

# **Genesee Health System**

## **Financial Statements** September 30, 2023



Genesee Health System  
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September 30, 2023

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## **Independent Auditor's Report**

To the Members of the Board  
Genesee Health System  
Flint, Michigan

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of Genesee Health System (the CMHSP) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the CMHSP's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the CMHSP as of September 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 CMHSP and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the CMHSP'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 generally accepted auditing standards 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 generally accepted auditing standards 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 CMHSP'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 CMHSP'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 and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the CMHSP's basic financial statements. The accompanying additional supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information 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 27, 2024, on our consideration of the CMHSP'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 CMHSP'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 CMHSP's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in black ink that reads "Roslund, Prestage & Company, P.C." in a cursive script.

Roslund, Prestage & Company, P.C.  
Certified Public Accountants

March 27, 2024

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



# Genesee Health System

## Management's Discussion and Analysis

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As management of Genesee Health System (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended September 30, 2023. We encourage readers to consider the information presented here in conjunction with the independent auditor's report and with the financial statements, notes to financial statements, required supplementary information, and supplementary information taken as a whole.

### Financial Highlights

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Net position, business-type activities	\$ 51,134,422
Change in net position, business-type activities	10,600,385
Net position, enterprise fund	45,918,975
Change in net position, enterprise fund	8,998,449

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### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

### *Government-Wide Financial Statements*

The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. As permitted by GASB Statement No. 34, the Authority uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements by using a columnar format that reconciles individual line items of the fund financial data to government-wide data in a separate column. The columns labeled "total business-type activities" on the statement of net position and statement of activities represent the government-wide financial statements.

The statement of net position presents information on all of the Authority's assets, deferred outflows, and liabilities and deferred inflows with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of activities presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

### *Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. In general, fund financial statements provide a greater level of detail than the government-wide financial statement, but due to the alternative approach used by the Authority, the same level of detail is presented. All of the funds of the Authority are considered to be proprietary funds.

# Genesee Health System

## Management's Discussion and Analysis

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### ***Proprietary Funds***

The Authority maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Authority uses enterprise funds to account for all daily activities. The Authority uses internal service funds to account for healthcare benefits and other postemployment benefit costs.

### ***Notes to Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### ***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this management's discussion and analysis and the schedules for the pension and other postemployment benefits plans immediately following the notes to the financial statements.

### ***Supplementary Information***

The combining schedules in connection with the Enterprise Fund and statements referred to earlier in connection with the internal service funds are presented immediately following the required supplementary information.

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**Genesee Health System**  
Management's Discussion and Analysis

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**Government-Wide Financial Analysis**

As previously stated, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets and deferred outflows exceeded its liabilities and deferred inflows by \$31,761,593 at the close of the most recent fiscal year. A condensed summary of the Authority's statements of net position as of September 30, 2023 and 2022 is shown below:

<i>September 30,</i>	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
Current and other assets	\$ 81,437,287	\$ 87,565,188
Capital assets, net	28,223,069	6,133,985
<b>Total Assets</b>	<b>109,660,356</b>	<b>93,699,173</b>
<b>Deferred Outflows of Resources</b>	<b>20,936,489</b>	<b>12,294,294</b>
<b>Liabilities</b>		
Current and other liabilities	64,566,199	35,666,698
<b>Total Liabilities</b>	<b>64,566,199</b>	<b>35,666,698</b>
<b>Deferred Inflows of Resources</b>	<b>14,896,224</b>	<b>29,792,732</b>
<b>Net Position</b>		
Investment in capital assets	3,247,350	3,285,304
Restricted - for pension and other postemployment benefits	25,316,128	16,165,528
Restricted for millage	14,795,082	8,772,444
Unrestricted	7,775,862	12,310,761
<b>Total Net Position</b>	<b>\$ 51,134,422</b>	<b>\$ 40,534,037</b>

The Authority noted a increase capital assets of \$22,089,084, a decrease in deferred outflows of resources of \$1,357,805, a increase in current and other liabilities of \$35,666,698, and an decrease of deferred inflows of resources of \$14,896,224, compared to the prior fiscal year-end. These changes are mainly the result of current year implementation of GASB 87 Capital Leases and normal fluctuations in the pension and OPEB funds.

A total of \$3,247,350 of the Authority's net position reflects its investment in capital assets (e.g., buildings, improvements, vehicles, and equipment). The Authority uses these capital assets to provide services to consumers; consequently, these assets are not available for future spending. In addition, \$25,316,128 is restricted for the purpose of funding the Authority's pension and other postemployment benefits. A total of \$14,795,082 is restricted for Millage related activities and services. The remainder of the Authority's net position was reported as unrestricted net position of \$7,775,862.

# Genesee Health System

## Management's Discussion and Analysis

A condensed summary of the Authority's statements of revenues, expenses and changes in fund net position for the years ended September 30, 2023 and 2022 is shown below:

<i>Year ended September 30,</i>	<b>2023</b>	<b>2022</b>
<b>Change in Net Position</b>		
<b>Revenues</b>		
Federal	\$ 151,981,943	\$ 143,755,991
State	9,559,979	3,718,041
Local	17,845,242	19,126,824
Interest	447,400	33,394
<b>Total Revenues</b>	<b>179,834,564</b>	<b>166,634,250</b>
<b>Expenses</b>		
Mental health	157,812,674	141,127,504
Health center	6,119,833	5,754,597
Access center	91,498	1,408,447
CMH grants	5,210,174	6,268,804
<b>Total Expenses</b>	<b>169,234,179</b>	<b>154,559,352</b>
<b>Change in Net Position</b>	<b>10,600,385</b>	<b>12,074,898</b>
<b>Net Position (Deficit), beginning of year</b>	<b>40,534,037</b>	<b>28,459,139</b>
<b>Net Position, end of year</b>	<b>\$ 51,134,422</b>	<b>\$ 40,534,037</b>

During the current fiscal year, the Authority's net position increased by \$10,600,385. The main reason for the increase in the Authority's net position was due to a reduction in wage costs related to GASB 75 adjustments.

### Capital Asset and Debt Administration

#### *Capital Assets*

The Authority's capital assets balance as of September 30, 2023 was \$3,247,350 (net of accumulated depreciation and capital related long-term liabilities). This investment in capital assets includes building improvements and vehicles and equipment.

Major capital asset events that occurred during the year ended September 30, 2023 included the following:

- Construction/renovations of buildings totaling \$1,005,281.
- Equipment and vehicle purchases of \$77,662.
- Depreciation expense of \$762,402.
- Right of use lease assets of \$21,844,498

**Genesee Health System**  
Management's Discussion and Analysis

<i>September 30,</i>	<b>2023</b>	<b>2022</b>
<b>Capital Assets (Net)</b>		
Building improvements	\$ 3,124,140	\$ 2,624,427
Vehicles and equipment	436,249	854,610
<b>Right to use lease asset</b>	<b>24,662,680</b>	<b>2,848,681</b>
<b>Total Capital Assets, Net</b>	<b>\$ 28,223,069</b>	<b>\$ 6,133,985</b>

Additional information on the Authority's capital assets can be found in the notes to the financial statements.

#### **Economic Factors and Next Year's Budget and Rates**

Genesee Health System monitors all clinical services and trends the utilization of those services. Genesee Health System has a Data and Financial Review Committee that meets monthly. This group of committee members reviews the financial and services utilization trends. This allows Genesee Health System to predict increases and or decreases in cost, allowing the Authority to react quickly and early to changes in funding or expenses.

For fiscal year 2023, the Authority has continued to maintain our cost structure put in place during 2022. This has allowed the Authority to keep costs well within the expected Medicaid funding. The Authority does not anticipate funding levels to change appreciably during the next two years. In addition, Region 10 continues to negotiate with the State regarding the Healthy Michigan funding for the region. The Authority has seen that funding increase slightly as a result.

On May 4, 2021, in a special election, the Authority submitted a millage proposal to the voters in Genesee County. This proposal was passed by a majority vote of the electors in the county and is designated to fill service gaps and provide highly needed mental health services to residents that are not covered under the Medicaid program. The Authority received \$10,050,384 in Millage funding during Fiscal 2023. The Authority was accepted into the statewide CCBHC demonstration project effective 10/1/2023 and as such, anticipates a slight increase in revenue in FY2024 due to CCBHC services provided.

The Authority considered these factors in preparing the Authority's budget for the 2023 fiscal year.

#### **Requests for Information**

This financial report is designed to provide a general overview for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, may be addressed to the Finance Department, 420 5<sup>th</sup> Avenue, Flint, Michigan 48503.

