ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY
Port Huron, Michigan

ANNUAL FINANCIAL STATEMENTS
with Supplementary Information

FOR THE YEAR ENDED SEPTEMBER 30, 2022

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

TABLE OF CONTENTS
SEPTEMBER 30, 2022

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of St. Clair County
Community Mental Health Authority
Port Huron, Michigan

Opinions

We have audited the accompanying financial statements of the business-type activities, the general fund, and the internal service fund of the St. Clair County Community Mental Health Authority (the "Authority"), a component unit of St. Clair County, Michigan, as of and for the year ended September 30, 2022 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the general fund, and the internal service fund of the St. Clair County Community Mental Health Authority as of September 30, 2022 and the respective changes in financial position and 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 Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events considered in the aggregate that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance, and therefore, is not a guarantee that an audit conducted in accordance with generally accepted 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 judgement 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 judgement and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgement, there are conditions or events considered in the aggregate that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of transportation expenses/mileage data 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, except for the portion marked "unaudited," has been subjected to the auditing procedures applied in the audit of the basic financial statements; 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 supplementary information is fairly stated, in all respects, in relation to the basic financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2023 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

UHY LLP

Port Huron, Michigan
March 31, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

This *Management's Discussion and Analysis* has been written by the management team of the St. Clair County Community Mental Health Authority (the "Authority"). We offer readers of these financial statements this analysis of the financial activities of the Authority for the fiscal year ended September 30, 2022. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements and required supplementary information as a whole.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management Discussion and Analysis (MDA) is intended to provide a basis of understanding of the St. Clair County Community Mental Health Authority's basic statements. These statements comprise three components: (1) governmental-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. In addition to the basic financial statements, the report also includes Required Supplementary Information regarding the Authority's defined pension and OPEB plans and supplementary information regarding transportation.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the St. Clair County Community Mental Health 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 St. Clair County Community Mental Health Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, 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/statement of revenues, expenses, and changes in net position* present information showing how the government'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. St. Clair County Community Mental Health Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. St. Clair County Community Mental Health 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. St. Clair County CMH uses an enterprise fund to account for all daily activities. The Authority uses internal service funds to record operations of group homes.

The Mental Health Operating fund is considered to be the Authority's major fund.

Notes to the 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 information that is considered required supplementary information, including this letter and the Authority's progress in funding its obligation to provide pension and OPEB benefits to its employees.

FINANCIAL HIGHLIGHTS

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. As shown on the table below, the Authority's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $13,921,583 at the end of the fiscal year.

The net position is separated into three major components: (1) net investment in capital assets which amounted to $5,284,420, (2) restricted of $5,677,512, and (3) unrestricted of $2,959,651.

When comparing this fiscal year to the previous year, net position has increased by $10,396,920 primarily due to the $10,045,549 increase in the Net OPEB Asset.

The following table provides a summary of the Authority's net position as of September 30, 2022 and 2021.

Statement of Net Position

	FY 2022	FY 2021
Current and other unrestricted assets	$ 16,273,931	$ 14,175,272
Restricted assets	2,186,199	2,180,734
Other assets	10,055,302	9,753
Capital assets	11,244,013	10,283,745
Total Assets	39,759,445	26,649,504
Deferred Outflows of Resources:		
Related to charges in bond refinancing	118,964	152,954
Relate to pension plan	5,986,129	2,876,067
Related to other post-employment benefits plan	2,520,372	4,310,052
Total Deferred Outflows of Resources	8,625,465	7,339,073
Long-term liabilities	11,900,111	16,473,011
Other liabilities	11,017,517	10,178,279
Total Liabilities	22,917,628	26,651,290
Deferred Inflows of Resources:		
Related to pension plan	4,472,255	1,828,475
Related to other post-employment benefits plan	7,073,444	1,984,149
Total Deferred Inflows of Resources	11,545,699	3,812,624
Net Position:		
Net investment in capital assets	5,284,420	3,017,260
Restricted	5,677,512	2,533,139
Unrestricted (Deficit)	2,959,651	(2,025,736)
Total Net Position	$ 13,921,583	$ 3,524,663

The following table provides a summary of changes in net position for 2022 and 2021.

