by Code Section 213. The Retiree Health Funding Vehicle accounts are invested in the MERS portfolio choices and earnings are tax exempt as a result of the Private Letter Ruling obtained by MERS. Plan provisions and requirements are specified in the MERS Health Care Savings Program (HCSP) and Retiree Health Funding Vehicle Plan Document and the Restated MERS Trust Agreement.

Benefits Provided. The Authority establishes and amends the benefit provisions of the OPEB plan. The Authority pays $200 per month toward the healthcare insurance premium for a retiree with 25 years of service. Retirees with less than 25 years of service receive a pro-rata credit based on years of service in relation to 25 years.

Plan Membership. At September 30, 2021 and 2020, OPEB plan membership consisted of the following:

	2021	2020
Inactive members or beneficiaries currently receiving benefits	8	8
Inactive members entitled to but not yet receiving benefits	21	21
Active plan members	236	236
Total membership	265	265

Contributions. OPEB plan members are not required to contribute to the OPEB plan, but retirees are required to pay the remaining monthly insurance premium on a pay-as-you-go basis. The contribution requirements of OPEB plan members and the Authority are established and may be amended by the Board of Directors. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined through the actuarial valuation. For the year ended September 30, 2021 and 2020, the Authority contributed $15,787 and $17,576 to the Plan, respectively.

Investments

Investment Policy. The OPEB plan's policy in regard to the allocation of invested assets is established and may be amended by the Authority's Board of Directors. The investment policy has been formulated based on consideration of a wide range of policies and describes the prudent investment processes that the Board of Directors deems appropriate. The OPEB plan's asset allocation policy is shown on the following pages.

Concentrations. At September 30, 2021 and 2020, the OPEB Plan's investments were fully invested in the MERS Retiree Health Funding Vehicle. Within this account, the OPEB Plan's account balance at September 30, 2021 and 2020 was comprised of 100% total market portfolio funds.

Rate of Return. For the year ended September 30, 2021 and 2020, the annual money-weighted rate of return on investments, net of investment expense, was 7.35% and 6.20%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial Assumptions. The total OPEB liability was measured as of September 30, 2021 and 2020, and was determined by an actuarial valuation as of September 30, 2020 and September 30, 2019 carried forward to September 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50%
Investment rate of return	7.35% in 2021 and 2020
20 year Aa municipal bond rate	2.43% and 3.26% in 2021 and 2020, respectively
Mortality	2010 Public General Employees and Healthy Retirees, Headcount weighted
Healthcare cost trend rates	Pre-65 – 8.5% graded down to 4.5% by 0.25% per year Post-65 – 6.5% graded down to 4.5% by 0.25% per year

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The Plan investments are being held in the MERS Retiree Health Funding Vehicle (the "Fund"), and the Authority does not have direct control over the asset allocation of that Fund.

Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of September 30, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate
Global equity	60.0%	5.25%	3.15%
Global fixed income	20.0%	1.25%	0.25%
Private assets	20.0%	7.25%	1.45%
	100.0%		4.85%
Inflation			2.50%
Investment rate of return			7.35%

Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of September 30, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate
Global equity	60.0%	5.25%	3.15%
Global fixed income	20.0%	1.25%	0.25%
Private assets	20.0%	7.25%	1.45%
	100.0%		4.85%
Inflation			2.50%
Investment rate of return			7.35%

Discount Rate. The discount rate used to measure the total OPEB liability was 7.35% as of September 30, 2021 and 2020. The projection of cash flows used to determine the discount rate assumed that the Employer will be make annual contributions using the actuarially determined contribution as a guide. Based on this assumption, the retirement plan’s fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in Net OPEB Liability (Asset)

The components of the change in the net OPEB liability (asset) are summarized as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balances at September 30, 2020	$ 1,000,250	$ 1,311,242	$ (310,992)
Changes for the year:			
Service cost	62,018	-	62,018
Interest	77,496	-	77,496
Difference between expected and actual experience	(39,525)	-	(39,525)
Change in assumptions	(25,814)	-	(25,814)
Employer contributions	-	15,787	(15,787)
Net investment income	-	291,152	(291,152)
Benefit payments, including refunds of employee contributions	(15,787)	(15,787)	-
Administrative expense	-	(2,710)	2,710
Net changes	58,388	288,442	(230,054)
Balances at September 30, 2021	$ 1,058,638	$ 1,599,684	$ (541,046)

