

Kent County CMH Authority

Financial Statements and
Single Audit Act Compliance
Years Ended September 30, 2025 and 2024

The report accompanying these financial statements was issued by BDO USA, P.C., a Virginia professional corporation, and the U.S. member of BDO International Limited, a UK company limited by guarantee.



Kent County CMH Authority

Financial Statements and Single Audit Act Compliance
Years Ended September 30, 2025 and 2024

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 business-type activities and the aggregate remaining fund information of Kent County CMH Authority (the Authority), as of and for the years ended September 30, 2025 and 2024, 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 business-type activities and the aggregate remaining fund information of Kent County CMH Authority as of September 30, 2025 and 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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, schedules of changes in Authority's net pension liability and related ratios and contributions, and schedules of changes in net OPEB asset and related ratios, contributions, and investment returns 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 GAAS, 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 accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. 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 30, 2026 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, P.C.

March 30, 2026

Management's Discussion and Analysis

Kent County CMH Authority

Management's Discussion and Analysis

This section of the Kent County CMH Authority's (the Authority or Network180) annual financial report presents management's discussion and analysis (MD&A) of activities and financial performance during the fiscal years ended September 30, 2025 and 2024. 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.

The 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 \$3,798,104 and \$134,321 as of September 30, 2025 and 2024, respectively. These represent \$3,663,783 and \$(3,550,615) in changes from the prior periods. The Authority's assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$134,321 and \$3,684,936 as of September 30, 2024 and 2023, respectively. These represent \$(3,550,615) and \$16,082,073 in changes from the prior periods.

A condensed summary of the Authority's statements of net position is shown below:

September 30,

	2025	2024	Change	Percent (%) Change
Assets				
Current and other assets	\$42,411,254	\$32,836,781	\$ 9,574,473	29.2
Capital assets, net	9,457,606	10,669,740	(1,212,134)	(11.4)
Total Assets	51,868,860	43,506,521	8,362,339	19.2
Deferred Outflows of Resources				
	2,215,658	2,615,273	(399,615)	(15.3)
Liabilities				
Current liabilities	36,624,418	32,087,679	4,528,814	14.1
Long-term liabilities	13,256,772	13,329,173	(64,476)	(0.5)
Total Liabilities	49,881,190	45,416,852	4,464,338	9.8
Deferred Inflows of Resources				
	405,224	570,621	(165,397)	(29.0)
Net Position				
Net investment in capital assets	6,461,463	7,247,007	(785,544)	(10.8)
Restricted for OPEB	-	233,791	(233,791)	(100.0)
Unrestricted deficit	(2,663,359)	(7,346,477)	4,683,118	63.7
Total Net Position	\$ 3,798,104	\$ 134,321	\$ 3,663,783	27.3

Kent County CMH Authority
Management's Discussion and Analysis

The amount of the Authority's net investment in capital assets at September 30, 2025 is \$6,461,463 or 170.1% of total net position. Unrestricted net position deficit of \$(2,663,359) represents (70.1)% of total net position. The increase in net position is due to increase in CCBHC services in the current year. Capital asset activity is discussed separately on a subsequent page.

A condensed summary of the Authority's statements of net position is shown below:

September 30,

	2024	2023	Change	Percent (%) Change
Assets				
Current and other assets	\$ 32,836,781	\$ 38,319,074	\$ (5,482,293)	(14.3)
Capital assets, net	10,669,740	5,505,426	5,164,314	93.8
Total Assets	43,506,521	43,824,500	(317,979)	(0.7)
Deferred Outflows of Resources	2,615,273	4,097,012	(1,481,739)	(36.2)
Liabilities				
Other liabilities	32,087,679	32,284,086	(196,407)	(0.6)
Long-term liabilities	13,329,173	11,622,284	1,706,889	14.7
Total Liabilities	45,416,852	43,906,370	1,510,482	3.4
Deferred Inflows of Resources	570,621	330,206	240,415	72.8
Net Position				
Net investment in capital assets	7,247,007	4,881,533	2,365,474	48.5
Restricted for OPEB	233,791	82,196	151,595	(184.4)
Unrestricted deficit	(7,346,477)	(1,278,793)	(6,067,684)	(474.5)
Total Net Position	\$ 134,321	\$ 3,684,936	\$ (3,550,615)	96.4

The amount of the Authority's net investment in capital assets at September 30, 2024 is \$7,247,007 or 5,395.3% of total net position. Unrestricted net position deficit of \$(7,346,477) represents (5,469.3)% of total net position. The decrease in net position is due to CCBHC losses sustained in the current year. Capital asset activity is discussed separately on a subsequent page.

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Kent County CMH Authority
Management's Discussion and Analysis

The following summarizes the statements of revenues, expenses, and changes in net position:

Year ended September 30,

	2025	2024	Change	Percent (%) Change
Operating Revenues				
Medicaid and Healthy Michigan Plan	\$ 205,180,685	\$ 189,029,528	\$ 16,151,157	8.5
CCBHC earned revenue	36,302,829	20,959,103	15,343,726	73.2
State general fund	7,759,785	7,845,638	(85,853)	(1.1)
Earned contracts and grants	10,811,784	18,533,907	(7,722,123)	(41.7)
Local funds	9,525,767	5,414,597	4,111,170	75.9
Total Operating Revenues	269,580,850	241,782,773	27,798,077	11.5
Operating Expenses				
Mental health program services:				
Provider network	195,791,343	187,121,228	8,670,115	4.6
Direct services	32,223,220	24,073,277	8,149,943	33.9
Grant expenses	10,879,700	9,484,801	1,394,899	14.7
Earned contracts	2,412,296	2,555,481	(143,185)	(5.6)
Access center and administration	24,610,508	22,098,601	2,511,907	11.4
Total Expenses	265,917,067	245,333,388	20,583,679	8.4
Change in Net Position	3,663,783	(3,550,615)	7,214,398	203.2
Net Position, beginning of year	134,321	3,684,936	(3,550,615)	(96.4)
Net Position, end of year	\$ 3,798,104	\$ 134,321	\$ 3,663,783	2,727.63

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Kent County CMH Authority
Management's Discussion and Analysis

Year ended September 30,

	2024	2023	Change	Percent (%) Change
Operating Revenues				
Medicaid and Healthy Michigan Plan	\$ 189,029,528	\$ 194,559,363	\$ (5,529,835)	(2.8)
CCBHC earned revenue	20,959,103	-	20,959,103	-
State general fund	7,845,638	7,883,689	(38,051)	(0.5)
Earned contracts and grants	18,533,907	10,716,833	7,817,074	72.9
Local funds	5,414,597	9,408,828	(3,994,231)	(42.5)
Total Operating Revenues	241,782,773	222,568,713	19,214,060	8.6
Operating Expenses				
Mental health program services:				
Provider network	187,121,228	166,421,810	20,699,418	12.4
Direct services	24,073,277	20,776,503	3,296,774	15.9
Grant expenses	9,484,801	10,513,057	(1,028,256)	(9.8)
Earned contracts	2,555,481	2,178,721	376,760	17.3
Access center and administration	22,098,601	21,161,614	936,987	4.4
Total Expenses	245,333,388	221,051,705	24,281,683	11.0
Operating Gain (Loss)	(3,550,615)	1,517,008	(5,067,623)	334.1
Non-Operating Income				
Bad debt recovery	-	14,565,065	(14,565,065)	100.0
Change in Net Position	(3,550,615)	16,082,073	(19,632,688)	122.1
Net Position, beginning of year	3,684,936	(12,397,137)	16,082,073	(129.7)
Net Position, end of year	\$ 134,321	\$ 3,684,936	\$ (3,550,615)	(96.4)