Statement of Activities

	FY 2022	FY 2021
Revenues:		
Charges for services	$ 86,740,530	$ 65,781,600
Intergovernmental	6,358,953	6,530,159
Other	1,882,055	1,640,052
Total Revenues	94,981,538	73,951,811
Expenses:		
Administration and support services	11,383,516	8,812,585
Direct run services	23,519,622	22,857,686
External provided services	46,946,972	40,393,392
Other	2,520,741	1,669,164
Total Expenses	84,370,851	73,732,827
Operating Income	10,610,687	218,984
Non-operating Revenue (Expense)	(213,767)	(141,621)
Change in Net Position	10,396,920	77,363
Net Position at beginning of year	3,524,663	3,447,300
Net Position at end of year	$ 13,921,583	$ 3,524,663

Fund Financial Analysis

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Mental Health Operating Fund had a change in net position of $10,397,568.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Authority had $11,244,013 in capital assets, net of accumulated depreciation, at September 30, 2022. This is a net increase of $960,268 from the previous year. The change is a result of accumulated depreciation on buildings and equipment netted with new capital expenditures related to buildings and purchases of equipment, and also disposal of equipment and leasehold improvements in FY 2022. During the year, the Authority acquired capital asset additions of $1,878,431.

See Note 4 to the financial statements for additional information.

Long-term Debt

At September 30, 2022, the Authority had $8,108,705 in long-term debt compared to $9,420,439 at September 30, 2021; a decrease of $1,311,734. The change in long-term debt is the result of routine payments of loan and contracts payable in the amount of $1,737,166 an additional note of $484,500, an increase of $29,149 in the accrual for Sick and Vacation and a reduction of $88,217 for prior discounts.

See Note 7 to the financial statements for additional information.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

CMS CCBHC Demonstration

The CMS CCBHC Demonstration is operationalized by the state and uses Prospective Payment System (PPS) rate for qualifying encounters provided to Medicaid beneficiaries. Prospective CMS CCBHC Demonstration Sites are limited to the 14 entities included in Michigan's 2016 application to CMS. Moreover, the State is responsible for overseeing the demonstration program, including certification, payment and compliance with federal reporting requirements.

On October 1, 2021, the Authority was notified that it had successfully completed the requirements to be provisionally certified as a CCBHC Demonstration Site by the State of Michigan.

The CCBHC Prospective Payment System (PPS) establishes a sustainable payment model that differs from the traditional system funded by time-limited grants that only support pockets of innovation for specific populations. Early experiences demonstrate that CCBHCs have shown tremendous progress in building a comprehensive, robust behavioral health system that can meet the treatment demand.

During CCBHC Demonstration Year 1 (DY1) we were able to expand our service offerings to a wider range of individuals, including those with less intensive needs and diagnoses. This has been challenging as we continue to address staff shortages in several clinical staff classifications required for service provision. As we progress through DY2, we will explore opportunities to address those staffing challenges by utilizing the services of Designated Collaborating Organizations (DCOs).

Public Health Emergency

With the formal end of the Public Health Emergency (PHE) slated for May 11, 2023, Michigan will be restarting Medicaid eligibility renewals effective June 2023. This means that persons with Medicaid coverage will need to re-enroll, during their enrollment month, to retain their Medicaid coverage.

The impact of this impending loss of Medicaid coverage by a significant number of individuals could potentially result in a severe reduction of the Medicaid funding our Agency receives to cover the provision of services. The full impact of this potential loss is undeterminable at this time.

Region 10 Medicaid/Healthy Michigan Plan Contract

For FY 22, Region 10 PIHP ended the year with a fully funded ISF and Medicaid savings, and the FY 23 rates are sufficient to support the budgets developed by the CMHSPs and allow for additional program development and/or expansion as identified by the CMHSPs as a need in their respective counties.