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balances at September 30, 2019	$ 1,042,321	$ 1,224,393	$ (182,072)
Changes for the year:			
Service cost	39,021	-	39,021
Interest	83,123	-	83,123
Difference between expected and actual experience	(202,490)	-	(202,490)
Change in assumptions	55,851	-	55,851
Employer contributions	-	17,576	(17,576)
Net investment income	-	89,101	(89,101)
Benefit payments, including refunds of employee contributions	(17,576)	(17,576)	-
Administrative expense	-	(2,252)	2,252
Net changes	(42,071)	86,849	(128,920)
Balances at September 30, 2020	$ 1,000,250	$ 1,311,242	$ (310,992)

The OPEB Plan's fiduciary net position as a percentage of the total OPEB asset was 296% and 422% as of September 30, 2021 and 2020, respectively.

Change in assumptions. The changes of assumptions noted above present the impact of updating the following since the prior valuation:

Trend rates
Mortality tables updated from IRS tables
Salary scale updated from 3.0%

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate. The following presents the net OPEB asset of the Authority, calculated using the discount rate of 7.35%, as well as what the Authority's net OPEB asset would be if it were calculated using a discount rate that is 1% lower (6.35%) or 1% higher (8.35%) than the current rate at September 30, 2021:

	1% Decrease (6.35%)	Current Discount Rate (7.35%)	1% Increase (8.35%)
Authority's net OPEB asset at September 30, 2021	$ (442,028)	$ (541,046)	$ (626,589)

Sensitivity of the Net OPEB Asset to Changes in the Healthcare Cost Trend Rates. The following presents the net OPEB asset of the Authority, calculated using the healthcare cost trend rate of 8.5%, as well as what the Authority's net OPEB asset would be if it were calculated using a healthcare cost trend rate that is 1% lower (7.5%) or 1% higher (9.5%) than the current rate at September 30, 2021:

	1% Decrease (7.5%)	Current Healthcare Trend Rate (8.5%)	1% Increase (9.5%)
	$ (593,004)	$ (541,046)	$ (480,630)

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate. The following presents the net OPEB asset of the Authority, calculated using the discount rate of 7.35%, as well as what the Authority's net OPEB asset would be if it were calculated using a discount rate that is 1% lower (6.35%) or 1% higher (8.35%) than the current rate at September 30, 2020:

	1% Decrease (6.35%)	Current Discount Rate (7.35%)	1% Increase (8.35%)
Authority's net OPEB asset at September 30, 2020	$ (217,724)	$ (310,992)	$ (391,705)

Sensitivity of the Net OPEB Asset to Changes in the Healthcare Cost Trend Rates. The following presents the net OPEB asset of the Authority, calculated using the healthcare cost trend rate of 8.5%, as well as what the Authority's net OPEB asset would be if it were calculated using a healthcare cost trend rate that is 1% lower (7.5%) or 1% higher (9.5%) than the current rate at September 30, 2020:

	1% Decrease (7.5%)	Current Healthcare Trend Rate (8.5%)	1% Increase (9.5%)
	$ (355,093)	$ (310,992)	$ (260,211)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended September 30, 2021, the Authority recognized OPEB expense of $(31,147). The Authority reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	$ -	$ 279,532	$ (279,532)
Changes of assumptions	-	69,368	(69,368)
Net difference between projected and actual earnings on OPEB plan investments	-	125,620	(125,620)
	$ -	$ 474,520	$ (474,520)

Amounts reported as deferred outflows/inflows of resources related to the OPEB will be recognized in OPEB expense as follows:

Year Ended September 30,	Amount
2022	$ (77,094)
2023	(78,901)
2024	(91,425)
2025	(92,568)
2026	(53,592)
Thereafter	(80,940)
Total	$ (474,520)

Notes to Financial Statements

For the year ended September 30, 2020, the Authority recognized OPEB expense of $17,576. The Authority reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	$ -	$ 284,471	$ (284,471)
Changes of assumptions	-	52,682	(52,682)
Net difference between projected and actual earnings on OPEB plan investments	45,753	-	45,753
	$ 45,753	$ 337,153	$ (291,400)

Amounts reported as deferred outflows/inflows of resources related to the OPEB will be recognized in OPEB expense as follows:

Year Ended September 30,	Amount
2021	$ (30,132)
2022	(30,131)
2023	(31,938)
2024	(44,462)
2025	(45,604)
Thereafter	(109,133)
Total	$ (291,400)

Payable to the OPEB Plan. At September 30, 2021 and 2020, the Authority had no amounts payable for contributions to the OPEB plan.