Financial Operations Highlights

The following are significant financial operating highlights for the fiscal year ended September 30, 2025:

- Current assets increased by 29.2% or \$9,574,473 from \$32,836,781 to \$42,411,254 principally due to increase in cash related to additional revenue.
- Deferred outflows of resources decreased by 15.3% or \$399,615 from \$2,615,273 to \$2,215,658 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 increased by 3.1% or \$326,210 from \$10,375,560 to \$10,701,770 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 29.0% or \$165,397 from \$570,621 to \$405,224 due to differences in experience and changes in the assumptions used in the actuarial valuation for the other postemployment benefits plan. More detailed information is available in the notes to the financial statements.

Kent County CMH Authority

Management's Discussion and Analysis

- Total operating revenues increased by 11.5% or \$27,798,077 from \$241,782,773 in 2024 to \$269,580,850 in 2025 principally due to changes in state funding and increased service cost necessary to provide Medicaid services to Kent County.
- Operating expenses increased by 8.4% or \$20,583,679 from \$245,333,388 in 2024 to \$265,917,067 in 2025. This is principally due to increased service cost necessary to provide Medicaid services to Kent County.

The following are significant financial operating highlights for the fiscal year ended September 30, 2024:

- Current assets decreased by 14.3% or \$(5,482,293) from \$38,319,074 to \$32,836,781 principally due to the current-year CCBHC losses, as well as additions in capital assets.
- Deferred outflows of resources decreased by 36.2% or \$(1,481,739) from \$4,097,012 to \$2,615,273 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 7.5% or \$(838,803) from \$11,214,363 to \$10,375,560 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 72.8 % or \$240,415 from \$330,206 to \$570,621 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 8.6% or \$19,214,060 from \$222,568,733 in 2023 to \$241,782,773 in 2024 principally due to changes in State funding and increased service cost necessary to provide Medicaid services to Kent County.
- Operating expenses increased by 11.0% or \$24,281,683 from \$221,051,705 in 2023 to \$245,333,388 in 2024. This is principally due increased service cost necessary to provide Medicaid services to Kent County.

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Kent County CMH Authority
Management’s Discussion and Analysis

Capital Assets

As of September 30, 2025 and 2024, the Authority had approximately \$9.5 million and \$10.7 million, respectively, invested in a variety of capital assets as reflected in the following schedule:

<i>September 30,</i>	2025	2024	2023
Not being depreciated/amortized:			
Work in progress	\$ 186,216	\$ 128,003	\$ 666,888
Being depreciated/amortized:			
Land improvements	529,278	529,278	529,278
Leasehold improvements	9,991,673	9,991,673	6,595,041
Vehicles	14,992	14,992	14,992
Leased buildings	4,039,287	4,039,287	886,909
Subscription asset	132,750	106,906	106,906
Office equipment and furniture	3,701,150	3,700,992	3,570,211
Accumulated depreciation/amortization	(9,137,740)	(7,841,391)	(6,864,799)
Total Capital Assets, Net	\$ 9,457,606	\$ 10,669,740	\$ 5,505,426

In 2024, the Authority had significant capital additions related to construction of the behavioral health crisis center; this construction began in 2023 and finished in 2024. 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.

Request for Information

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 790 Fuller Ave NE, Grand Rapids, Michigan 49503.

Financial Statements

Kent County CMH Authority

Statements of Net Position

September 30,	2025	2024
Assets		
Current Assets		
Cash and cash equivalents	\$ 13,552,593	\$ 6,712,574
Accounts receivable	2,011,080	2,266,071
Due from County of Kent	581,058	270,114
Due from Lakeshore Regional Entity	25,326,159	22,001,245
Due from State of Michigan	618,551	1,332,260
Prepays and other current assets	99,504	20,726
Total Current Assets	42,188,945	32,602,990
Non-Current Assets		
Capital assets not being depreciated/amortized	186,216	128,003
Capital assets being depreciated/amortized, net	9,271,390	10,541,737
Net OPEB asset	222,309	233,791
Total Non-Current Assets	9,679,915	10,903,531
Total Assets	\$ 51,868,860	\$ 43,506,521
Deferred Outflows of Resources		
Deferred pension amounts	\$ 2,140,433	\$ 2,351,905
Deferred OPEB amounts	75,225	263,368
Total Deferred Outflows of Resources	\$ 2,215,658	\$ 2,615,273
Liabilities		
Current Liabilities		
Accounts payable	\$ 31,277,158	\$ 28,412,543
Accrued liabilities	1,242,683	847,695
Due to State of Michigan	552,120	304,146
Compensated absences	2,059,534	1,776,788
Lease and subscription liabilities, current portion	441,141	469,120
Unearned revenue	1,051,782	277,387
Total Current Liabilities	36,624,418	32,087,679
Non-Current Liabilities		
Net pension liability	10,701,770	10,375,560
Lease and subscription liabilities, net of current portion	2,555,002	2,953,613
Total Non-Current Liabilities	13,256,772	13,329,173
Total Liabilities	\$ 49,881,190	\$ 45,416,852
Deferred Inflows of Resources		
Deferred OPEB amounts	\$ 405,224	\$ 570,621
Net Position		
Net investment in capital assets	\$ 6,461,463	\$ 7,247,007
Restricted for OPEB	-	233,791
Unrestricted deficit	(2,663,359)	(7,346,477)
Total Net Position	\$ 3,798,104	\$ 134,321

See accompanying notes to financial statements.

Kent County CMH Authority

Statements of Revenues, Expenses, and Changes in Fund Net Position

<i>Year ended September 30,</i>	2025	2024
Operating Revenues		
Medicaid	\$ 180,802,394	\$ 167,155,326
Healthy Michigan Plan	24,378,291	21,874,202
CCBHC earned revenue	36,302,829	20,959,103
State general fund	7,759,785	7,845,638
Earned contracts and grants	10,811,784	18,533,907
Local funds	9,525,767	5,414,597
Total Operating Revenues	269,580,850	241,782,773
Operating Expenses		
Mental health program services:		
Provider network	195,791,343	187,121,228
Direct services	32,223,220	24,073,277
Grant expenses	10,879,700	9,484,801
Earned contracts	2,412,296	2,555,481
Access center and administration	24,610,508	22,098,601
Total Operating Expenses	265,917,067	245,333,388
Change in Net Position	3,663,783	(3,550,615)
Net Position, beginning of year	134,321	3,684,936
Net Position, end of year	\$ 3,798,104	\$ 134,321

See accompanying notes to financial statements.