## **BASIC FINANCIAL STATEMENTS**



Genesee Health System  
Statement of Net Position  
September 30, 2023

	Enterprise Funds	Internal Service Fund	Eliminations	Total Business-Type Funds
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 25,490,482	\$ 2,580,280	\$ -	\$ 28,070,762
Accounts receivable, net	278,737	2,028,956	-	2,307,693
Due from other governmental units	13,083,423	-	-	13,083,423
Due from other funds	18,442,635	2,358,668	(20,801,303)	-
Prepaid expenses	2,449,388	559,366	-	3,008,754
Lease receivable	508,361	-	-	508,361
Total current assets	60,253,026	7,527,270	(20,801,303)	46,978,993
Noncurrent assets				
Capital assets not being depreciated/amortized	73,650	-	-	73,650
Capital assets being depreciated/amortized, net	28,149,419	-	-	28,149,419
Net OPEB asset	34,458,294	-	-	34,458,294
Total noncurrent assets	62,681,363	-	-	62,681,363
Total assets	122,934,389	7,527,270	(20,801,303)	109,660,356
<b>Deferred outflows of resources</b>				
Related to pension	15,690,792	-	-	15,690,792
Related to OPEB	5,245,697	-	-	5,245,697
Total deferred outflows of resources	20,936,489	-	-	20,936,489
<b>Liabilities</b>				
Current liabilities				
Accounts payable	11,540,250	238,358	-	11,778,608
Accrued payroll and related liabilities	1,616,552	-	-	1,616,552
Due to other governmental units	915,094	-	-	915,094
Due to other funds	18,728,389	2,072,914	(20,801,303)	-
Unearned revenue	574,081	-	-	574,081
Compensated absences, due within one year	2,713,093	-	-	2,713,093
Direct borrowings, due within one year	2,490,316	-	-	2,490,316
Total current liabilities	38,577,775	2,311,272	(20,801,303)	20,087,744
Noncurrent liabilities				
Direct borrowings, due beyond one year	22,485,403	-	-	22,485,403
Net pension liability	21,993,052	-	-	21,993,052
Total noncurrent liabilities	44,478,455	-	-	44,478,455
Total liabilities	83,056,230	2,311,272	(20,801,303)	64,566,199
<b>Deferred inflows of resources</b>				
Related to OPEB	14,387,863	-	-	14,387,863
Related to lease	508,361	-	-	508,361
Total deferred inflows of resources	14,896,224	-	-	14,896,224
<b>Net position</b>				
Net investment in capital assets	3,247,350	-	-	3,247,350
Restricted for OPEB	25,316,128	-	-	25,316,128
Restricted for millage	14,795,082	-	-	14,795,082
Unrestricted	2,559,864	5,215,998	-	7,775,862
Total net position	\$ 45,918,424	\$ 5,215,998	\$ -	\$ 51,134,422

Genesee Health System  
Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended September 30, 2023

	Enterprise Funds	Internal Service Fund	Eliminations	Total Business-Type Funds
<b>Operating revenues</b>				
Medicaid revenue	\$ 151,981,943	\$ -	\$ -	\$ 151,981,943
State and Federal grants	9,559,979	-	-	9,559,979
County appropriations	1,429,528	-	-	1,429,528
Charges for services	3,835,827	7,199,982	(7,199,982)	3,835,827
Millage	10,050,384	-	-	10,050,384
Other revenues	1,813,422	-	-	1,813,422
Total operating revenues	178,671,083	7,199,982	(7,199,982)	178,671,083
<b>Operating expenses</b>				
Mental health services:				
Administration	18,608,013	-	(1,601,936)	17,006,077
Managed care	24,563,043	-	-	24,563,043
Children SED	2,209,640	-	-	2,209,640
Residential services	49,260,232	-	-	49,260,232
Adult MI services	16,824,198	-	-	16,824,198
State hospitals	976,975	-	-	976,975
Developmental disabilities	13,375,787	-	-	13,375,787
Inpatient services	15,059,593	-	-	15,059,593
Direct run services administration	4,862,225	-	-	4,862,225
Autism benefits	8,168,451	-	-	8,168,451
Millage activities	4,027,746	-	-	4,027,746
Group home services	904,768	-	-	904,768
Home-based services	573,939	-	-	573,939
Health center	6,119,833	-	-	6,119,833
Access center	91,498	-	-	91,498
CMH grants	5,210,174	-	-	5,210,174
Employee benefits	-	5,598,046	(5,598,046)	-
Total operating expenses	170,836,115	5,598,046	(7,199,982)	169,234,179
Operating income (loss)	7,834,968	1,601,936	-	9,436,904
<b>Non-operating revenues (expenses)</b>				
Interest income	447,400	-	-	447,400
Rental income	716,081	-	-	716,081
Non-operating income (loss)	1,163,481	-	-	1,163,481
<b>Change in net position</b>	8,998,449	1,601,936	-	10,600,385
<b>Net position, beginning of year</b>	36,919,975	3,614,062	-	40,534,037
<b>Net position, end of year</b>	\$ 45,918,424	\$ 5,215,998	\$ -	\$ 51,134,422

Genesee Health System  
Statement of Cash Flows  
For the Year Ended September 30, 2023

	Enterprise Funds	Internal Service Fund	Eliminations	Total Business-Type Funds
<b>Cash flows from operating activities</b>				
Receipts from State and other local governments	\$ 155,066,137	\$ -	\$ -	\$ 155,066,137
Receipts from customers and users	16,027,009	7,219,235	(7,199,982)	23,246,244
Payments to suppliers and service providers	(120,935,887)	(5,737,145)	7,199,982	(126,673,032)
Payments to employees for salaries and benefits	(51,070,092)	-	-	(51,070,092)
Net cash provided by (used in) operating activities	(912,833)	1,482,090	-	569,257
<b>Cash flows from noncapital financing activities</b>				
Transfer (to)/from other funds	1,136,244	(1,197,859)	-	(61,615)
Net cash provided by (used in) noncapital financing activities	1,136,244	(1,197,859)	-	(61,615)
<b>Cash flows from capital and related financing activities</b>				
Change in capital assets	(25,374,133)	-	-	(25,374,133)
Proceeds from borrowing	24,336,649	-	-	24,336,649
Principal payments on borrowing	(2,209,611)	-	-	(2,209,611)
Net cash provided by (used in) capital and related financing activities	(3,247,095)	-	-	(3,247,095)
<b>Cash flows from investing activities</b>				
Interest income	447,400	-	-	447,400
Rental income	716,081	-	-	716,081
Net cash provided by (used in) investing activities	1,163,481	-	-	1,163,481
<b>Net decrease in cash and cash equivalents</b>	(1,860,203)	284,231	-	(1,575,972)
<b>Cash and cash equivalents, beginning of year</b>	27,350,685	2,296,049	-	29,646,734
<b>Cash and cash equivalents, end of year</b>	\$ 25,490,482	\$ 2,580,280	\$ -	\$ 28,070,762
Reconciliation of operating income to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 7,834,968	\$ 1,601,936	\$ -	\$ 9,436,904
Adjustments to reconcile operating income to net cash provided by (used in) operating activities				
Depreciation/amortization expense	3,285,051	-	-	3,285,051
Accounts receivable, net	327,376	19,253	-	346,629
Due from other governmental units	(7,475,821)	-	-	(7,475,821)
Prepaid expenses	136,391	111,398	-	247,789
Net OPEB asset	(6,575,482)	-	-	(6,575,482)
Deferred outflow - related to pension	(22,957,418)	-	-	(22,957,418)
Deferred outflow - related to OPEB	5,732,267	-	-	5,732,267
Accounts payable	(47,009)	(312,112)	-	(359,121)
Accrued payroll and related liabilities	(454,885)	-	-	(454,885)
Due to other governmental units	(1,670,835)	61,615	-	(1,609,220)
Unearned revenue	(429,492)	-	-	(429,492)
Compensated absences	429,763	-	-	429,763
Net pension liability	26,746,166	-	-	26,746,166
Deferred inflow - related to pension	(42,953)	-	-	(42,953)
Deferred inflow - related to OPEB	(5,750,920)	-	-	(5,750,920)
Net cash provided by (used in) operating activities	\$ (912,833)	\$ 1,482,090	\$ -	\$ 569,257

Genesee Health System  
Statement of Fiduciary Net Position  
September 30, 2023

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	Other Postemployment Benefits Trust Fund
<b>Assets</b>	
MERS Total Market Funds	<u>\$ 73,089,667</u>
<b>Liabilities</b>	
Accounts payable	<u>2,028,956</u>
<b>Net Position</b>	
Net position held in trust for postemployment healthcare benefits	<u>71,060,711</u>
Total net position	<u><u>\$ 71,060,711</u></u>



Genesee Health System  
Statement of Changes in Fiduciary Net Position  
For the Year Ended September 30, 2023

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	Other Postemployment Benefits Trust Fund
<b>Additions</b>	
Employer contributions	\$ 659,317
Net investment income/(loss)	7,887,771
Total additions	<u>8,547,088</u>
<b>Deductions</b>	
Benefit payments	4,024,527
Administrative expense	138,542
Total deductions	<u>4,163,069</u>
<b>Change in net position</b>	4,384,019
<b>Net position held in trust for postemployment benefits, beginning of year</b>	<u>66,676,692</u>
<b>Net position held in trust for postemployment benefits, end of year</b>	<u><u>\$ 71,060,711</u></u>

**NOTES TO THE  
FINANCIAL STATEMENTS**



## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Genesee Health System (the CMHSP), have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the CMHSP.

### **Reporting Entity**

The CMHSP operates under provisions of the Michigan Mental Health Code for the purpose of providing services relating to the mental health, developmental disabilities, and substance abuse needs of the residents of Genesee County. As the community mental health services provider for the county, the CMHSP serves community members by assuring local access, organizing and integrating the provision of services, coordinating care, implementing public policy, ensuring interagency collaboration, and preserving public interest.

### **Financial Statement Presentation**

Under GASB 34, the CMHSP is considered a special purpose government and has elected to present the basic statements as enterprise funds and an internal service fund (types of proprietary funds) which are designed to be self-supporting. Proprietary funds distinguish operating revenues and expenses from nonoperating items. The principal operating revenues of the CMHSP are charges related to serving its customers (including primarily “per member per month” capitation and state and county appropriations). Operating expenses for the CMHSP includes cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses including investment income and interest expense. The internal service fund is used to accumulate and allocate costs internally among the CMHSP’s various functions.

The financial statements (i.e., the statement of net position and the statement of revenues, expenses and changes in net position) report information on all of the nonfiduciary activities of the CMHSP. All fiduciary activities are reported only in the fiduciary fund financial statements.

As a general rule, the effect of interfund activity has been eliminated when presenting total business-type fund activity.

All amounts shown are in U.S. dollars.

### **Fund Accounting**

The accounts of the CMHSP are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues, and expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The CMHSP reports the following major enterprise funds:

*Mental Health Activities Fund* – This fund of the CMHSP accounts for its mental health operations.