8. CONTINGENCIES

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

As is the case with other entities, the Authority faces exposure from potential claims and legal proceedings involving environmental and other matters. No such claims or proceedings have been asserted as of September 30, 2021.

9. CONCENTRATION AND ECONOMIC DEPENDENCY

For the years ended September 30, 2021 and 2020, approximately 93.0 and 92.2 percent of total revenue, respectively, is either directly or indirectly, received or due from the Michigan Department of Health and Human Services.

10. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries. The Authority carries commercial insurance for claims related to general liability, property, employee benefits liability, abuse and molestation, professional liability, electronic data processing/computer coverages, crime and auto. Additionally, the Authority carries commercial cyber liability, workers compensation, and employee and retiree healthcare coverage policies. The Authority has not experienced settlements in excess of insurance coverage during the past three years.

11. LEASE COMMITMENTS

During fiscal year 2017, the Authority signed a lease for approximately 5,500 square feet of office space. The term of this lease runs through April 30, 2020. Beginning May 1, 2017, rent payments were made in monthly installments of $6,416 ($76,992 annually), and shall increase annually by approximately 2.00 percent effective May 1, 2018. The Authority incurred lease expense in the amounts of $0 and $46,725, for the years ended September 30, 2021 and 2020, respectively.

During fiscal year 2016, the Authority entered into an operating lease for approximately 17,500 square feet of an office building for relocating its administrative and training offices. The term of this lease runs through November 30, 2023. Beginning October 1, 2016, rent payments were made in monthly installments of $19,265 ($231,175 annually), and increase annually by 2.50 percent effective October 1, 2017. During fiscal year 2019 the Authority leased an additional 8,500 square feet which runs through November 30, 2023, increasing its payment to $33,425 per month ($401,100 annually). The Authority made lease payments in the amounts of $419,702 and $409,466 for the years ended September 30, 2021 and 2020, respectively. Future minimum lease payments for this lease are as follows:

Year Ended September 30,	Amount
2022	$ 430,196
2023	440,961
Total	$ 871,157

Kent County owns the land and the building in which the Authority conducts a portion of its operations. Rent payments are due in annual installments of $10 through December 31, 2029. The Authority paid $10 in rent to the County for each of the years ended September 30, 2021 and 2020.

12. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The extent of the ultimate impact of the pandemic on the Authority's operational and financial performance will depend on various developments, including the duration and spread of the outbreak and its impact on employees, vendors, and taxpayers, all of which cannot be reasonably predicted at this time. In addition, it may place additional demands on the Authority for providing emergency services to its consumers.

During the pandemic, the Michigan Department of Health and Human Services (MDHHS) has frozen eligibility of individuals with Medicaid and Healthy Michigan Plan coverage. Individuals who had a Medicaid deductible were only required to meet the deductible once during the declared state of emergency, and were considered to have full Medicaid after that date through the end of the pandemic. Additionally, an increased number of individuals have become eligible for Medicaid or Healthy Michigan Plan coverage due to high unemployment levels and other economic factors during the pandemic. As a result, Community Mental Health Service Providers (CMHSPs) have seen an increase in funding which is calculated on a per member, per month basis. While there was an increase in funding available, the Authority saw a decrease in service utilization as consumers were hesitant to participate in services with the ongoing pandemic. The Authority started offering additional telehealth services to these consumers, where allowed by MDHHS, to ensure their needs were met. The decrease in utilization and ability to provide additional services via telehealth resulted in an overall lower cost of services than the prior year. Unspent funding will be held within the regional Prepaid Inpatient Health Plan's (PIHP) risk reserve fund for future years.