Kent County CMH Authority

Statements of Cash Flows

Year ended September 30,	2025	2024
Cash Flows from Operating Activities		
Cash received from contracts, grants, consumers, and others	\$ 267,688,087	\$ 232,374,892
Cash paid to suppliers	(213,298,789)	(210,879,900)
Cash paid to employees	(47,084,293)	(32,238,710)
Net Cash Provided by (Used in) Operating Activities	7,305,005	(10,743,718)
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(58,371)	(6,140,906)
Principal payments on lease and subscription liabilities	(406,615)	(293,851)
Net Cash Used in Capital and Related Financing Activities	(464,986)	(6,434,757)
Change in Cash and Cash Equivalents	6,840,019	(17,178,475)
Cash and Cash Equivalents, beginning of year	6,712,574	23,891,049
Cash and Cash Equivalents, end of year	\$ 13,552,593	\$ 6,712,574
Reconciliation of Change in Net Position to Net Cash Provided by (Used in) Operating Activities		
Change in Net Position	\$ 3,663,783	\$ (3,550,615)
Adjustments to reconcile change in net position to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	1,296,349	976,592
Changes in operating assets, deferred outflows, liabilities, and deferred inflows that provided (used) cash:		
Accounts receivable	254,991	(101,635)
Due from Lakeshore Regional Entity	(3,324,914)	(12,301,919)
Due from State of Michigan	713,709	401,242
Due from County of Kent	(310,944)	(31,608)
Prepaid and other current assets	(78,778)	489,333
Net OPEB asset	11,482	(151,595)
Deferred outflows - pensions	211,472	1,538,282
Deferred outflows - OPEB	188,143	(56,543)
Accounts payable	2,864,615	673,220
Accrued liabilities	394,988	246,105
Due to State of Michigan	247,974	(1,423,518)
Unearned revenue	774,395	(182,801)
Net pension liability	326,210	(838,803)
Lease and subscription liabilities	(45,819)	3,092,691
Compensated absences	282,746	237,439
Deferred inflows - OPEB	(165,397)	240,415
Net Cash Provided by (Used in) Operating Activities	\$ 7,305,005	\$ (10,743,718)
Non-Cash Financing Activities		
Subscription-based IT arrangement	\$ 25,844	\$ 106,906

See accompanying notes to financial statements.

Kent County CMH Authority
Statements of Fiduciary Net Position -
Other Postemployment Benefits Trust Fund

<i>September 30,</i>	2025	2024
Assets		
Investments	\$ 1,987,096	\$ 1,810,402
Net Position		
Restricted for other postemployment benefits	1,987,096	1,810,402

See accompanying notes to financial statements.

Kent County CMH Authority

Statements of Changes in Fiduciary Net Position - Other Postemployment Benefits Trust Fund

<i>Year ended September 30,</i>	2025	2024
Additions		
Contributions:		
Employer	\$ 10,040	\$ 11,920
Investment income	180,541	271,235
Total Additions	190,581	283,155
Deductions		
Benefits paid to participants or beneficiaries	10,040	11,920
Administrative expense	3,847	3,523
Total Deductions	13,887	15,443
Change in Fiduciary Net Position	176,694	267,712
Net Position, beginning of year	1,810,402	1,542,690
Net Position, end of year	\$ 1,987,096	\$ 1,810,402

See accompanying notes to financial statements.

Kent County CMH Authority

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The financial statements of the Kent County CMH Authority (the Authority or Network180), 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

The 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 Postemployment Benefits Trust Fund (OPEB 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; and (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) that 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 Authority.

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Additionally, the Authority reports an OPEB Trust Fund that 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 non-operating items. Operating revenues and expenses generally result from providing services 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 non-operating 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.

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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 Entity, 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 Entity. After year-end, due from/to balances with the Lakeshore Regional Entity 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.

Prepays

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 one year. 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/amortized using the straight-line method over the following estimated useful lives:

<u>Asset Category</u>	<u>Useful Life (Years)</u>
Land improvements	10-20
Leasehold improvements	3-40
Leased buildings	5-7
Vehicles	5
Office equipment and furniture	2-15
Subscription assets	3

Leases - Lessee

The Authority is a lessee for several noncancelable leases of buildings. The Authority recognizes a lease liability and an intangible right-of-use lease asset (lease asset). The Authority recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is

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reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Authority determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Authority generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price (if applicable) that the Authority is reasonably certain to exercise.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Subscription-Based Information Technology Arrangements

The Authority has noncancelable subscription-based information technology arrangements (SBITA). The Authority recognizes a subscription liability and an intangible right-of-use subscription asset in the financial statements. The Authority recognizes subscription liabilities with an initial, individual value of \$10,000 or more.

At the commencement of a subscription, the Authority initially measures the subscription liability at the present value of payments expected to be made during the SBITA term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to subscriptions include how the Authority determines (1) the discount rate it uses to discount the expected SBITA payments to present value, (2) subscription term, and (3) subscription payments. The Authority uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the Authority generally uses its estimated incremental borrowing rate as the discount rate for SBITAs. The subscription term includes the noncancelable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price (if applicable) that the Authority is reasonably certain to exercise.

The Authority monitors changes in circumstances that would require a remeasurement of its subscription and will remeasure the subscription asset and subscription liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

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Deferred Outflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets 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 other postemployment benefit asset. A portion of these costs represent contributions to the pension plan subsequent to the plan measurement date.

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 employee 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 5% of the MDHHS contract amount. The funds carried over must generally be spent in the following year. At September 30, 2025, none was carried forward, and in 2024, the amount was \$117,408. 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 statements of net 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 assets 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 GAAP 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.

Kent County CMH Authority

Notes to Financial Statements

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. 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 net investment in capital assets represents the amount of net position that is not available for future appropriation.

2. Deposits and Investments

Following is a reconciliation of deposit and investment balances:

<i>September 30,</i>	2025	2024
Statements of Net Position		
Cash and cash equivalents	\$ 13,559,349	\$ 6,712,574
Statements of Fiduciary Net Position		
Investments	1,987,096	1,810,402
Total	\$ 15,546,445	\$ 8,522,976
Deposits and Investments		
Deposits:		
Checking/savings accounts	\$ 13,470,030	\$ 6,626,646
Kent County Investment Pool	88,869	85,478
Cash on hand	450	450
Total Deposits	13,559,349	6,712,574
Investments:		
MERS total market portfolio	1,987,096	1,810,402
Total	\$ 15,546,445	\$ 8,522,976

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, 2025 and 2024, \$13,268,077 and \$6,427,646 of the Authority's bank balances of \$13,518,077 and \$6,677,646, 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.

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Investments in the 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 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, 2025 and 2024.

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 Pool and Municipal Employees' Retirement System (MERS) total market portfolio are not rated. The Authority had no other investments subject to credit risk at September 30, 2025 and 2024.

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, 2025 and 2024 consisted entirely of balances in the 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 U.S. Treasury Securities and authorized investment pools, no more than 10% of the total investment portfolio shall be invested in a single security or 50% with a single financial institution. At September 30, 2025 and 2024, all investments were held with the 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 GAAP. 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; and Level 3 inputs are significant unobservable inputs. The Authority's

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investments at September 30, 2025 and 2024 consisted entirely of balances in the 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 Pool is not categorized.