*Health Center Activities Fund* – This fund of the CMHSP accounts for its Federally Qualified Health Center operations.

*Millage Activities Fund* – This fund of the CMHSP accounts for the collection of millage funds and the provision of mental health services not covered under the Medicaid program or other payer sources.

The CMHSP reports the following major internal service fund:

*Internal Service Fund* – This fund is used to account for self-funded medical and dental coverage for the employees and retirees of the CMHSP. The Mental Health Operating fund pays premiums to the internal service fund based upon the illustrative rates computed by the administrator of the plan. The Internal Service Fund uses those funds to pay the actual cost of the claims and stop loss insurance premiums.

Additionally, the CMHSP reports the following fiduciary fund:

*Other Postemployment Benefits Trust Fund* – This fund accounts for the activities of the Other Postemployment Benefits Trust Fund, which accumulates resources held in trust for health benefit payments to qualified retirees.

During the course of operations, the CMHSP has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. Further, certain activity occurs during the year involving transfers of resources between funds reported at gross amounts as transfers in/out.

#### **Basis of Accounting and Measurement Focus**

The accounting and financial reporting treatment is determined by the applicable basis of accounting and measurement focus. Basis of accounting refers to when revenue and expenses are recognized in the accounts and reported in the financial statements. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*.

The business-type and fiduciary funds are accounted for using the full accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred, regardless of the timing of related cash flows. The business-type and fiduciary funds are accounted for on a cost of services or economic resources measurement focus. This means that all assets and all liabilities associated with their activity are included on the statement of net position.

#### **Cash and Cash Equivalents**

The CMHSP's cash and cash equivalents are considered to be cash on hand, money market funds, demand deposits, and certificates of deposit.

#### **Accounts Receivable/Payable**

Accounts receivable/payable in all funds report amounts that have arisen in the ordinary course of business. Accounts receivable are stated net of allowances for uncollectible amounts, if any.

#### **Due from/Due to Other Governmental Units**

Due from/due to other governmental units consist primarily of amounts due from/to the regional entity and the state.

#### **Inventories**

The CMHSP does not recognize supplies inventory as an asset. The cost of these supplies is considered immaterial to the financial statements and the quantities are not prone to wide fluctuation from year to year. The costs of such supplies are expensed when purchased.

#### **Due from/to other funds**

During the course of operations, the CMHSP has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds.

#### **Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as an expense when consumed rather than when purchased.

#### **Capital Assets**

Capital assets are tangible and intangible assets, defined by the CMHSP as individual assets with an initial cost equal to or more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed (except for intangible right-to-use lease assets, the measurement of which is discussed in the leases policy below). Donated capital assets are recorded at estimated acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible capital assets in the appropriate capital asset class.

Genesee Health System  
Notes to the Financial Statements  
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The costs of normal maintenance and repairs that do not increase the asset's capacity or efficiency or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Land and construction in process, if any, are not depreciated. The other tangible and intangible property, plant, equipment, and the right to use assets of the CMHSP are depreciated/amortized using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	5 – 40
Vehicles	4 – 10
Right to use – buildings	2 – 20

The CMHSP reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its fair value. If it is determined that an impairment loss has occurred, the asset is written down to its net realizable value and a related expense is recognized in the current year.

#### **Accrued Payroll and Benefits**

Accrued payroll and benefits relate to salaries and wages earned in September but not paid until October.

#### **Unearned Revenue**

The CMHSP reports unearned revenue when revenue does not meet either the "measurable" and "available" criteria for recognition in the current period, or when resources are received by the CMHSP before it has a legal claim to them, such as when grant money is received prior to the incurrence of qualifying expenses. In subsequent periods, when both revenue recognition criteria are met, or when the CMHSP has legal claim to the resources, the liability for unearned revenue is removed and the revenue is recognized.

#### **Compensated Absences**

The CMHSP's policy permits employees to accumulate earned but unused vacation and sick benefits, which are eligible for payment upon separation from the CMHSP's service. The liability for such leave is reported as incurred in the financial statements. The liability for compensated absences includes salary related benefits, where applicable.

#### **Net Pension Liability**

For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported. 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.

#### **Postemployment Benefits Other Than Pensions**

For purposes of measuring the Net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported. 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.

#### **Deferred Outflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The CMHSP has two items that qualify for reporting in this category. They are the pension and other postemployment benefits related items reported in the statement of net position. The deferred amounts related to pension and other postemployment benefits relate to differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and other postemployment benefit related changes. These amounts are recognized in the plan year in which they apply.

### **Deferred Inflows of Resources**

In addition to liabilities, the statement 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 position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The CMHSP has two items that qualify for reporting in this category. These items are future resources yet to be recognized in relation to the other postemployment benefit (OPEB) actuarial calculation and leases activity. The OPEB future resources arise from differences between estimated and actual investment earnings, changes in actuarial assumptions, and other postemployment benefit related changes. These amounts are recognized in the plan year in which they apply. The leases related amounts are long-term leases entered into by the CMHSP in which the CMHSP is the lessor. These amounts are recognized as revenue over the term of the lease agreements.

### **Leases**

#### Lessee

The CMHSP is a lessee for a variety of noncancelable leases. The CMHSP recognizes lease liabilities and an intangible right-to-use lease asset in the financial statements.

At the commencement of a lease, the CMHSP initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is 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 judgements related to leases include how the CMHSP determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The CMHSP uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the CMHSP 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 that the CMHSP is reasonably certain to exercise.

The CMHSP 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.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term obligations on the statement of net position.

#### Lessor

The CMHSP is a lessor for a noncancelable lease of a building. The CMHSP recognizes a lease receivable and a deferred inflow of resources in the financial statements.

At the commencement of a lease, the CMHSP initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payment received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgements include how the CMHSP determines (1) the discount rate is uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The CMHSP uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The CMHSP monitors changes in circumstances that would require a remeasurement of this lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to

significantly affect the amount of the lease receivable.

### **Net Position**

The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- *Net investment in capital assets* consist of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- *Restricted* net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- *Unrestricted* net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the CMHSP will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the CMHSP's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

### **Restrictions on Net Position**

#### Mental Health Activities Fund

A portion of the net position has been restricted in the Mental Health Activities Fund relating to net assets of the other postemployment benefit plan held within this fund. This amount must be used for the provision of other postemployment benefits to qualified plan members. As of September 30<sup>th</sup>, the amount of this restriction was \$25,316,128.

#### Millage Activities Fund

A portion of the net position has been restricted in the Millage Activities fund in accordance with the requirements of the millage request. These funds must be used for the provision of mental health services not covered under the Medicaid program or other payer sources. As of September 30<sup>th</sup>, the amount of this restriction was \$14,795,082.

### **MDHHS Revenue**

#### General Fund Revenue

The CMHSP provides mental health services on behalf of the Michigan Department of Health and Human Services (MDHHS). Currently, the CMHSP contracts directly with the MDHHS for General Fund revenues to support the services provided for the priority population residing in the county. The CMHSP performs an annual cost settlement of General Funds with MDHHS.

#### Medicaid Revenue

Beginning January 2014, Region 10 assumed the regional entity contract with the MDHHS. The CMHSP contracts to receive Medicaid, Healthy Michigan, Autism and other revenues through the regional entity. The CMHSP performs an annual cost settlement of capitated funding with the regional entity.

## **NOTE 2 – CASH AND CASH EQUIVALENTS**

The CMHSP utilizes a pooled cash and investment concept for its funds, to maximize its investment program. Investment income from this internal pooling is allocated to the respective funds based upon the sources of funds invested.

Cash and investments held by the CMHSP's OPEB trust fund are discussed in the OPEB notes below and are excluded from the discussion in this cash and cash equivalents note.

### Cash and Cash Equivalents

Michigan's statutory authority allows governmental entities to invest in the following investments:

- 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 institution.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 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 Investments 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.

### Custodial Credit Risk

In the case of deposits, this is the risk that, in the event of a bank's failure, the CMHSP's deposits may not be returned to it. The CMHSP evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories. The CMHSP bank balance was \$28,895,391 and \$28,395,391 of that amount was exposed to custodial credit risk because it was uninsured by FDIC.

### NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable, net of allowances as of September 30<sup>th</sup> consists of the following:

Description	Amount
Other Postemployment Benefits Trust Fund	2,028,956
Various commercial insurers	196,402
Other	245,915
Less: allowance for doubtful accounts	(163,580)
Total	2,307,693

### NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivable and payable shown on the financial statements as of September 30<sup>th</sup>, are as follows:

Fund	Due from Other Funds	Due to Other Funds
Mental Health Activities	1,379,473	18,728,389
Health Center Activities	2,149,351	-
Millage Activities	14,913,811	-
Internal Service	2,358,668	2,072,914
Total	20,801,303	20,801,303

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system and 3) payments between funds are made.



**NOTE 5 - DUE FROM OTHER GOVERNMENTAL UNITS**

Due from other governmental units as of September 30<sup>th</sup> consists of the following:

Description	Amount
Region 10	10,264,256
U.S. Department of Housing and Urban Development	550,079
U.S. Department of Health and Human Services	452,111
U.S. Environmental Protection Agency	123,414
Michigan Department of Health and Human Services	1,163,889
Livingston County CMH and Saginaw County CMH	127,904
Other	401,770
Total	13,083,423

**NOTE 6 – PREPAID EXPENSES**

Prepaid expenses as of September 30<sup>th</sup> consists of the following:

Description	Amount
Greater Flint Mental Health Facilities Board	1,900,600
Health Alliance Plan	372,171
Various landlords	84,033
Insurance providers	274,150
Other	377,800
Total	3,008,754

**NOTE 7 – LEASE RECEIVABLE**

The CMHSP leases various buildings to a third-party. The leases are for terms ranging from two to four years. The CMHSP will receive monthly payments ranging from \$867 to \$22,200. The CMHSP recognized lease revenue and interest revenue during the current fiscal year related to this lease as detailed below. Also, the CMHSP's ending receivable for lease payments and deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term are detailed below.