MDHHS General Fund Contract

For FY 22, the Authority successfully utilized the funding to provide service to individuals that did not qualify for Medicaid funded services. The FY 23 GF allocation increased slightly and we will continue to closely monitor the use of the funds throughout the year to ensure that we limit our lapse or overspend of our GF allocation.

CONTACTING THE AUTHORITY'S MANAGEMENT

This financial report is designed to provide a general overview of the St. Clair County Community Mental Health Authority's finances and to show accountability. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the St. Clair County Community Mental Health Authority, 3111 Electric Avenue, Port Huron, MI, 48060-5416.

BASIC FINANCIAL STATEMENTS

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

	Enterprise General Fund	Internal Service Building Fund	Adjustments	Total Business-type Activities
Assets:				
Cash and cash equivalents	$ 6,575,810	$ 647,053	$ -	$ 7,222,863
Accounts receivable (net of allowances)	558,021	-	-	558,021
Due from other governmental units				
(net of allowances)	7,615,023	-	-	7,615,023
Prepaid expenses	873,851	4,173	-	878,024
Restricted Assets -				
Cash- Compensated absences	2,030,149	-	-	2,030,149
Other	30,733	-	-	30,733
Beneficial interest in assets held by others	125,317	-	-	125,317
Net OPEB Asset	10,055,302	-	-	10,055,302
Capital Assets, net of depreciation -				
Assets not being depreciated	1,632,789	773,956	-	2,406,745
Assets being depreciated	7,099,802	1,737,466	-	8,837,268
Total Assets	36,596,797	3,162,648	-	39,759,445
Deferred Outflows of Resources:				
Related to charges on bond refunding	118,964	-	-	118,964
Related to pension plan	5,986,129	-	-	5,986,129
Related to OPEB plan	2,520,372	-	-	2,520,372
Total Deferred Outflows of Resources	8,625,465	-	-	8,625,465
Liabilities:				
Accounts payable	5,928,152	-	-	5,928,152
Accrued payroll and fringes	4,536,112	-	-	4,536,112
Due to other governmental units	500,368	-	-	500,368
Accrued interest payable	2,526	931	-	3,457
Unearned revenue	41,993	7,435	-	49,428
Non-Current Liabilities:				
Due within one year				
Compensated absences	1,600,000	-	-	1,600,000
Long-term debt	1,078,531	176,241	-	1,254,772
Due in more than one year				
Compensated absences	430,149	-	-	430,149
Net pension liability	3,791,405	-	-	3,791,405
Long-term debt	4,217,050	606,735	-	4,823,785
Total Liabilities	22,126,286	791,342	-	22,917,628
Deferred Inflows of Resources:				
Related to pension plan	4,472,255	-	-	4,472,255
Related to OPEB plan	7,073,444	-	-	7,073,444
	11,545,699	-	-	11,545,699
Net Position:				
Net investment in capital assets	3,555,974	1,728,446	-	5,284,420
Restricted - Net OPEB Asset	5,502,230	-	-	5,502,230
- Beneficial interest	75,317	-	-	75,317
- Donations	99,965	-	-	99,965
Unrestricted	2,316,791	642,860	-	2,959,651
Total Net Position	$ 11,550,277	$ 2,371,306	$ -	$ 13,921,583