3. Capital Assets

Capital asset activity was as follows:

September 30, 2025

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets not being depreciated/amortized:					
Work in progress	\$ 128,003	\$ 58,213	\$ -	\$ -	\$ 186,216
Capital assets being depreciated/amortized:					
Land improvements	529,278	-	-	-	529,278
Leasehold improvements	9,991,673	-	-	-	9,991,673
Leased buildings	4,039,287	-	-	-	4,039,287
Vehicles	14,992	-	-	-	14,992
Subscription asset	106,906	25,844	-	-	132,750
Office equipment and furniture	3,700,992	158	-	-	3,701,150
	18,383,128	26,002	-	-	18,409,130
Less accumulated depreciation/amortization for:					
Land improvements	(424,990)	(23,095)	-	-	(448,085)
Leasehold improvements	(3,490,832)	(613,414)	-	-	(4,104,246)
Leased buildings	(709,488)	(492,620)	-	-	(1,202,108)
Vehicles	(14,992)	-	-	-	(14,992)
Subscription asset	(53,454)	(62,067)	-	-	(115,521)
Office equipment and furniture	(3,147,635)	(105,153)	-	-	(3,252,788)
	(7,841,391)	(1,296,349)	-	-	(9,137,740)
Total Capital Assets Being Amortized (Depreciated), Net	10,541,737	(1,270,347)	-	-	9,271,390
Total Capital Assets, Net	\$ 10,669,740	\$ (1,212,134)	\$ -	\$ -	\$ 9,457,606

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September 30, 2024

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets not being depreciated/amortized:					
Work in progress	\$ 666,888	\$ 2,988,528	\$ -	\$ (3,527,413)	\$ 128,003
Capital assets being depreciated/amortized:					
Land improvements	529,278	-	-	-	529,278
Leasehold improvements	6,595,041	-	-	3,396,632	9,991,673
Leased buildings	886,909	3,152,378	-	-	4,039,287
Vehicles	14,992	-	-	-	14,992
Subscription asset	106,906	-	-	-	106,906
Office equipment and furniture	3,570,211	-	-	130,781	3,700,992
	11,703,337	3,152,378	-	3,527,413	18,383,128
Less accumulated depreciation/amortization for:					
Land improvements	(401,897)	(23,093)	-	-	(424,990)
Leasehold improvements	(3,016,664)	(474,168)	-	-	(3,490,832)
Leased buildings	(354,763)	(354,725)	-	-	(709,488)
Vehicles	(14,992)	-	-	-	(14,992)
Subscription asset	(26,727)	(26,727)	-	-	(53,454)
Office equipment and furniture	(3,049,756)	(97,879)	-	-	(3,147,635)
	(6,864,799)	(976,592)	-	-	(7,841,391)
Total Capital Assets Being Depreciated/Amortized, Net	4,838,538	2,175,786	-	3,527,413	10,541,737
Total Capital Assets Net	\$ 5,505,426	\$ 5,164,314	\$ -	\$ -	\$ 10,669,740

For the years ended September 30, 2025 and 2024, depreciation and amortization expense was allocated to the access center and administration in the statement of revenues, expenses, and changes in fund net position. Depreciation expense is allocated in the statement of revenues, expenses, and changes in net position based on each asset's primary use. Depreciation expense was \$1,296,349 and \$976,592 in 2025 and 2024, respectively.

The estimated cost to complete the work-in-progress as of September 30, 2025 was \$1,549,000.

4. Other Long-Term Liabilities

Other long-term liabilities are comprised of the following:

September 30, 2025

	Beginning Balance	Additions	Disposals	Ending Balance	Due Within One Year
Lease liabilities	\$ 3,385,345	\$ -	\$ (407,121)	\$ 2,978,224	\$ 432,539
Subscription liabilities	37,388	25,844	(45,313)	17,919	8,602
Compensated absences	1,776,788	2,059,534	(1,776,788)	2,059,534	2,059,534
Total Other Long-Term Liabilities	\$ 5,199,521	\$ 2,085,378	\$(2,229,222)	\$ 5,055,677	\$ 2,500,675

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Notes to Financial Statements

September 30, 2024

	Beginning Balance	Additions	Disposals	Ending Balance	Due Within One Year
Lease liabilities	\$ 550,898	\$ 3,092,691	\$ (258,244)	\$ 3,385,345	\$ 431,732
Subscription liabilities	72,995	-	(35,607)	37,388	37,388
Compensated absences	1,539,349	1,776,788	(1,539,349)	1,776,788	1,776,788
Total Other Long-Term Liabilities	\$ 2,163,242	\$ 4,869,479	\$(1,833,200)	\$ 5,199,521	\$ 2,245,908

Debt service requirements to maturity for all lease liabilities of the Authority are as follows:

Year ending September 30,

	Principal	Interest	Total
2026	\$ 432,539	\$ 208,675	\$ 641,214
2027	259,605	186,637	446,242
2028	279,759	166,483	446,242
2029	301,477	144,765	446,242
2030	324,882	121,360	446,242
Thereafter	1,379,962	214,691	1,594,653
	\$ 2,978,224	\$ 1,042,611	\$ 4,020,835

Debt service requirements to maturity for all subscription liabilities of the Authority are as follows:

Year ending September 30,

	Principal	Interest	Total
2026	\$ 8,602	\$ 717	\$ 9,319
2027	9,317	372	9,689
Total	\$ 17,919	\$ 1,089	\$ 19,008

5. Unearned Revenue

Unearned revenue consisted of the following:

<i>September 30,</i>	2025	2024
Crisis Intervention Training Grant	\$ 15,729	\$ 13,580
Behavioral Health Crisis Center Grant	1,036,053	146,399
General fund carryforward	-	117,408
Total	\$ 1,051,782	\$ 277,387

Kent County CMH Authority

Notes to Financial Statements

6. Pension Plan

General Information About the Plan

Plan Description

The Authority participates in the 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 three-year period) and with a multiplier of 2.50%. Participants are considered to be fully vested in the plan after five 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

The dates of the two most recent plan valuations and plan membership consisted of the following:

<i>December 31,</i>	2024	2023
Inactive employees or beneficiaries currently receiving benefits	92	90
Inactive employees entitled to but not yet receiving benefits	34	40
Active employees (vested and nonvested)	29	17
Total Membership	155	147

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, 2025 and 2024, the Authority made employer contributions in the amount of \$973,905 and \$1,073,205, respectively. In addition, the employer may establish contribution rates to be paid by its covered employees. Currently, members are required to contribute 9.0% of covered payroll.

Net Pension Liability

The Authority's net pension liability was measured as of December 31, 2024 and 2023, and the total pension liability used to calculate the net pension liability, was determined by an actuarial valuation as of those dates.

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Actuarial Assumptions

The total pension liability in the December 31, 2024 and 2023 actuarial valuations was 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	6.93% and 7.18% in 2024 and 2023, respectively, net of investment expense including inflation

The base mortality tables used are constructed as described below and are based on are amount-weighted, sex-distinct rates:

- 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.
- Disabled 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, 2024 valuation were based on the results of the most recent actuarial experience study of 2019-2023.

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of the actuarial experience study of 2014-2018.

Long-Term Expected Rate of Return

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.