Description of Lease	Received during current fiscal year		Remaining amount as of year-end	
	Lease Revenue	Lease Interest	Lease Receivable	Deferred Inflows
GFMHFB lease	253,419	1,083	261,779	261,779
Paige lease	9,577	823	20,112	20,112
Lin-Hill lease	20,355	1,749	42,746	42,746
Hegel-Hamilton lease	22,944	1,176	23,701	23,701
Bridle Path lease	19,360	992	19,998	19,998
Maple Woods lease	23,492	1,204	24,267	24,267
Marshall lease	16,377	1,407	34,392	34,392
Kimberly Oaks lease	15,532	796	16,044	16,044
Embury Home lease	18,777	963	19,397	19,397
Cook Road lease	21,869	1,879	45,925	45,925
Total	421,702	12,072	508,361	508,361

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**NOTE 8 - CAPITAL ASSETS**

A summary of changes in the CMHSP's capital assets is as follows:

	Beginning Balance	Additions	Disposals/ Adjustments	Transfers	Ending Balance
Capital assets not being depr/amort					
Construction in process	-	73,650	-	-	73,650
Total capital assets not being depr/amort	-	73,650	-	-	73,650
Capital assets being depr/amort					
Buildings and improvements	6,293,343	1,005,281	(119,623)	-	7,179,001
Vehicles	5,470,969	77,662	(6,296)	-	5,542,335
Right to use – buildings	4,144,268	24,336,648	(2,466,012)	-	26,014,904
Total capital assets being depr/amort	15,908,580	25,419,591	(2,591,931)	-	38,736,240
Accumulated depr/amort					
Buildings and improvements	(3,668,916)	(493,135)	33,540	-	(4,128,511)
Vehicles	(4,810,092)	(269,267)	(26,727)	-	(5,106,086)
Right to use – buildings	(1,295,587)	(2,522,649)	2,466,012	-	(1,352,224)
Total accumulated depr/amort	(9,774,595)	(3,285,051)	2,472,825	-	(10,586,821)
Capital assets being depr/amort, net	6,133,985	22,134,540	(119,106)	-	28,149,419
Capital assets, net	6,133,985	22,208,190	(119,106)	-	28,223,069

**NOTE 9 - DUE TO OTHER GOVERNMENTAL UNITS**

Due to other governmental units as of September 30<sup>th</sup> consists of the following:

Description	Amount
Region 10	637,808
State of Michigan	193,893
Other governmental entities	83,393
Total	915,094

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**NOTE 10 – LONG-TERM LIABILITIES**

Direct borrowings:

Description	Original Borrowing	Interest Rates	Final Maturity	Outstanding at Year-end
Bristol Road lease	15,714,519	1.48%	2043	15,469,806
Children's lease	8,622,130	1.48%	2032	7,827,657
GFMHFB lease	3,011,575	3.25%	2024	1,163,208
Mason Road lease	340,317	1.48%	2030	264,836
Paige lease	40,369	1.48%	2025	20,483
Lin-Hill lease	85,798	1.48%	2025	43,534
Hegel-Hamilton lease	70,734	1.48%	2024	23,928
Bridle Path lease	59,684	1.48%	2024	20,190
Maple Woods lease	72,424	1.48%	2024	24,499
Marshall lease	69,030	1.48%	2025	35,025
Kimberly Oaks lease	47,884	1.48%	2024	16,198
Embury Home lease	57,890	1.48%	2024	19,583
Cook Road lease	92,180	1.48%	2025	46,772
Total				24,975,719

The CMHSP's outstanding loans from direct borrowings related to operations contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

**Summary of Long-Term Debt**

The changes in long-term debt during the fiscal year are as follows:

	Beginning Balance	Additions	(Deletions)	Ending Balance	Due within one year
Compensated absences	2,283,330	772,263	(342,500)	2,713,093	2,713,093
Direct borrowings	2,848,681	24,336,649	(2,209,611)	24,975,719	2,490,316
Total	5,132,011	25,108,912	(2,552,111)	27,688,812	3,869,570

The requirements to pay principal and interest on the long-term debt outstanding at year-end are shown below:

Year Ended September 30	Direct Borrowings	
	Principal	Interest
2024	2,490,316	334,801
2025	1,979,485	312,774
2026	1,562,432	290,417
2027	1,585,712	267,728
2028	1,609,340	244,701
2029-2033	7,582,824	869,266
2034-2038	4,077,769	457,751
2039-2043	4,087,841	145,311
Total long-term debt	24,975,719	2,922,749

#### NOTE 11 - UNEARNED REVENUE

The amount reported as unearned revenue represents revenues received in advance of the period earned as follows:

Description	Amount
Michigan Department of Health and Human Services	432,648
Other	141,433
Total	574,081

#### NOTE 12 - NET INVESTMENT IN CAPITAL ASSETS

As of September 30<sup>th</sup>, the composition of net investment in capital assets was comprised of the following:

Net investment in capital assets	Amount
Capital assets not being depreciated	73,650
Capital assets being depreciated, net	28,149,419
Capital related long-term liabilities	(24,975,719)
Net investment in capital assets	3,247,350

#### NOTE 13 – RETIREMENT PLANS

##### Defined Contribution Retirement Plan – Mission Square Retirement

###### Plan Description

In 2000, the CMHSP allowed new retirees to elect to transfer the actuarial present value of the participants accrued benefit under the defined benefit plan to an account within the Genesee County Defined Contribution Pension Plan. Presently, AFSCME employees hired after October 1, 2007, Teamsters employees hired after November 20, 2007 and Non-Union employees hired after May 8, 2012 participate in the Mission Square Retirement Plan.

###### Eligibility

Presently, AFSCME employees hired after October 1, 2007, Teamsters employees hired after November 20, 2007 and Non-Union employees hired after May 8, 2012 participate in the Mission Square Retirement Plan. All employees are eligible regardless of hours per week worked once their probationary period has been completed. Contract employee are excluded from the plan.

###### Contributions

As a condition of employment, each staff person must contribute 5% of their compensation to the plan. The CMHSP matches the staff portion by contributing an additional 5% of that staff person's compensation.

###### Normal Retirement Age & Vesting

IRS rules dictate that funds cannot be withdrawn without penalty until 59 ½. Participants need six years of credited service to be fully vested.

###### Forfeitures

Forfeitures are first used to pay administrative expenses and remaining funds are reallocated to plan assets.

For the year ended September 30<sup>th</sup>, contributions by the CMHSP amounted to \$1,196,202. Contributions made by the employees amounted to \$1,196,202. Forfeitures totaled \$48,759. The outstanding liability to the plan at year-end was \$0.

### **Defined Contribution Retirement Plan - MERS**

#### Plan Description

All employees hired on or after October 1, 2006, participate in a defined contribution pension plan through MERS (separate from the retiree health funding vehicle defined benefit plan) in lieu of participation in the retiree healthcare plan.

#### Eligibility

All employees are eligible regardless of hours per week worked once their probationary period has been completed. Contract employees are excluded from the plan.

#### Contributions

The CMHSP contributes 5% of the employee's annual salary to the plan after the employee's probationary period is complete.

#### Normal Retirement Age & Vesting

IRS rules dictate that funds cannot be withdrawn without penalty until 59 1/2. Employees vest after eight years of service.

#### Forfeitures

Forfeitures are first used to pay administrative expenses and the remaining funds are reallocated to the Defined Benefit Retiree Health plan as contributions.

For the year ended September 30<sup>th</sup>, contributions by the CMHSP amounted to \$1,363,186. Forfeitures totaled \$618,911. The outstanding liability to the plan at year-end was \$0.

### **Defined Benefit Retirement Plan**

#### Plan Description

The CMHSP participates in a contributory agent multi-employer, defined benefit pension plan (the Genesee County Employees' Retirement System or GCERS). GCERS was organized pursuant to Section 12A of Act 156, Public Acts of 1851 (MSA 5.333(1); MCLA 46.12a) as amended. The GCERS is regulated under the Genesee County Employees' Retirement System Ordinance (Retirement System Ordinance), the sections of which have been approved by the state pension commission and is administered by the Genesee County Retirement Commission. The GCERS was established in 1946, beginning with the General Unit and the County Road Commission. Water and Waste joined the system in 1956, Community Mental Health in 1966, the City of Mt. Morris in 1969, and the Genesee District Library in 1980. GCERS issues a stand-alone financial report; a copy of this report may be obtained by GCERS contacting the retirement office.

#### Benefits Provided

Employees who retire with minimum age and years of service requirements are entitled to annual retirement benefits, payable in monthly installments for life, in an amount equal to a percentage of their final average compensation times years of credited service. Benefit computations may vary by bargaining group but are generally computed at final average compensation times the sum of 2.4% for the first 25 years of service, plus 1% for years of service in excess of 25 years, up to a maximum of 60%-65%.

Employees are eligible for regular retirement at either the 23-year anniversary date of employment; or age 60 with a minimum of eight years of service. Full retirement benefits vary by bargaining unit. Members with eight to 15 years of service may elect a deferred annuity providing a lifetime benefit which varies by employer bargaining unit. Members leaving service may withdraw their accumulated contributions together with the interest credited to their account.