CMHSPs also received “Coronavirus Aid, Relief, and Economic Security (CARES) Act” funding from the State for pandemic related costs, such as personal protective equipment and technology required to provide services via telehealth. The Authority received $68,441 in 2020 in CARES Act funding for these purposes, which is reported as part of grant revenue. Additional funding was also provided to give a $2.00 an hour premium pay to direct care staff providing face to face services. The Authority received $3,017,163 and $6,530,540 in 2020 and 2021, respectively, for hazard pay for direct employed and contracted provider network staff, which is reported as part of Medicaid and Healthy Michigan revenue.

The COVID-19 outbreak impact on the Authority's financial position, changes in financial position, and, where applicable, the timing and amounts of cash flows, the related financial consequences and duration is highly uncertain. Authority staff will closely monitor the situation and make necessary adjustments as needed to maintain its sound financial position.

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REQUIRED SUPPLEMENTARY INFORMATION

KENT COUNTY CMH AUTHORITY

Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan
Schedule of Changes in Authority's Net Pension Liability and Related Ratios

	Year Ended September 30,		
	2021	**2020**	**2019**
Total pension liability			
Service cost	$ 437,078	$ 463,955	$ 495,159
Interest	3,166,781	2,946,407	2,820,227
Changes in benefits	-	-	-
Differences between expected and actual experience	(142,785)	162,264	184,670
Changes in assumptions	1,682,009	1,378,523	-
Benefit payments, including refunds of employee contributions	(2,285,456)	(2,080,610)	(1,733,789)
Other changes	(158,339)	-	-
Net change in total pension liability	2,699,288	2,870,539	1,766,267
Total pension liability, beginning of year	40,508,957	37,638,418	35,872,151
Total pension liability, end of year	43,208,245	40,508,957	37,638,418
Plan fiduciary net position			
Employer contributions	475,536	480,171	693,948
Employee contributions	268,030	287,258	356,801
Net investment income (loss)	4,391,105	4,365,934	(1,351,047)
Benefit payments, including refunds of employee contributions	(2,285,456)	(2,080,610)	(1,733,789)
Administrative expense	(70,467)	(75,212)	(67,070)
Other changes	475,143	-	-
Net change in plan fiduciary net position	3,253,891	2,977,541	(2,101,157)
Plan fiduciary net position, beginning of year	35,442,272	32,464,731	34,565,888
Plan fiduciary net position, end of year	38,696,163	35,442,272	32,464,731
Authority's net pension liability	$ 4,512,082	$ 5,066,685	$ 5,173,687
Plan fiduciary net position as a percentage of total pension liability	89.6%	87.5%	86.3%
Covered payroll	$ 2,841,858	$ 3,018,578	$ 3,230,003
Authority's net pension liability as a percentage of covered payroll	158.8%	167.9%	160.2%

See notes to required supplementary information.

Year Ended September 30,			
2018	2017	2016	2015
$ 706,288	$ 777,456	$ 873,898	$ 909,211
2,684,569	2,566,834	2,295,710	2,117,655
(41,104)	(952)	(36,247)	-
(43,916)	(643,071)	530,809	-
-	-	1,644,923	-
(1,275,314)	(1,110,671)	(893,807)	(808,113)
-	-	-	-
2,030,523	1,589,596	4,415,286	2,218,753
33,841,628	32,252,032	27,836,746	25,617,993
35,872,151	33,841,628	32,252,032	27,836,746
564,813	2,316,760	403,077	462,690
377,672	409,551	415,459	462,219
4,091,696	3,183,943	(406,125)	1,592,318
(1,275,314)	(1,110,671)	(893,807)	(808,113)
(64,739)	(62,512)	(58,863)	(58,691)
-	-	-	-
3,694,128	4,737,071	(540,259)	1,650,423
30,871,760	26,134,689	26,674,948	25,024,525
34,565,888	30,871,760	26,134,689	26,674,948
$ 1,306,263	$ 2,969,868	$ 6,117,343	$ 1,161,798
96.4%	91.2%	81.0%	95.8%
$ 4,476,193	$ 5,135,112	$ 5,710,296	$ 6,143,316
29.2%	57.8%	107.1%	18.9%

Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan
Schedule of the Net Pension Liability

Fiscal Year Ended September 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as Percentage of Total Pension Liability	Covered Payroll	Net Pension Liability as Percentage of Covered Payroll
2021	$ 43,208,245	$ 38,696,163	$ 4,512,082	89.6%	$ 2,841,858	158.8%
2020	40,508,957	35,442,272	5,066,685	87.5%	3,018,578	167.9%
2019	37,638,418	32,464,731	5,173,687	86.3%	3,230,003	160.2%
2018	35,872,151	34,565,888	1,306,263	96.4%	4,476,193	29.2%
2017	33,841,628	30,871,760	2,969,868	91.2%	5,135,112	57.8%
2016	32,252,032	26,134,689	6,117,343	81.0%	5,710,296	107.1%
2015	27,836,746	26,674,948	1,161,798	95.8%	6,143,316	18.9%

See notes to required supplementary information.