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

December 31, 2024

Asset Class	Target Allocation Percentage (%)	Long-Term Expected Real Rate of Return Percentage (%)	Expected Money- Weighted Rate of Return Percentage (%)
Global equity	60.00	4.25	2.55
Global fixed income	20.00	1.91	0.38
Private investment	20.00	6.25	1.25
	<u>100.00</u>		<u>4.18</u>
Inflation			2.50
Administrative expenses netted above			<u>0.25</u>
Investment Rate of Return			6.93

December 31, 2023

Asset Class	Target Allocation Percentage (%)	Long-Term Expected Real Rate of Return Percentage (%)	Expected Money- Weighted Rate of Return Percentage (%)
Global equity	60.00	2.70	2.70
Global fixed income	20.00	2.16	0.43
Private investment	20.00	6.50	1.30
	<u>100.00</u>		<u>4.43</u>
Inflation			2.50
Administrative expenses netted above			<u>0.25</u>
Investment Rate of Return			7.18

Discount Rate

The discount rate used to measure the total pension liability as of December 31, 2024 and 2023 was 7.18%. 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.

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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, December 31, 2022	\$ 47,557,680	\$ 36,343,317	\$ 11,214,363
Changes for the year:			
Service cost	429,852	-	429,852
Interest	3,334,972	-	3,334,972
Differences between expected and actual experience	318,366	-	318,366
Changes in assumptions	366,890	-	366,890
Employer contributions	-	1,073,205	(1,073,205)
Employee contributions	-	253,976	(253,976)
Net investment income	-	4,069,488	(4,069,488)
Benefit payments, including refunds of employee contributions	(2,639,340)	(2,639,340)	-
Administrative expense	-	(84,743)	84,743
Other changes	23,043	-	23,043
Net Changes	1,833,783	2,672,586	(838,803)
Balances, December 31, 2023	49,391,463	39,015,903	10,375,560
Changes for the year:			
Service cost	482,023	-	482,023
Interest	3,464,459	-	3,464,459
Differences between expected and actual experience	490,394	-	490,394
Changes in assumptions	(74,630)	-	(74,630)
Employer contributions	-	973,905	(973,905)
Employee contributions	-	253,238	(253,238)
Net investment income	-	2,896,126	(2,896,126)
Benefit payments, including refunds of employee contributions	(2,746,314)	(2,746,314)	-
Administrative expense	-	(85,499)	85,499
Other changes	(17,340)	(19,074)	1,734
Net Changes	1,598,592	1,272,382	326,210
Balances, December 31, 2024	\$ 50,990,055	\$ 40,288,285	\$ 10,701,770

Kent County CMH Authority

Notes to Financial Statements

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 7.18%, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.18%) or 1% higher (8.18%) than the current rate:

December 31, 2024

	1% Decrease (6.18%)	Current Discount Rate (7.18%)	1% Increase (8.18%)
Authority's net pension liability	\$ 16,596,942	\$ 10,701,770	\$ 5,760,431

The following presents the net pension liability of the Authority, calculated using the discount rate of 7.18%, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.18%) or 1% higher (8.18%) than the current rate:

December 31, 2023

	1% Decrease (6.18%)	Current Discount Rate (7.18%)	1% Increase (8.18%)
Authority's net pension liability	\$ 16,168,160	\$ 10,375,560	\$ 5,534,002

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 years ended September 30, 2025 and 2024, the Authority recognized pension expense of \$1,628,216 and \$1,764,564, respectively. The Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Year ended September 30, 2025

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 1,262,851	\$ -	\$ 1,262,851
Contributions subsequent to the measurement date	877,582	-	877,582
Total	\$ 2,140,433	\$ -	\$ 2,140,433

Kent County CMH Authority

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, 2026. Other amounts reported as pension-related deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending September 30,

2026	\$	537,811
2027		1,118,789
2028		(353,714)
2029		(40,035)
Total	\$	1,262,851

Year ended September 30, 2024

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 1,670,506	\$ -	\$ 1,670,506
Contributions subsequent to the measurement date	681,399	-	681,399
Total	\$ 2,351,905	\$ -	\$ 2,351,905

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, 2025. Other amounts reported as pension-related deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending September 30,

2025	\$	218,467
2026		587,530
2027		1,168,506
2028		(303,997)
Total	\$	1,670,506

Payable to the Pension Plan

At September 30, 2025 and 2024, the Authority did not have outstanding payables for contributions to the pension plan required for the years ended September 30, 2025 and 2024.

7. Defined Contribution Retirement Plan

The Authority establishes and amends the benefit provisions of the plan, which is administered by the 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% of the employee's

Kent County CMH Authority

Notes to Financial Statements

base pay, depending on the employee's contribution to the plan. Employer contributions to the plan for the years ended September 30, 2025 and 2024 were \$1,607,619 and \$1,073,205, respectively.

8. 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) was created in 2004 with the establishment by MERS of an Internal Revenue Code Section 115 Integral Governmental Trust pursuant to an Internal Revenue Service 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 enables municipalities to accumulate monies to provide or subsidize health benefits for retirees and beneficiaries as defined by Internal Revenue Code Section 213. The RHFV 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, 2025 and 2024, OPEB plan membership consisted of the following:

<i>September 30,</i>	2025	2024
Inactive members or beneficiaries currently receiving benefits	16	16
Inactive members entitled to but not yet receiving benefits	27	27
Active plan members	467	467
Total Membership	510	510

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Notes to Financial Statements

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 years ended September 30, 2025 and 2024, the Authority contributed \$10,040 and \$11,920 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, 2025 and 2024, the OPEB Plan's investments were fully invested in the MERS RHFV. Within this account, the OPEB Plan's account balance at September 30, 2025 and 2024 was comprised of total market portfolio funds.

Rate of Return

For the years ended September 30, 2025 and 2024, the annual money-weighted rate of return on investments, net of investment expense, was 6.93%. 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, 2025 and 2024, and was determined by an actuarial valuation as of September 30, 2024 carried forward to September 30, 2025 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Inflation		2.50%
Salary increases	2.50% and 3.00% in 2025 and 2024, respectively	
Investment rate of return		6.93% in 2025 and 2024
20-year Aa municipal bond rate	4.50% and 4.06% in 2025 and 2024, respectively	
Mortality	Public General 2016 Employee and Healthy Retiree, Headcount weighted	
Healthcare cost trend rates	Pre-65 - 7.25%, then 7.5% graded down to 4.5% by 0.25% per year Post-65 - 5.5%, then 5.75% graded down to 4.5% by 0.25% per year	

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Notes to Financial Statements

The long-term expected rate of return on the OPEB 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 RHFV, 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 are summarized in the following tables:

September 30, 2025

Asset Class	Target Allocation Percentage (%)	Long-Term Expected Real Rate of Return Percentage (%)	Expected Money- Weighted Rate of Return Percentage (%)
Global equity	60.0	4.50	2.70
Global fixed income	20.0	2.16	0.43
Private assets	20.0	6.50	1.30
	<u>100.0</u>		<u>4.43</u>
Inflation			<u>2.50</u>
Investment Rate of Return			6.93

September 30, 2024

Asset Class	Target Allocation Percentage (%)	Long-Term Expected Real Rate of Return Percentage (%)	Expected Money- Weighted Rate of Return Percentage (%)
Global equity	60.0	4.50	2.70
Global fixed income	20.0	2.16	0.43
Private assets	20.0	6.50	1.30
	<u>100.0</u>		<u>4.43</u>
Inflation			<u>2.50</u>
Investment Rate of Return			6.93

Discount Rate

The discount rate used to measure the total OPEB liability was 6.93% as of September 30, 2025 and 2024. The projection of cash flows used to determine the discount rate assumed that the employer will 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.