#### Employees Covered by Benefit Terms

As of the December 31, 2022 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	371
Inactive employees or beneficiaries not yet receiving benefits	14
Active employees	77
Total	462

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Contributions and Funding Policy

GCERS employers are required by the Retirement System Ordinance to make adequate contributions to fund the retirement allowances provided by the System. Because the Retirement System is a multiple-employer retirement fund, each employer has the ability to negotiate and/or establish through personnel policy retirement benefits with their respective employees. The contribution rates are determined by an annual actuarial valuation based on certain assumptions along with consideration of members' contributions and assumed investment income. The CMHSP's contribution rate for the plan for the year ended September 30, 2023 was 23.7% of projected valuation payroll. Eligible employees are required to contribute from 5.0% of eligible monetary compensation to the Plan.

Net Pension Liability

The CMHSP's Net Pension Liability was measured as of December 31, 2022, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 2.50%
- Salary increases: 2.50% and merit and longevity rates based on age.
- Investment rate of return: 7.00%, net of investment expenses
- Actuarial cost method: Entry-age normal
- Asset valuation method: Fair market value of assets adjusted for a 4-year phase in of gains and losses
- Discount Rate: 7.00%
- Cost of Living Adjustments: vary by negotiating group. For those with COLA that is dependent on CPI, a 2.00% annual COLA is assumed.

Although no specific price inflation assumptions are needed for the valuation, the long-term wage inflation assumption would be consistent with the price inflation.

Mortality rates used were based on the PubG-2010 with fully generational improvements from 2010 based on assumptions from Scale MP-2021.

The actuarial assumptions used in the valuation were based on the actual experience for the plan during 2014-2020.

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Board by a majority vote of its members. It is the policy of the Pension Board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes.

The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of December 31, 2022:

Asset Class	Target Allocation
U.S. Equities Active or Passive	42%
Non-U.S. Equities	15%
Domestic Fixed Income	18%
Commercial Real Estate	18%
Alternative Investment Hedge Funds	5%
Cash Equivalents	2%
Total	100%

Rate of Return

The annual money-weighted rate of return on pension plan investments is calculated as the internal rate of return

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on pension plan investments, net of investment expenses, not including inflation. This expresses investment performance, adjusted for the changing amounts invested throughout the year, measured on monthly inputs with expenses measured on an accrual basis. At December 31, 2022 the annual money-weighted rate of return, net of investment expenses, was -12.26%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00% for the plan year. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

Calculating the Net Pension Liability			
	Total pension liability (a)	Increase (decrease) plan fiduciary net position (b)	Net pension liability (a) – (b)
Changes in net pension liability			
Balances at beginning of plan year	136,765,054	141,518,168	(4,753,114)
Changes for the year			
Service cost	950,539	-	950,539
Interest on total pension liability	9,306,197	-	9,306,197
Changes in benefits	-	-	-
Difference between expected and actual experience	1,144,307	-	1,144,307
Changes in assumptions	-	-	-
Employer contributions	-	1,477,547	(1,477,547)
Employee contributions	-	329,931	(329,931)
Net investment income	-	(17,013,820)	17,013,820
Benefit payments, including employee refunds	(9,539,845)	(9,539,845)	-
Administrative expense	-	(138,781)	138,781
Other changes	-	-	-
Net changes	1,861,198	(24,884,968)	26,746,166
Balances as of end of plan year	138,626,252	116,633,200	21,993,052

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Net Pension Liability of the CMHSP, calculated using the discount rate of 7.00%, as well as what the CMHSP's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate.

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net Pension Liability at end of plan year	21,993,052	21,993,052	21,993,052
Change in Net Pension Liability (NPL)	14,225,594	-	(12,077,479)
Calculated Net Pension Liability	36,218,616	21,993,052	9,915,573

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Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions  
the CMHSP recognized pension expense of \$5,094,404 for the fiscal year. The CMHSP reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
(Excess) Deficit Investment Returns	14,688,132	-
Contributions Subsequent to Plan Year End *	1,002,660	-
Totals	15,690,792	-

\*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 in the following fiscal year.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in the pension expense as follows:

Plan year ended	Amount
2023	1,787,330
2024	3,624,825
2025	3,947,056
2026	5,328,921

Outstanding Liability

The outstanding liability to the plan at fiscal year-end was \$22,907.

**NOTE 14 – OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS**

**Other Postemployment Benefit (OPEB) Obligations**

Plan Description

In addition to the pension benefits described above, the CMHSP administers the Genesee Health System Retiree Healthcare Plan (the Plan). The Plan is a single-employer defined benefit healthcare plan which provides health insurance benefits including medical, prescription, dental, and optical coverage to certain retirees and their beneficiaries, which are advance-funded on a discretionary basis. Plan assets are held in trust by a third party administrator. The Plan was closed to new hires as of May 2008. As of January 12, 2005, employees need 15 years of credited service to be fully vested in the Plan. Employees who retired before that date needed eight years of credited service.

Benefits Provided

A retiree will be entitled to medical, dental and optical benefits with 100% of lifetime coverage paid by employer. Depending on which option is selected, one beneficiary could be eligible to receive the same benefits with 50% to 100% of such coverage paid for by the employer. \$12,000 in life insurance is also paid for by the employer. Retirees are required to enroll in Medicare Part A and Part B when eligible.

Employees Covered by Benefit Terms

As of the December 31, 2021 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	376
Inactive employees or beneficiaries not yet receiving benefits	27
Active employees	515
Total	918

Contributions and Funding Policy

The contribution requirements of plan members and the CMHSP are established and may be amended by the CMHSP. The CMHSP's contributions are based on the actuarially determined contribution.



In conjunction with the preparation of the annual actuarial valuation for the plan, the plan's actuary calculates the CMHSP's actuarially determined contribution (ADC) for the CMHSP's next fiscal year. The CMHSP is responsible for providing the resources to the plan necessary to pay the costs of benefits provided under the plan subject to certain member sharing of benefit-related costs. The CMHSP must contribute the amount beyond member payments necessary to fund the actuarial liability for OPEB. For the fiscal year ended September 30<sup>th</sup>, the CMHSP's contribution was \$656,751.

#### Investment policy

The other postemployment benefits plan's investment policy discourages the use of cash equivalents except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. Currently, the Board has elected to invest entirely in the MERS Total Market Portfolio through the Michigan Employees' Retirement System's retiree health funding vehicle.

#### Investment valuations

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit and other nonparticipating investments are stated at cost or amortized cost. All other investments in the plan are stated at fair value and are recorded as of the trade date.

#### Interest rate risk

The CMHSP's investment policy does not have specific limits in excess of State law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. There is no stated maturity date for the CMHSP's investment in the MERS Total Market Fund. At year-end, the balance in the MERS Total Market Fund was comprised of the following:

Investment Type	% of Pool Total	Maturity in Years
U.S. Stocks	24.8%	Not applicable
International Stocks	15.7%	Not applicable
Emerging Market Stocks	9.4%	Not applicable
U.S Treasury Bonds	14.2%	Not available
U.S. High Yield Bonds	1.5%	Not available
Emerging Market Bonds	5.5%	Not available
Short Duration Bonds	1.4%	Not available
Private Markets	27.7%	Not applicable

#### Fair Value of Investments

The plan measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

At year-end, the plan had the following recurring fair value measurements.

Description	Value as of Sept 30 <sup>th</sup>	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
MERS Total Market Fund	73,089,667	-	73,089,667	-

#### Credit risk

The plan's investment policy allows for investments in the MERS Total Market Fund and does not have specific limits in excess of State law on investment credit risk. The CMHSP's investments are not rated as to risk. The MERS Total Market Fund is required to comply with State laws.

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September 30, 2023

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Custodial credit risk for investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the CMHSP will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require a policy for investment custodial credit risk. The CMHSP's investment policy does not address custodial credit risk for investments. Custodial credit risk associated with the MERS Total Investment Fund cannot be determined because the investments do not consist of specifically identifiable securities.

Concentration of credit risk

The investment policy states that the plan's assets shall be diversified to reduce the risk of large losses. The plan's investment policy places no limit on the amount it may invest in any one issuer. As of the plan's measurement date, 100% of the plan's funds were invested in the MERS Total Market Portfolio.

Net OPEB Liability

The total OPEB liability of the CMHSP was determined by an actuarial valuation as of December 31, 2021. Update procedures were used to roll forward the total OPEB liability to the September 30, 2023 measurement date. During the roll forward, the fiduciary net position was determined as of September 30, 2023 in order to calculate the net OPEB liability as of the measurement date.

Actuarial Assumptions

The total OPEB liability in the December 31, 2021 valuation was determined using the following assumptions applied to all periods included in the measurement.

- Actuarial cost method: Projected Unit Credit
- Amortization method: Level dollar, open
- Remaining amortization period: 25 years
- Asset valuation method: Market Value
- Price Inflation: 2.50%
- Salary increases: 9.0%-5.0%
- Investment rate of return: 7.00%, net of OPEB plan investment expenses, including inflation
- Healthcare cost trend rate 7.50% and gradually decreasing to an ultimate trend rate of 3.5% over 11 years

Mortality rates were based on the Pub-2010 Generally Healthy Retiree Mortality Tables for males and females with fully generational mortality improvement using MP-2018.

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

Asset Class	Target Allocation	Target Allocation Gross Rate of Return	Long-Term Expected Gross Rate of Return	Inflation Assumption	Long-Term Expected Real Rate of Return
Global Equity	60.00%	7.00%	4.20%	2.50%	2.70%
Global Fixed Income	20.00%	4.50%	0.90%	2.50%	0.40%
Private Investments	20.00%	9.50%	1.90%	2.50%	1.40%
Total	100.00%		7.00%		4.50%

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00%.