KENT COUNTY CMH AUTHORITY

Required Supplementary Information
MERS Agent Multiple-Employer Defined Benefit Pension Plan
Schedule of Contributions

Fiscal Year Ended September 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution (Deficiency) Excess	Covered Payroll	Contributions as Percentage of Covered Payroll
2021	$ 475,536	$ 548,868	$ 73,332	$ 2,855,852	19.2%
2020	480,171	480,171	-	2,872,015	16.7%
2019	489,864	489,864	-	3,204,359	15.3%
2018	761,976	761,976	-	4,476,193	17.0%
2017	499,092	499,092	-	5,135,122	9.7%
2016	389,316	2,289,316	1,900,000	5,710,296	40.1%
2015	407,664	407,664	-	6,143,316	6.6%

See notes to required supplementary information.

Required Supplementary Information

Other Postemployment Benefits Plan

Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios

	Year Ended September 30,			
	2021	2020	2019	2018
Total OPEB liability				
Service cost	$ 62,018	$ 39,021	$ 43,226	$ 35,651
Interest	77,496	83,123	78,242	69,794
Differences between expected and actual experience actual experience	(39,525)	(202,490)	(36,215)	(109,853)
Changes in assumptions	(25,814)	55,851	-	(140,411)
Benefit payments, including refunds of employee contributions	(15,787)	(17,576)	(18,553)	(14,257)
Net change in total OPEB liability	58,388	(42,071)	66,700	(159,076)
Total OPEB liability, beginning of year	1,000,250	1,042,321	975,621	1,134,697
Total OPEB liability, end of year	1,058,638	1,000,250	1,042,321	975,621
Plan fiduciary net position				
Employer contributions	15,787	17,576	18,553	48,832
OPEB plan net investment income	291,152	89,101	30,032	57,328
Benefit payments	(15,787)	(17,576)	(18,553)	(14,257)
Administrative expense	(2,711)	(2,252)	(2,330)	(2,705)
Net change in plan fiduciary net position	288,441	86,849	27,702	89,198
Plan fiduciary net position, beginning of year	1,311,242	1,224,393	1,196,691	1,107,493
Plan fiduciary net position, end of year	1,599,683	1,311,242	1,224,393	1,196,691
Authority's net OPEB asset	$ (541,045)	$ (310,992)	$ (182,072)	$ (221,070)
Plan fiduciary net position as a percentage of total OPEB liability	151.1%	131.1%	117.5%	122.7%
Covered payroll	$ 13,331,181	$ 12,028,123	$ 9,314,620	$ 10,149,138
Net OPEB asset as a percentage of covered payroll	-4.1%	-2.6%	-2.0%	-2.2%

See notes to required supplementary information.

Required Supplementary Information

Other Postemployment Benefits Plan
Schedule of the Net OPEB Asset

Fiscal Year Ended September 30,	Total OPEB Liability (Asset)	Plan Net Position	Net OPEB Liability (Asset)	Plan Net Position as Percentage of Total OPEB Asset	Covered Payroll	Net OPEB Asset as Percentage of Covered Payroll
2021	$ 1,058,638	$ 1,599,683	$ (541,045)	151.1%	$ 13,331,181	-4.1%
2020	1,000,250	1,311,242	(310,992)	131.1%	12,028,123	-2.6%
2019	1,042,321	1,224,393	(182,072)	117.5%	9,314,620	-2.0%
2018	975,621	1,196,691	(221,070)	122.7%	10,149,138	-2.2%

See notes to required supplementary information.