Kent County CMH Authority

Notes to Financial Statements

Changes in Net OPEB Asset

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

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Asset (a) - (b)
Balances, September 30, 2023	\$ 1,460,494	\$ 1,542,690	\$ (82,196)
Changes for the year:		-	
Service cost	111,523	-	111,523
Interest on total OPEB liability	109,625	-	109,625
Difference between expected and actual experience	(112,448)	-	(112,448)
Change in assumptions	19,337	-	19,337
Employer contributions	-	11,920	(11,920)
Net investment income	-	271,235	(271,235)
Benefit payments, including refunds of employee contributions	(11,920)	(11,920)	-
Administrative expense	-	(3,523)	3,523
Net Changes	116,117	267,712	(151,595)
Balances, September 30, 2024	1,576,611	1,810,402	(233,791)
Changes for the year:			
Service cost	138,731	-	138,731
Interest on total OPEB liability	118,525	-	118,525
Difference between expected and actual experience	(98,432)	-	(98,432)
Change in assumptions	39,392	-	39,392
Employer contributions	-	10,040	(10,040)
Net investment income	-	180,541	(180,541)
Benefit payments, including refunds of employee contributions	(10,040)	(10,040)	-
Administrative expense	-	(3,847)	3,847
Net Changes	188,176	176,694	11,482
Balances, September 30, 2025	\$ 1,764,787	\$ 1,987,096	\$ (222,309)

Change in Assumptions

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

- Mortality updated from Public General 2010 Employee and Healthy Retiree, Headcount weighted to Public General 2016 Employee and Healthy Retiree, Headcount weight.
- Trend rates updated such that second-year trend increases by 0.25% rather than decreasing by the anticipated 0.25%.

Kent County CMH Authority

Notes to Financial Statements

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 6.93%, as well as what the Authority's net OPEB asset would be if it were calculated using a discount rate that is 1% lower (5.93%) or 1% higher (7.93%) than the current rate:

September 30, 2025

	1% Decrease (5.93%)	Current Discount Rate (6.93%)	1% Increase (7.93%)
Authority's net OPEB (asset) liability	\$ (31,819)	\$ (222,309)	\$ (385,150)

The following presents the net OPEB asset of the Authority, calculated using the discount rate of 6.93%, as well as what the Authority's net OPEB asset would be if it were calculated using a discount rate that is 1% lower (5.93%) or 1% higher (7.93%) than the current rate:

September 30, 2024

	1% Decrease (5.93%)	Current Discount Rate (6.93%)	1% Increase (7.93%)
Authority's net OPEB (asset) liability	\$ (70,623)	\$ (233,791)	\$ (373,417)

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 7.25%, 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 (6.25%) or 1% higher (8.25%) than the current rate:

September 30, 2025

	1% Decrease (6.25%)	Current Healthcare Trend Rate (7.25%)	1% Increase (8.25%)
Authority's net OPEB (asset) liability	\$ (347,692)	\$ (222,309)	\$ (70,782)

The following presents the net OPEB asset of the Authority, calculated using the healthcare cost trend rate of 7.00%, 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 (6.00%) or 1% higher (8.00%) than the current rate:

September 30, 2024

	1% Decrease (6.00%)	Current Healthcare Trend Rate (7.00%)	1% Increase (8.00%)
Authority's net OPEB (asset) liability	\$ (327,346)	\$ (233,791)	\$ (121,802)

Kent County CMH Authority

Notes to Financial Statements

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

For the years ended September 30, 2025 and 2024, the Authority recognized OPEB expense of \$44,266 and \$44,197, respectively. The Authority reported deferred outflows/inflows of resources related to OPEB from the following sources:

Year ended September 30, 2025

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ -	\$ 302,802	\$ (302,802)
Changes of assumptions	75,225	-	75,225
Net difference between projected and actual earnings on OPEB plan investments	-	102,422	(102,422)
	\$ 75,225	\$ 405,224	\$ (329,999)

Year ended September 30, 2024

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ 21,246	\$ 298,299	\$ (277,053)
Changes of assumptions	109,276	62,630	46,646
Net difference between projected and actual earnings on OPEB plan investments	132,846	209,692	(76,846)
	\$ 263,368	\$ 570,621	\$ (307,253)

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

Year ending September 30,

2026			\$ (52,499)
2027			(117,452)
2028			(79,071)
2029			(20,752)
2030			(20,588)
Thereafter			(39,637)
Total			\$ (329,999)

Kent County CMH Authority

Notes to Financial Statements

Year ending September 30,

2025	\$	(73,752)
2026		(34,778)
2027		(99,732)
2028		(61,350)
2029		(3,029)
Thereafter		(34,612)
Total	\$	(307,253)

Payable to the OPEB Plan

At September 30, 2025 and 2024, the Authority had no amounts payable for contributions to the OPEB plan.

9. 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 that 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, 2025 or 2024.

10. Concentration and Economic Dependency

For the years ended September 30, 2025 and 2024, approximately 92.4% and 90.1% of total revenue, respectively, is either directly or indirectly, received or due from the MDHHS.

11. 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.

Kent County CMH Authority

Notes to Financial Statements

12. Net Position

Net Investment in Capital Assets

The Authority's net investment in capital assets is comprised of the following:

September 30, 2025

Invested in capital assets:	
Capital assets not being depreciated	\$ 186,216
Capital assets being depreciated, net	9,271,390
Investment in Capital Assets	9,457,606
Lease liability	(2,978,224)
Subscription liabilities	(17,919)
Total Net Investment in Capital Assets	\$ 6,461,463