Genesee Health System  
Notes to the Financial Statements  
September 30, 2023

Changes in Net OPEB Liability

Calculating the Net OPEB Liability			
Changes in net OPEB liability	Total OPEB liability (a)	Increase (decrease) plan fiduciary net position (b)	Net OPEB liability (a) – (b)
Balances at beginning of plan year	36,768,667	64,651,479	(27,882,812)
Changes for the year			
Service cost	125,896	-	125,896
Interest on total OPEB liability	2,507,200	-	2,507,200
Changes in benefits	-	-	-
Difference between expected and actual experience	(837,151)	-	(837,151)
Changes in assumptions	-	-	-
Employer contributions	-	656,751	(656,751)
Employee contributions	-	-	-
Net investment income	-	7,887,771	(7,887,771)
Benefit payments, including employee refunds	(2,028,956)	(2,028,956)	-
Administrative expense	-	(138,542)	138,542
Other changes	34,553	-	34,553
Net changes	(198,458)	6,377,024	(6,575,482)
Balances at end of plan year	36,570,209	71,028,503	(34,458,294)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Net OPEB Liability of the CMHSP, calculated using the discount rate of 7.00%, as well as what the CMHSP's Net OPEB Liability would be using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net OPEB (Asset)/Liability at end of plan year	(34,458,294)	(34,458,294)	(34,458,294)
Change in Net OPEB (Asset)/Liability	3,903,909	-	(3,284,003)
Calculated Net OPEB (Asset)/Liability	(30,554,385)	(34,458,294)	(37,742,297)

The following presents the Net OPEB Liability of the CMHSP, as well as what the CMHSP's Net OPEB Liability would be if it were calculated using healthcare trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rate.

	1% Decrease	Healthcare Trend	1% Increase
Net OPEB (Asset)/Liability at end of plan year	(34,458,294)	(34,458,294)	(34,458,294)
Change in Net OPEB (Asset)/Liability	(3,072,799)	-	3,604,167
Calculated Net OPEB (Asset)/Liability	(37,531,093)	(34,458,294)	(30,854,127)

Genesee Health System  
Notes to the Financial Statements  
September 30, 2023

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

For the year ended September 30, 2023, the CMHSP recognized OPEB expense of (\$5,937,384). The CMHSP reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
(Excess) Deficit Investment Returns	2,739,435	-
Differences in Experience	-	14,387,863
Differences in Assumptions	2,506,262	-
Contributions Subsequent to Plan Year End *	-	-
Totals	5,245,697	14,387,863

\*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 OPEB Liability in the following fiscal year.

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

Plan year ended:	Amount
2023	(4,511,489)
2024	(2,852,522)
2025	(863,724)
2026	(834,442)
2027	(79,989)

Outstanding Liability

The outstanding liability to the plan at fiscal year-end was \$6,136.

**NOTE 15 - RISK MANAGEMENT**

The CMHSP is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries; professional liability; medical malpractice; abuse and molestation and natural disasters. The CMHSP contracts with the Hanover insurance company for auto liability, general liability, property, crime, and vehicle physical damage coverage.

The CMHSP contracts with AIX for medical malpractice coverage and excess liability coverages, Travelers for management liability coverage and Ace for cyber liability coverage. The CMHSP is a self-insured entity for workers compensation with the state of Michigan. As a self-insured entity, the CMHSP is responsible for the first \$400,000 of any workers' compensation claim. In the 10-year history of its self-insured status, no claims have exceeded the retention amount.

For all coverages other than workers compensation, the CMHSP is fully insured to the maximum limits, subject to deductibles. None of the limits are shared with any other community mental health agency. The total limits are available to the CMHSP.

The CMHSP has coverage limits of \$4,000,000 for liability, and \$121,050,215 for property.

**NOTE 16 – BENEFITS – SELF INSURANCE**

The self-insurance program for health insurance is accounted for in the healthcare internal service fund. An independent administrator (HAP) is hired to process the daily claims. The CMHSP is responsible for individual claims up to \$250,000 per participant. The CMHSP is also responsible for paying administrative charges and stop loss insurance premiums. The liability at the end of the year is based on claims already incurred and reported as well as estimates of incurred but not reported claims as estimated by management which cannot exceed the stop loss insurance limits. Settled claims did not exceed insurance coverage in the last two fiscal periods.

**NOTE 17 – CONTINGENT LIABILITIES**

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

The CMHSP is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the CMHSP's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the CMHSP.

**NOTE 18 – ECONOMIC DEPENDENCE**

The CMHSP receives over 80% of its revenues from the State of Michigan either directly from MDHHS or indirectly through the CMHSP's regional entity.

**NOTE 19 – DEFICIT NET POSITION**

As of year-end, the CMHSP is in a deficit unrestricted net position, which is the result of recording the CMHSP's net pension liability as required with the implementation of GASB 68. As outlined in Numbered Letter 2016-1 issued by the Department of Treasury, this deficit passes the 4 Step test for proprietary funds to determine if a deficit elimination plan is required. Therefore, the CMHSP is not required to file a deficit elimination plan with the State. The CMHSP will be exploring options over the next several years to reduce the net pension liability including opting for a shorter amortization period used to fund the plan.

**NOTE 20 - UPCOMING ACCOUNTING PRONOUNCEMENTS**

GASB Statement No. 100, *Accounting Changes and Error Corrections*, was issued by the GASB in June 2022 and will be effective for the CMHSP's fiscal year September 30, 2024. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement prescribes the accounting and financial reporting for 1) each type of accounting change and 2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period.

GASB Statement No. 101, *Compensated Absences*, was issued by the GASB in June 2022 and will be effective for the CMHSP's fiscal year September 30, 2025. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements.

**REQUIRED SUPPLEMENTAL  
INFORMATION**



Genesee Health System  
Defined Benefit Pension Plan - Required Supplemental Information  
Schedule of Changes in Net Pension (Asset)/Liability and Related Ratios

	Plan year ended December 31,				
	2014	2015	2016	2017	2018
<b>Total Pension Liability</b>					
Service costs	\$ 1,351,737	\$ 1,269,466	\$ 1,998,936	\$ 1,656,594	\$ 1,412,025
Interest	7,576,741	7,830,710	7,676,712	7,943,297	8,243,308
Changes in benefit terms	-	-	-	-	-
Difference between expected & actual experience	4,373,348	1,507,736	(5,174,366)	(1,119,969)	1,034,460
Changes in assumptions	-	20,976,139	(4,875,031)	(8,396,217)	(5,559,975)
Benefit payments including employee refunds	(6,928,961)	(7,307,322)	(7,368,755)	(7,576,896)	(7,974,099)
Rollover to other pension	(1,240,669)	(678,965)	(38,698)	(256,925)	-
Other	-	-	-	-	-
<b>Net Change in Total Pension Liability</b>	5,132,196	23,597,764	(7,781,202)	(7,750,116)	(2,844,281)
<b>Total Pension Liability, beginning</b>	112,044,656	117,176,852	140,774,616	132,993,414	125,243,298
<b>Total Pension Liability, ending</b>	117,176,852	140,774,616	132,993,414	125,243,298	122,399,017
<b>Plan Fiduciary Net Position</b>					
Contributions - employer	4,147,902	4,037,724	4,528,171	2,865,256	3,077,859
Contributions - employee	553,918	503,823	597,146	549,059	420,777
Net investment income	5,740,032	1,043,740	6,648,406	9,911,802	(1,935,209)
Benefit payments including employee refunds	(6,928,961)	(7,307,322)	(7,368,755)	(7,576,896)	(7,974,099)
Rollover to other pension	(1,240,669)	(678,965)	(38,698)	(256,925)	-
Administrative expenses	(93,106)	(93,060)	(79,190)	(120,836)	(95,958)
<b>Net Change in Plan Fiduciary Net Position</b>	2,179,116	(2,494,060)	4,287,080	5,371,460	(6,506,630)
<b>Plan Fiduciary Net Position, beginning</b>	82,163,944	84,343,060	81,849,000	86,136,080	91,507,540
<b>Plan Fiduciary Net Position, ending</b>	84,343,060	81,849,000	86,136,080	91,507,540	85,000,910
<b>Employer Net Pension (Asset)/Liability</b>	32,833,792	58,925,616	46,857,334	33,735,758	37,398,107
<b>Covered Employee Payroll</b>	10,782,351	10,265,612	9,419,585	9,257,625	8,559,159
<b>Net Pension Liability as a % of covered employee payroll</b>	305%	574%	497%	364%	437%
<b>Plan fiduciary net position as a % of total pension liability</b>	72%	58%	65%	73%	69%

**Notes to Schedule:**

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

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



Genesee Health System  
Defined Benefit Pension Plan - Required Supplemental Information  
Schedule of Changes in Net Pension (Asset)/Liability and Related Ratios

	Plan year ended December 31,			
	2019	2020	2021	2022
<b>Total Pension Liability</b>				
Service costs	\$ 1,107,677	\$ 1,138,660	\$ 1,102,929	\$ 950,539
Interest	8,989,874	8,904,044	9,157,400	9,306,197
Changes in benefit terms	-	-	-	-
Difference between expected & actual experience	635,419	245,225	(472,484)	1,144,307
Changes in assumptions	6,405,382	2,743,431	2,032,050	-
Benefit payments including employee refunds	(8,871,040)	(9,208,707)	(9,543,823)	(9,539,845)
Rollover to other pension	-	-	-	-
Other	-	-	-	-
<b>Net Change in Total Pension Liability</b>	8,267,312	3,822,653	2,276,072	1,861,198
<b>Total Pension Liability, beginning</b>	122,399,017	130,666,329	134,488,982	136,765,054
<b>Total Pension Liability, ending</b>	130,666,329	134,488,982	136,765,054	138,626,252
<b>Plan Fiduciary Net Position</b>				
Contributions - employer	5,517,359	7,661,490	31,247,776	1,477,547
Contributions - employee	405,959	381,718	367,001	329,931
Net investment income	15,490,109	8,387,814	14,997,160	(17,013,820)
Benefit payments including employee refunds	(8,871,040)	(9,208,707)	(9,543,823)	(9,539,845)
Rollover to other pension	-	-	-	-
Administrative expenses	(96,833)	(108,657)	(110,068)	(138,781)
<b>Net Change in Plan Fiduciary Net Position</b>	12,445,554	7,113,658	36,958,046	(24,884,968)
<b>Plan Fiduciary Net Position, beginning</b>	85,000,910	97,446,464	104,560,122	141,518,168
<b>Plan Fiduciary Net Position, ending</b>	97,446,464	104,560,122	141,518,168	116,633,200
<b>Employer Net Pension (Asset)/Liability</b>	33,219,865	29,928,860	(4,753,114)	21,993,052
<b>Covered Employee Payroll</b>	9,257,625	7,674,497	6,767,542	6,575,069
<b>Net Pension Liability as a % of covered employee payroll</b>	359%	390%	-70%	334%
<b>Plan fiduciary net position as a % of total pension liability</b>	75%	78%	103%	84%

**Notes to Schedule:**

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

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

The notes to the financial statements are an integral part of this statement.