Required Supplementary Information

Other Postemployment Benefits Plan
Schedule of Contributions

Fiscal Year Ended September 30,	Actuarially Determined Contribution	Actual Contribution	Contribution (Deficiency) Excess	Covered Payroll	Actual Contribution as Percentage of Covered Payroll
2021	$ 18,130	$ 15,787	$ 2,343	$ 13,331,181	0.12%
2020	17,576	17,576	-	12,028,123	0.15%
2019	17,620	18,553	933	9,314,620	0.20%
2018	40,863	48,832	7,969	10,149,138	0.48%

See notes to required supplementary information.

Required Supplementary Information

Other Postemployment Benefits Plan
Schedule of Investment Returns

Fiscal Year Ended September 30,	Annual Money-Weighted Rate of Return, Net of Investment Expense
2021	7.35%
2020	6.80%
2019	2.50%
2018	5.25%

See notes to required supplementary information.

Notes to Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan

Schedule of Changes in Authority's Net Pension Liability and Related Ratios

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Changes of assumptions. A 5-year experience study analyzing historical experience from 2013 through 2018 was completed in February 2020. In addition to changes to the economic assumptions which took effect with the fiscal year 2021 contribution rates, the experience study recommended updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, disability, and termination rates. In 2020, amounts reported as changes of assumptions resulted primarily from a decrease in the assumed rate of return from 7.75% to 7.35%, and a decrease in the assumed rate of wage inflation from 3.75% to 3.00%.

Schedule of the Net Pension Liability

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Schedule of Contributions

GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Valuation Date	December 31, 2020
Notes	Actuarially determined contribution rates are calculated as of the December 31 that is 21 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates (2021, based on the 12/31/2019 actuarial valuation):

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, open
Remaining amortization period	12 years
Asset valuation method	10 year smoothed
Inflation	2.50%
Salary increases	2.0% in the long-term
Investment rate of return	7.35%, net of investment and administrative expense including inflation

Notes to Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan

Schedule of Contributions (Concluded)

Retirement age	Age-based table of rates that are specific to the type of eligibility condition. The Normal Retirement rates were first used for the December 31, 2020 actuarial valuations. The Early Retirement rates were first used for the December 31, 2020 actuarial valuations.
Mortality	2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend. The mortality tables were first used for the December 31, 2020 actuarial valuations.

Notes to Required Supplementary Information

Other Postemployment Benefits Plan

Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios

The amounts presented for each fiscal year were determined as of September 30 of that fiscal year.

GASB 74 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Schedule of the Net OPEB Asset

The amounts presented for each fiscal year were determined as of September 30 of that fiscal year.

GASB 74 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Schedule of Contributions

GASB 74 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Valuation Date	September 30, 2021
Notes	Actuarially determined contribution rates are calculated as of the September that is 24 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level dollar
Remaining amortization period	9 years
Asset valuation method	Market value
Inflation	2.5%
Salary increases	3.50%
Investment rate of return	7.35%, net of investment and administrative expense including inflation
Retirement age	Assumed rates are based on rates used for the Municipal Employees' Retirement System of Michigan pension valuation. Retirement rates project the probability of eligible employees who will retire during the next year.

Notes to Required Supplementary Information

Other Postemployment Benefits Plan

Schedule of Contributions (Concluded)

Mortality	2010 Public General Employees and Healthy Retirees, Headcount weighted
Healthcare trend rates	Pre-65 – 8.5% graded down to 4.5% by 0.25% per year Post-65 – 7.0% graded down to 4.5% by 0.25% per year
Change in assumptions from previous valuation	Pre-65 – 8.5% graded down to 4.5% by 0.25% per year Post-65 – 7.0% graded down to 4.5% by 0.25% per year Mortality tables updated from IRS tables Discount rate changed from 7.75% to 7.35%

Schedule of Investment Returns

GASB 74 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

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SINGLE AUDIT ACT COMPLIANCE

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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*

Board of Directors
Kent County CMH Authority
Grand Rapids, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the enterprise fund and the aggregate remaining fund information of Kent County CMH Authority (the Authority), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise Kent County CMH Authority's basic financial statements, and have issued our report thereon dated March 31, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

BDO USA, LLP

March 31, 2022

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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
Kent County CMH Authority
Grand Rapids, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Kent County CMH Authority's (the Authority) 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 Authority's major federal programs for the year ended September 30, 2021. The Authority'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 Authority 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 Authority 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 Authority'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 Authority'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 Authority'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 Authority'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 Authority'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 Authority'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 Authority'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 31, 2022