Required Supplementary Information

Kent County CMH Authority

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

Year ended September 30,	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability										
Service cost	\$ 482,023	\$ 429,852	\$ 466,143	\$ 432,952	\$ 437,078	\$ 463,955	\$ 495,159	\$ 706,288	\$ 777,456	\$ 873,898
Interest	3,464,459	3,334,972	3,273,297	3,062,936	3,166,781	2,946,407	2,820,227	2,684,569	2,566,834	2,295,710
Changes in benefits	-	-	-	-	-	-	-	(41,104)	(952)	(36,247)
Differences between expected and actual experience	490,394	318,366	148,345	(50,659)	(142,785)	162,264	184,670	(43,916)	(643,071)	530,809
Changes in assumptions	(74,630)	366,890	-	1,717,119	1,682,009	1,378,523	-	-	-	1,644,923
Benefit payments, including refunds of employee contributions	(2,746,314)	(2,639,340)	(2,493,901)	(2,354,663)	(2,285,456)	(2,080,610)	(1,733,789)	(1,275,314)	(1,110,671)	(893,807)
Other changes	(17,340)	23,043	-	147,866	(158,339)	-	-	-	-	-
Net Change in Total Pension Liability	1,598,592	1,833,783	1,393,884	2,955,551	2,699,288	2,870,539	1,766,267	2,030,523	1,589,596	4,415,286
Total Pension Liability, beginning of year	49,391,463	47,557,680	46,163,796	43,208,245	40,508,957	37,638,418	35,872,151	33,841,628	32,252,032	27,836,746
Total Pension Liability, end of year	50,990,055	49,391,463	47,557,680	46,163,796	43,208,245	40,508,957	37,638,418	35,872,151	33,841,628	32,252,032
Plan Fiduciary Net Position										
Employer contributions	973,905	1,073,205	976,509	643,146	475,536	480,171	693,948	564,813	2,316,760	403,077
Employee contributions	253,238	253,976	262,003	267,713	268,030	287,258	356,801	377,672	409,551	415,459
Net investment income (loss)	2,896,126	4,069,488	(4,363,098)	5,621,334	4,391,105	4,365,934	(1,351,047)	4,091,696	3,183,943	(406,125)
Benefit payments, including refunds of employee contributions	(2,746,314)	(2,639,340)	(2,493,901)	(2,354,663)	(2,285,456)	(2,080,610)	(1,733,789)	(1,275,314)	(1,110,671)	(893,807)
Administrative expense	(85,499)	(84,743)	(76,879)	(61,066)	(70,467)	(75,212)	(67,070)	(64,739)	(62,512)	(58,863)
Other changes	(19,074)	-	(298,801)	(475,143)	475,143	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	1,272,382	2,672,586	(5,994,167)	3,641,321	3,253,891	2,977,541	(2,101,157)	3,694,128	4,737,071	(540,259)
Plan Fiduciary Net Position, beginning of year	39,015,903	36,343,317	42,337,484	38,696,163	35,442,272	32,464,731	34,565,888	30,871,760	26,134,689	26,674,948
Plan Fiduciary Net Position, end of year	40,288,285	39,015,903	36,343,317	42,337,484	38,696,163	35,442,272	32,464,731	34,565,888	30,871,760	26,134,689
Authority's Net Pension Liability	\$ 10,701,770	\$ 10,375,560	\$ 11,214,363	\$ 3,826,312	\$ 4,512,082	\$ 5,066,685	\$ 5,173,687	\$ 1,306,263	\$ 2,969,868	\$ 6,117,343
Plan fiduciary net position as a percentage of total pension liability	79.0%	79.0%	76.4%	91.7%	89.6%	87.5%	86.3%	96.4%	91.2%	81.0%
Covered payroll	\$ 2,818,849	\$ 2,881,145	\$ 2,808,092	\$ 2,786,047	\$ 2,841,858	\$ 3,018,578	\$ 3,230,003	\$ 4,476,193	\$ 5,135,112	\$ 5,710,296
Authority's net pension liability as a percentage of covered payroll	379.7%	360.1%	399.4%	137.3%	158.8%	167.9%	160.2%	29.2%	57.8%	107.1%

See notes to required supplementary information.

Kent County CMH Authority
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 Percentage (%)
2025	\$ 973,905	\$ 973,905	\$ -	\$ 2,818,849	34.6
2024	1,073,205	1,073,205	-	2,881,145	37.2
2023	976,509	976,509	-	2,808,092	34.8
2022	532,198	643,146	110,948	2,986,532	21.5
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

See notes to required supplementary information.

Kent County CMH Authority
Other Postemployment Benefits Plan
Schedule of Changes in Net OPEB Asset and Related Ratios

<i>Year ended September 30,</i>	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability								
Service cost	\$ 138,731	\$ 111,523	\$ 124,036	\$ 53,984	\$ 62,018	\$ 39,021	\$ 43,226	\$ 35,651
Interest	118,525	109,625	99,531	81,150	77,496	83,123	78,242	69,794
Differences between expected and actual experience	(98,432)	(112,448)	(68,924)	33,478	(39,525)	(202,490)	(36,215)	(109,853)
Changes in assumptions	39,392	19,337	14,770	94,434	(25,814)	55,851	-	(140,411)
Benefit payments, including refunds of employee contributions	(10,040)	(11,920)	(13,512)	(17,091)	(15,787)	(17,576)	(18,553)	(14,257)
Net Change in Total OPEB Liability	188,176	116,117	155,901	245,955	58,388	(42,071)	66,700	(159,076)
Total OPEB Liability, beginning of year	1,576,611	1,460,494	1,304,593	1,058,638	1,000,250	1,042,321	975,621	1,134,697
Total OPEB Liability, end of year	1,764,787	1,576,611	1,460,494	1,304,593	1,058,638	1,000,250	1,042,321	975,621
Plan Fiduciary Net Position								
Employer contributions	10,040	11,920	13,512	17,091	15,787	17,576	18,553	48,832
OPEB plan net investment income (loss)	180,541	271,235	163,359	(214,649)	291,152	89,101	30,032	57,328
Benefit payments	(10,040)	(11,920)	(13,512)	(17,091)	(15,787)	(17,576)	(18,553)	(14,257)
Administrative expense	(3,847)	(3,523)	(2,911)	(2,793)	(2,710)	(2,252)	(2,330)	(2,705)
Net Change in Plan Fiduciary Net Position	176,694	267,712	160,448	(217,442)	288,442	86,849	27,702	89,198
Plan Fiduciary Net Position, beginning of year	1,810,402	1,542,690	1,382,242	1,599,684	1,311,242	1,224,393	1,196,691	1,107,493
Plan Fiduciary Net Position, end of year	1,987,096	1,810,402	1,542,690	1,382,242	1,599,684	1,311,242	1,224,393	1,196,691
Authority's Net OPEB Asset	\$ (222,309)	\$ (233,791)	\$ (82,196)	\$ (77,649)	\$ (541,046)	\$ (310,992)	\$ (182,072)	\$ (221,070)
Plan fiduciary net position as a percentage of total OPEB liability	112.6%	114.8%	105.6%	106.0%	151.1%	131.1%	117.5%	122.7%
Covered payroll	\$ 31,815,572	\$ 26,231,422	\$ 22,154,135	\$ 19,951,255	\$ 13,331,181	\$ 12,028,123	\$ 9,314,620	\$ 10,149,138
Net OPEB asset as a percentage of covered payroll	(0.7%)	(0.9)%	(0.4)%	(0.4)%	(4.1)%	(2.6)%	(2.0)%	(2.2)%

See notes to required supplementary information.

Kent County CMH Authority
Other Postemployment Benefits Plan
Schedule of Contributions

Fiscal year ended September 30,

	Actuarially Determined Contribution	Actuarially Contribution	Contribution (Deficiency) Excess	Covered Payroll	Actual Contribution as Percentage of Covered Payroll Percentage (%)
2025	\$ 10,040	\$ 10,040	\$ -	\$ 31,815,572	0.03
2024	11,920	11,920	-	26,231,422	0.05
2023	13,512	13,512	-	22,154,135	0.06
2022	17,091	17,091	-	19,951,255	0.09
2021	18,130	17,091	(1,039)	19,951,255	0.09
2020	15,787	15,787	-	13,331,181	0.12
2019	17,620	18,553	933	12,028,123	0.15
2018	40,863	48,832	7,969	9,314,620	0.52

See notes to required supplementary information.

Kent County CMH Authority
Other Postemployment Benefits Plan
Schedule of Investment Returns

Fiscal year ended September 30,

	Annual Money- Weighted Rate of Return, Net of Investment Expense Percentage (%)
2025	6.93
2024	6.93
2023	7.00
2022	7.50
2021	7.35
2020	6.80
2019	2.50
2018	5.25

See notes to required supplementary information.