Genesee Health System  
Required Supplemental Information  
Schedule of Employer Pension Contributions

**Defined Benefit Pension Plan**

<i>Fiscal year ending</i>	<i>Actuarial Determined Contributions</i>	<i>Contributions in relation to the actuarially determined contribution</i>	<i>Contribution deficiency (excess)</i>	<i>Covered Employee Payroll</i>	<i>Contributions as a Percentage of Covered Employee Payroll</i>
Sept 30, 2015	\$ 4,038,382	\$ 4,038,382	\$ -	\$ 10,452,506	38.64%
Sept 30, 2016	2,442,981	2,442,981	-	9,764,471	25.02%
Sept 30, 2017	3,067,099	3,067,099	-	9,505,578	32.27%
Sept 30, 2018	3,028,142	3,028,142	-	9,075,914	33.36%
Sept 30, 2019	5,424,557	5,424,557	-	8,876,045	61.11%
Sept 30, 2020	3,838,011	36,790,215	(32,952,204)	7,639,161	481.60%
Sept 30, 2021	3,742,524	2,831,163	911,361	7,665,041	36.94%
Sept 30, 2022	1,325,432	1,325,432	-	6,767,542	19.59%
Sept 30, 2023	1,348,609	1,348,609	-	6,560,796	20.56%

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

**Notes to Schedule of Contributions**

Actuarial cost method	Entry-Age Normal
Amortization method	Level Percent-of-Payroll, Closed
Remaining amortization period	25-year closed
Asset valuation method	Fair market value of assets adjusted for a 4-year phase in of gains and losses on fair market value of assets
Salary increases	2.50% and merit and longevity rates based on age
Investment rate of return	7.00%, net of investment expenses
Mortality	Fully generational PubG-2010 with fully generational improvements from 2010 based on assumptions from Scale MP-2021
Notes	None
Cost-of-Living Adjustment	Vary by negotiating group. For those with COLA that is dependent on CPI, a 2.00% annual COLA is assumed.

Genesee Health System  
Defined Benefit OPEB Plan - Required Supplemental Information  
Schedule of Changes in Net OPEB (Asset)/Liability and Related Ratios

	Plan year ended September 30,				
	2018	2019	2020	2021	2022
<b>Total OPEB Liability</b>					
Service costs	\$ 267,324	\$ 248,463	\$ 184,305	\$ 184,417	\$ 139,477
Interest	3,964,359	4,048,449	4,129,968	3,540,910	3,533,586
Changes in benefit terms	-	-	-	-	-
Difference between expected & actual experience	(647,518)	(909,732)	(10,899,877)	(1,234,884)	(18,814,409)
Changes in assumptions	-	-	1,732,861	1,801,550	2,495,051
Benefit payments including employee refunds	(2,518,403)	(2,388,654)	(2,137,970)	(1,919,057)	(1,995,571)
Other	-	-	(9,400)	(8,045)	2,679
<b>Net Change in Total OPEB Liability</b>	<b>1,065,762</b>	<b>998,526</b>	<b>(7,000,113)</b>	<b>2,364,891</b>	<b>(14,639,187)</b>
<b>Total OPEB Liability, beginning</b>	<b>53,983,654</b>	<b>55,044,550</b>	<b>56,043,076</b>	<b>49,042,963</b>	<b>51,407,854</b>
<b>Total OPEB Liability, ending</b>	<b>55,049,416</b>	<b>56,043,076</b>	<b>49,042,963</b>	<b>51,407,854</b>	<b>36,768,667</b>
<b>Plan Fiduciary Net Position</b>					
Contributions - employer	852,000	587,702	502,184	577,268	650,984
Contributions - employee	-	-	-	-	-
Net investment income	3,112,995	1,492,725	4,470,666	14,459,524	(10,370,986)
Benefit payments including employee refunds	(2,518,403)	(2,388,654)	(2,137,970)	(1,919,057)	(1,995,571)
Administrative expenses	-	(121,594)	(114,270)	(140,280)	(135,539)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>1,446,592</b>	<b>(429,821)</b>	<b>2,720,610</b>	<b>12,977,455</b>	<b>(11,851,112)</b>
<b>Plan Fiduciary Net Position, beginning</b>	<b>59,787,755</b>	<b>61,234,347</b>	<b>60,804,526</b>	<b>63,525,136</b>	<b>76,502,591</b>
<b>Plan Fiduciary Net Position, ending</b>	<b>61,234,347</b>	<b>60,804,526</b>	<b>63,525,136</b>	<b>76,502,591</b>	<b>64,651,479</b>
<b>Employer Net OPEB (Asset)/Liability</b>	<b>(6,184,931)</b>	<b>(4,761,450)</b>	<b>(14,482,173)</b>	<b>(25,094,737)</b>	<b>(27,882,812)</b>
<b>Covered Employee Payroll</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Net OPEB Liability as a % of covered employee payroll</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Plan fiduciary net position as a % of total OPEB liability</b>	<b>111%</b>	<b>108%</b>	<b>130%</b>	<b>149%</b>	<b>176%</b>

**Notes to Schedule:**

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

GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Genesee Health System  
Defined Benefit OPEB Plan - Required Supplemental Information  
Schedule of Changes in Net OPEB (Asset)/Liability and Related Ratios

	<b>Plan year ended September 30,</b>
	<b>2023</b>
<b>Total OPEB Liability</b>	
Service costs	\$ 125,896
Interest	2,507,200
Changes in benefit terms	-
Difference between expected & actual experience	(837,151)
Changes in assumptions	-
Benefit payments including employee refunds	(2,028,956)
Other	34,553
<b>Net Change in Total OPEB Liability</b>	<b>(198,458)</b>
<b>Total OPEB Liability, beginning</b>	<b>36,768,667</b>
<b>Total OPEB Liability, ending</b>	<b>36,570,209</b>
 <b>Plan Fiduciary Net Position</b>	
Contributions - employer	656,751
Contributions - employee	-
Net investment income	7,887,771
Benefit payments including employee refunds	(2,028,956)
Administrative expenses	(138,542)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>6,377,024</b>
<b>Plan Fiduciary Net Position, beginning</b>	<b>64,651,479</b>
<b>Plan Fiduciary Net Position, ending</b>	<b>71,028,503</b>
 <b>Employer Net OPEB (Asset)/Liability</b>	 <b>(34,458,294)</b>
 <b>Covered Employee Payroll</b>	 <b>N/A</b>
 <b>Net OPEB Liability as a % of covered employee payroll</b>	 <b>N/A</b>
 <b>Plan fiduciary net position as a % of total OPEB liability</b>	 <b>194%</b>

**Notes to Schedule:**

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

GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Genesee Health System  
Required Supplemental Information  
Schedule of Employer OPEB Contributions

**Defined Benefit OPEB Plan**

<i>Fiscal year ending</i>	<i>Actuarial Determined Contributions</i>	<i>Contributions in relation to the actuarially determined contribution</i>	<i>Contribution deficiency (excess)</i>	<i>Covered Employee Payroll</i>	<i>Contributions as a Percentage of Covered Employee Payroll</i>
Sept 30, 2018	\$ 2,548,407	\$ 852,000	\$ 1,696,407	N/A	N/A
Sept 30, 2019	-	535,794	(535,794)	N/A	N/A
Sept 30, 2020	-	507,101	(507,101)	N/A	N/A
Sept 30, 2021	-	577,268	(577,268)	N/A	N/A
Sept 30, 2022	-	650,984	(650,984)	N/A	N/A
Sept 30, 2023	-	656,751	(656,751)	N/A	N/A

GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

**Notes to Schedule of Contributions**

Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar, Open
Remaining amortization period	25 years
Asset valuation method	Market Value
Price inflation	2.50%
Salary increases	9.0%-5.0%
Investment rate of return	7%, net of OPEB plan investment expenses, including inflation
Mortality	Pub-2010 Generally Healthy Retiree Mortality Tables for males and females with fully generational mortality improvement using MP-2018.
Health Care Trend Rates:	7.50% and gradually decreasing to an ultimate trend rate of 3.5% over 11 years

**OTHER SUPPLEMENTAL  
INFORMATION**



Genesee Health System  
Combining Statement of Net Position - Enterprise Funds  
September 30, 2023