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2021

Federal Agency / Cluster / Program Title	Federal Assistance Listing Number	Passed Through	Pass-through / Grantor Number	Provided to Subrecipients	Federal Expenditures
U.S. Department of Health and Human Services					
Section 223 Demonstration Programs to Improve					
Community Mental Health Services:					
Certified Community Behavioral Health Clinic	93.829	Direct	1H9SM083138-01	$ -	$ 1,028,662
Substance Abuse and Mental Health Services Projects					
of Regional and National Significance:					
Healthy Transitions	93.243	MDHHS	H79SM080867	-	244,891
Medicaid Cluster:					
Medical Assistance Program:					
Comprehensive Services for Behavioral Health-2021					
Pre-Admission Screening Annual Resident Reviews	93.778	MDHHS	2005MI5ADM	-	273,223
Opioid STR:					
State Opioid Response (MI-REP)	93.788	LRE	1H79TI083298	226,139	226,237
State Opioid Response (SOR) Carryforward	93.788	LRE	1H79T1081712	154,540	161,740
State Opioid Response (SOR) Part 2	93.788	LRE	1H79TI083298	145,972	146,347
Spectrum Health Addiction Program Promoting Hospital-based Inpatient Referral and Evaluation Services	93.788	Spectrum/LRE	1H79TI083298	-	50,556
				526,652	584,880
Block Grants for Community Mental Health Services:					
First Episode Psychosis	93.958	MDHHS	B09SM082608	1,483,305	1,501,874
UA Health & Wellness Grant	93.958	MDHHS	B09SM082608	6,639	6,639
Care Management	93.958	MDHHS	B09SM082608	-	156,964
Smoking Cessation Grant	93.958	LRE	B09SM082608	-	5,142
Clubhouse Engagement Services Grant	93.958	LRE	B09SM082608	-	4,131
				1,489,943	1,674,749
Mental Health Research Grants:					
Early-phase Schizophrenia: Practice-based Research to					
Improve Treatment Outcomes (ESPRITO)	93.242	Feinstein	1R01MH120594	97,867	97,867
Block Grants COVID-19 Supplemental:					
Treatment	93.959	LRE	B08TI083503	29,850	29,850
Block Grants for the Prevention and Treatment of					
Substance Abuse:					
Community Grant	93.959	LRE	B09SM010026	-	2,380,843
Prevention,Womens Specialty Serv, General Admin	93.959	LRE	B08TI083032	-	276,703
				-	2,657,546
Total Expenditures of Federal Awards				$ 2,144,311	$ 6,591,667

See accompanying notes to schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the Kent County CMH Authority (the "Authority") 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 the Title 2 U.S. Code of Federal Regulations 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 the Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Authority.

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the Authority's financial statements. Such expenditures are recognized following cost principles contained in the Uniform Guidance or other applicable guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Revenues are recognized when the qualifying expenditures have been incurred and all grant requirements have been met. Pass-through entity identifying numbers are presented where available.

2. 10% DE MINIMIS COST RATE

For purposes of charging indirect costs to federal awards, the Authority has not elected to use the 10 percent de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

3. PASS-THROUGH AGENCIES

The Authority receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Abbreviation	Pass-through Agency Name
LRE	Lakeshore Regional Entity
MDHHS	Michigan Department of Health and Human Services
Spectrum	Spectrum Health Foundation
Feinstien	The Feinstein Institute for Medical Research

■ ■ ■ ■ ■

Schedule of Findings and Questioned Costs

Section I – Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	____ yes __X__ no
• Significant deficiency(ies) identified?	____ yes __X__ none reported
Noncompliance material to financial statements noted?	____ yes __X__ no

Federal Awards

Internal control over major federal programs:	
• Material weakness(es) identified?	____ yes __X__ no
• Significant deficiency(ies) identified?	____ yes __X__ 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 __X__ no

Identification of major federal programs:

Federal Assistance Listing Numbers	Name of Federal Program or Cluster
93.829	Section 223 Demonstration Programs to Improve Community Mental Health Services
93.959	Block Grants for the Prevention and Treatment of Substance Abuse

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	__X__ yes ____ no

Section II - 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 III - Federal Award Findings and Questioned Costs

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