Kent County CMH Authority

Notes to Required Supplementary Information MERS Agent Multiple-Employer Defined Benefit Pension Plan

1. 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.

Changes of Assumptions

A five-year experience study analyzing historical experience from 2019 through 2024 was completed in February 2025. In addition to changes to the economic assumptions that took effect with the fiscal year 2025 contribution rates, the experience study recommended updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, disability, and termination rates. In 2024, amounts reported as changes of assumptions resulted primarily from a decrease in the assumed rate of return from 7.18% to 6.93%.

2. 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.

3. Schedule of Contributions

GASB 68 was implemented in fiscal year 2015.

Valuation Date	December 31, 2024
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.

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Kent County CMH Authority

Notes to Required Supplementary Information MERS Agent Multiple-Employer Defined Benefit Pension Plan

Methods and assumptions used to determine contribution rates are as follows:

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, open
Remaining amortization period	15 years
Asset valuation method	Five-year smoothed
Inflation	2.50%
Salary increases	3.0% in the long-term
Investment rate of return	6.93%, net of investment and administrative expense including inflation
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, 2023 actuarial valuations. The Early Retirement rates were first used for the December 31, 2023 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, 2023 actuarial valuations.

Kent County CMH Authority

Notes to Required Supplementary Information Other Postemployment Benefits Plan

4. Schedule of Changes in Net OPEB 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, ten years of data will be presented.

5. Schedule of Contributions

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

Valuation Date	September 30, 2024
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 are as follows:

Actuarial cost method	Entry-age normal
Amortization method	Level dollar
Remaining amortization period	9 years
Asset valuation method	Market value
Inflation	2.50%
Salary increases	3.00%
Investment rate of return	6.93%, 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.
Mortality	Public General 2016 Employee and Healthy Retiree, Headcount weighted.
Healthcare trend rates	Pre-65 - 7.25%, then 7.50% graded down to 4.5% by 0.25% per year. Post-65 - 5.5%, then 5.75% graded down to 4.5% by 0.25% per year.
Change in assumptions from previous valuation	Mortality updated from Public General 2010 Employee and Healthy Retiree, Headcount weighted to Public General 2016 Employee and Healthy Retiree, Headcount weighted Trend rates updated such that second-year trend increases by 0.25% rather than decreasing by the anticipated 0.25%.

6. Schedule of Investment Returns

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

Single Audit Act Compliance

Kent County CMH Authority

Schedule of Expenditures of Federal Awards

Year ended September 30, 2025

Federal Grantor/Pass-Through Grantor/Cluster or Program Title	Federal Assistance Listing Number	Passed Through	Pass-Through Entity Identifying Number/Award Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Treasury					
COVID-19 - Coronavirus Relief Fund:					
American Rescue Fund Plan Act -City of Grand Rapids	21.019	City of GR	SLFRP1750	\$ -	\$ 323,075
Total U.S. Department of Treasury				\$ -	\$ 323,075
U.S. Department of Health and Human Services					
Certified Community Behavioral Health Clinic Expansion Grants	93.696	Direct	5H79SM086859-03	-	1,013,403
				-	1,013,403
Congressional Directives	93.493	Kent	1H79FG001311	-	608,293
				-	608,293
Medicaid Cluster:					
Grants to States for Medicaid:					
Comprehensive Services for Behavioral Health-2025					
Pre-Admission Screening Annual Resident Reviews	93.778	MDHHS	2405MI5ADM	-	591,893
				-	591,893
Opioid STR:					
State Opioid Response (SOR 4)	93.788	LRE	1H79TI087831	206,028	490,778
				206,028	490,778
Child Care and Development Block Grant:					
Infant and Early Childhood Mental Health Consultation in Child Care	93.575	MDHHS	2401MICDD	68,730	83,730
				68,730	83,730

Kent County CMH Authority

Schedule of Expenditures of Federal Awards

Year ended September 30, 2025

Federal Grantor/Pass-Through Grantor/Cluster or Program Title	Federal Assistance Listing Number	Passed Through	Pass-Through Entity Identifying Number/Award Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services					
Block Grants for Community Mental Health Services:					
First Episode Psychosis	93.958	MDHHS	B09SM089631	625,908	1,701,442
Unlimited Alternatives Drop-in Center	93.958	MDHHS	B09SM089631	5,930	6,819
Care Management	93.958	MDHHS	B09SM089631	-	197,885
Infant and Early Childhood Mental Health Consultation in Child Care	93.958	MDHHS	B09SM089631	54,633	54,633
Smoking Cessation Grant	93.958	LRE	B09SM089631	-	8,305
Clubhouse Engagement Services Grant	93.958	LRE	B09SM089631	-	7,068
American Rescue Plan -Early Onset Psychosis Set-Aside	93.958	MDHHS	B09SM085363	342,854	416,861
Crisis Stabilization Unit Startup Support	93.958	MDHHS	B09SM085363	-	663,877
ACT and Dual ACT/IDDT Team Financial Incentive	93.958	MDHHS	B09SM085363	-	44,994
				1,029,325	3,101,884
Mental Health Research Grants:					
Early-Phase Schizophrenia: Practice-Based Research to Improve Treatment Outcomes (ESPRITO)	93.242	Feinstein	5R01MH120594-05	39,648	66,347
				39,648	66,347
Block Grants for Prevention and Treatment of Substance Abuse:					
BG Treatment, General Adm, Access Mngt, WSS	93.959	LRE	B08TI087045	-	2,468,329
Prevention	93.959	LRE	B08TI085813	-	175,000
COVID-19 American Rescue Plan Act	93.959	LRE	B08TI083947	82,942	95,019
				82,942	2,738,348
Total U.S. Department of Health and Human Services				1,426,673	8,694,676
Total Expenditures of Federal Awards				\$ 1,426,673	\$ 9,017,751

The accompanying notes are an integral part of this schedule.

Kent County CMH Authority

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 under programs of the federal government for the year ended September 30, 2025. 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. 15% De Minimis Cost Rate

For purposes of charging indirect costs to federal awards, the Authority has elected to use the 15% 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
City of GR	City of Grand Rapids
Kent	Kent County
MDHHS	Michigan Department of Health and Human Services
Feinstien	The Feinstein Institute for Medical Research



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 Kent County CMH Authority (the Authority), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 30, 2026.

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 opinions 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 Authority'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, P.C.

March 30, 2026



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, 2025. 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 its major federal programs for the year ended September 30, 2025.

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 unmodified opinions 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, P.C.

March 30, 2026

Kent County CMH Authority

Schedule of Findings and Questioned Costs Year Ended September 30, 2025

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 no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

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

Unmodified

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

yes no

Identification of major federal programs:

Assistance Listing Number(s)

Name of Federal Program or Cluster

93.958

Block Grants for Community Mental Health Services
Medicaid Cluster

93.778

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

\$1,000,000

Auditee qualified as low-risk auditee?

yes no

Kent County CMH Authority

Schedule of Findings and Questioned Costs Year Ended September 30, 2025

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 awards (as defined in 2 CFR 200.516(a)) that are required to be reported.