	Mental Health Activities	Health Center Activities	Millage Activities	Total Enterprise Funds
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 25,490,482	\$ -	\$ -	\$ 25,490,482
Accounts receivable, net	182,379	95,990	368	278,737
Due from other governmental units	11,587,733	1,495,690	-	13,083,423
Due from other funds	1,379,473	2,149,351	14,913,811	18,442,635
Prepaid expenses	2,210,491	237,254	1,643	2,449,388
Lease receivable	508,361	-	-	508,361
Total current assets	41,358,919	3,978,285	14,915,822	60,253,026
Noncurrent assets				
Capital assets not being depreciated/amortized	43,675	29,975	-	73,650
Capital assets being depreciated/amortized, net	27,121,959	1,027,460	-	28,149,419
Net OPEB asset	34,458,294	-	-	34,458,294
Total noncurrent assets	61,623,928	1,057,435	-	62,681,363
Total assets	102,982,847	5,035,720	14,915,822	122,934,389
<b>Deferred outflows of resources</b>				
Related to pension	15,690,792	-	-	15,690,792
Related to OPEB	5,245,697	-	-	5,245,697
Total deferred outflows of resources	20,936,489	-	-	20,936,489
<b>Liabilities</b>				
Current liabilities				
Accounts payable	11,007,183	432,075	100,992	11,540,250
Accrued payroll and related liabilities	1,483,058	113,746	19,748	1,616,552
Due to other governmental units	889,011	26,083	-	915,094
Due to other funds	18,728,389	-	-	18,728,389
Unearned revenue	70,732	503,349	-	574,081
Compensated absences, due within one year	2,538,275	174,818	-	2,713,093
Direct borrowings, due within one year	2,490,316	-	-	2,490,316
Total current liabilities	37,206,964	1,250,071	120,740	38,577,775
Noncurrent liabilities				
Direct borrowings, due beyond one year	22,485,403	-	-	22,485,403
Net pension liability	21,993,052	-	-	21,993,052
Total noncurrent liabilities	44,478,455	-	-	44,478,455
Total liabilities	81,685,419	1,250,071	120,740	83,056,230
<b>Deferred inflows of resources</b>				
Related to OPEB	14,387,863	-	-	14,387,863
Related to lease	508,361	-	-	508,361
Total deferred inflows of resources	14,896,224	-	-	14,896,224
<b>Net position</b>				
Net investment in capital assets	2,189,915	1,057,435	-	3,247,350
Restricted for OPEB	25,316,128	-	-	25,316,128
Restricted for millage	-	-	14,795,082	14,795,082
Unrestricted	(168,350)	2,728,214	-	2,559,864
Total net position	\$ 27,337,693	\$ 3,785,649	\$ 14,795,082	\$ 45,918,424

Genesee Health System  
Combining Statement of Revenues, Expenses and Changes in Net Position - Enterprise Funds  
For the Year Ended September 30, 2023

	Mental Health Activities	Health Center Activities	Millage Activities	Total Enterprise Funds
<b>Operating revenues</b>				
Medicaid revenue	\$ 151,981,943	\$ -	\$ -	\$ 151,981,943
State and Federal grants	7,213,963	2,346,016	-	9,559,979
County appropriations	1,429,528	-	-	1,429,528
Charges for services	275,779	3,560,048	-	3,835,827
Millage	-	-	10,050,384	10,050,384
Other revenues	1,615,151	198,271	-	1,813,422
Total operating revenues	162,516,364	6,104,335	10,050,384	178,671,083
<b>Operating expenses</b>				
Mental health services:				
Administration	18,608,013	-	-	18,608,013
Managed care	24,563,043	-	-	24,563,043
Children SED	2,209,640	-	-	2,209,640
Residential services	49,260,232	-	-	49,260,232
Adult MI services	16,824,198	-	-	16,824,198
State hospitals	976,975	-	-	976,975
Developmental disabilities	13,375,787	-	-	13,375,787
Inpatient services	15,059,593	-	-	15,059,593
Direct run services administration	4,862,225	-	-	4,862,225
Autism benefits	8,168,451	-	-	8,168,451
Millage activities	-	-	4,027,746	4,027,746
Group home services	904,768	-	-	904,768
Home-based services	573,939	-	-	573,939
Health center	-	6,119,833	-	6,119,833
Access center	91,498	-	-	91,498
CMH grants	5,210,174	-	-	5,210,174
Total operating expenses	160,688,536	6,119,833	4,027,746	170,836,115
Operating income (loss)	1,827,828	(15,498)	6,022,638	7,834,968
<b>Non-operating revenues (expenses)</b>				
Interest income	447,400	-	-	447,400
Rental income	716,081	-	-	716,081
Non-operating income (loss)	1,163,481	-	-	1,163,481
<b>Change in net position</b>	2,991,309	(15,498)	6,022,638	8,998,449
<b>Net position, beginning of year</b>	24,346,384	3,801,147	8,772,444	36,919,975
<b>Net position, end of year</b>	\$ 27,337,693	\$ 3,785,649	\$ 14,795,082	\$ 45,918,424



Genesee Health System  
Combining Statement of Cash Flows - Enterprise Funds  
For the Year Ended September 30, 2023

	Mental Health Activities	Health Center Activities	Millage Activities	Total Enterprise Funds
<b>Cash flows from operating activities</b>				
Receipts from State and other local governments	\$ 152,918,179	\$ 2,147,958	\$ -	\$ 155,066,137
Receipts from customers and users	2,056,613	3,918,038	10,052,358	16,027,009
Payments to suppliers and service providers	(117,188,779)	(1,403,532)	(2,343,575)	(120,935,887)
Payments to employees for salaries and benefits	(45,159,286)	(4,337,156)	(1,573,650)	(51,070,092)
Net cash provided by (used in) operating activities	(7,373,274)	325,308	6,135,133	(912,833)
<b>Cash flows from noncapital financing activities</b>				
Transfer (to)/from other funds	7,569,311	(297,934)	(6,135,133)	1,136,244
Net cash provided by (used in) noncapital financing activities	7,569,311	(297,934)	(6,135,133)	1,136,244
<b>Cash flows from capital and related financing activities</b>				
Change in capital assets	(25,346,659)	(27,474)	-	(25,374,133)
Proceeds from borrowing	24,336,649	-	-	24,336,649
Principal payments on borrowing	(2,209,611)	-	-	(2,209,611)
Net cash provided by (used in) capital and related financing activities	(3,219,621)	(27,474)	-	(3,247,095)
<b>Cash flows from investing activities</b>				
Interest income	447,400	-	-	447,400
Rental income	716,081	-	-	716,081
Net cash provided by (used in) investing activities	1,163,481	-	-	1,163,481
<b>Net decrease in cash and cash equivalents</b>	(1,860,103)	(100)	-	(1,860,203)
<b>Cash and cash equivalents, beginning of year</b>	27,350,585	100	-	27,350,685
<b>Cash and cash equivalents, end of year</b>	\$ 25,490,482	\$ -	\$ -	\$ 25,490,482
Reconciliation of operating income to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 1,827,828	\$ (15,498)	\$ 6,022,638	\$ 7,834,968
Adjustments to reconcile operating income to net cash provided by (used in) operating activities				
Depreciation/amortization expense	3,160,327	124,724	-	3,285,051
Accounts receivable, net	165,683	159,719	1,974	327,376
Due from other governmental units	(7,502,950)	27,129	-	(7,475,821)
Prepaid expenses	308,689	(171,865)	(433)	136,391
Net OPEB asset	(6,575,482)	-	-	(6,575,482)
Deferred outflow - related to pension	(22,957,418)	-	-	(22,957,418)
Deferred outflow - related to OPEB	5,732,267	-	-	5,732,267
Accounts payable	(550,247)	403,334	99,904	(47,009)
Accrued payroll and related liabilities	(432,971)	(32,964)	11,050	(454,885)
Due to other governmental units	(1,696,918)	26,083	-	(1,670,835)
Unearned revenue	(204,305)	(225,187)	-	(429,492)
Compensated absences	399,930	29,833	-	429,763
Net pension liability	26,746,166	-	-	26,746,166
Deferred inflow - related to pension	(42,953)	-	-	(42,953)
Deferred inflow - related to OPEB	(5,750,920)	-	-	(5,750,920)
Net cash provided by (used in) operating activities	\$ (7,373,274)	\$ 325,308	\$ 6,135,133	\$ (912,833)



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

To the Members of the Board  
Genesee Health System  
Flint, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of Genesee Health System (the CMHSP) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the CMHSP's basic financial statements, and have issued our report thereon dated March 27, 2024.

**Report on Internal Control over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the CMHSP'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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,

*Roslund, Prestage & Company, P.C.*

Roslund, Prestage & Company, P.C.  
Certified Public Accountants

March 27, 2024



## **Communication with Those Charged with Governance at the Conclusion of the Audit**

To the Members of the Board  
Genesee Health System  
Flint, Michigan

We have audited the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of Genesee Health System (the CMHSP) for the year ended September 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you during planning. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Matters**

#### *Qualitative Aspects of Accounting Practices*

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

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the CMHSP's financial statements were:

Management's estimate of the payout of employee compensated absences is based on expected payout. We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimated lives of capital assets are based on the expected life of the asset. We evaluated the key factors and assumptions used to develop the estimated lives of capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimated incremental borrowing rate used to discount future lease payments under GASB 87 is based on the entity's current borrowing rate. We evaluated the key factors and assumptions used to develop the estimated intrinsic borrowing rate in determining that it is reasonable in relation to the financial statements taken as a whole.

The assumptions used in the actuarial valuations of the pension and other postemployment benefit plans are based on historical trends and industry standards. We evaluated the key factors and assumptions used to develop the information used in the financial statements in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

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

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

#### *Disagreements with Management*

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

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter.

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

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

#### *Other Audit Findings or Issues*

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

#### **Other Matters**

We applied certain limited procedures to management's discussion and analysis and the additional required supplemental information shown in the table of contents, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the other supplementary information shown in the table of contents which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

#### **Restriction on Use**

This information is intended solely for the information and use of the Board and management of the CMHSP and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,



Roslund, Prestage & Company, P.C.  
Certified Public Accountants



**Genesee Health System  
Financial Statements  
September 30, 2023**