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

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

STATEMENT OF ACTIVITIES/REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Enterprise General Fund	Internal Service Building Fund	Adjustments	Total Business-type Activities
Operating Revenues:				
Charges for services				
Medicaid Region 10 PIHP	$ 60,803,704	$ -	$ -	$ 60,803,704
CCBHC Demonstration				
Medicaid	9,690,659			9,690,659
Supplemental	15,059,653	-	-	15,059,653
Other	1,186,514			1,186,514
Intergovernmental -				
State General Fund	1,551,232	-	-	1,551,232
Other state/federal grants	2,217,512	-	-	2,217,512
CCBHC Demonstration - Non-Medicaid	853,875	-	-	853,875
Local	780,662	-	-	780,662
County appropriations	955,672	-	-	955,672
Rental revenue	167,639	403,358	(403,358)	167,639
Other revenue	1,714,416	-	-	1,714,416
Total Operating Revenues	94,981,538	403,358	(403,358)	94,981,538
Operating Expenses:				
Administration and support services	11,259,262	124,254	-	11,383,516
Direct run services -				
Case management	5,960,233	-	-	5,960,233
Outpatient	5,623,621			5,623,621
Community CLS/Skill building	2,217,643	-	-	2,217,643
Other	4,252,489			4,252,489
Medical services	3,126,181	-	-	3,126,181
Grants	2,339,455	-	-	2,339,455
External provided services	47,350,330	-	(403,358)	46,946,972
Transportation	1,402,644	-	-	1,402,644
Other	863,499	254,598	-	1,118,097
Total Operating Expenses	84,395,357	378,852	(403,358)	84,370,851
Operating Income	10,586,181	24,506	-	10,610,687
Non-Operating Revenues (Expenses):				
Interest revenue	20,647	-	-	20,647
Loss on beneficial interest held by others	(27,117)	-	-	(27,117)
Interest expense	(188,442)	(25,154)	-	(213,596)
Gain on sale/disposal of assets	6,299	-	-	6,299
Total Non-Operating Expenses	(188,613)	(25,154)	-	(213,767)
Change in Net Position	10,397,568	(648)	-	10,396,920
Net Position at beginning of year	1,152,709	2,371,954	-	3,524,663
Net Position at end of fiscal year	$ 11,550,277	$ 2,371,306	$ -	$ 13,921,583

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

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Enterprise General Fund	Internal Service Building Fund	Adjustments	Total Business-type Activities
Cash Flows From Operating Activities:				
Cash receipts from customers and other governments	$ 89,244,381	$ 7,435	$ -	$ 89,251,816
Cash receipts from interfund services	-	403,358	(403,358)	-
Cash payments for interfund services	(403,358)	-	403,358	-
Cash payments to employees/benefits	(32,991,203)	(124,254)	-	(33,115,457)
Cash payments to suppliers and other governments	(53,532,419)	(106,719)	-	(53,639,138)
Net Cash Provided by Operating Activities	2,317,401	179,820	-	2,497,221
Cash Flows From Noncapital Financing Activities:				
Advance from Region 10 PIHP	(2,725,876)	-	-	(2,725,876)
Cash Flows From Capital and Related Financing Activities:				
Interest and fees paid	(243,868)	(24,875)	-	(268,743)
Note proceeds	484,500	-	-	484,500
Principal payments on notes/bonds	(1,654,311)	(82,854)	-	(1,737,165)
Proceeds from sale of capital assets/insurance	6,299	-	-	6,299
Acquisition and construction of capital assets	(1,845,378)	(33,053)	-	(1,878,431)
Net Cash Used for Capital and Related Financing Activities	(3,252,758)	(140,782)	-	(3,393,540)
Cash Flows From Investing Activities:				
Beneficial interest in asset held by others	19,611	-	-	19,611
Realized losses on assets held by others	(27,117)	-	-	(27,117)
Interest received	20,647	-	-	20,647
Net Cash Provided by Investing Activities	13,141	-	-	13,141
Net Increase (Decrease) in Cash and Cash Equivalents	(3,648,092)	39,038	-	(3,609,054)
Cash and Cash Equivalents at Beginning of Year	12,284,784	608,015	-	12,892,799
Cash and Cash Equivalents at End of Year	$ 8,636,692	$ 647,053	$ -	$ 9,283,745
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating income	$ 10,586,181	$ 24,506	$ -	$ 10,610,687
Adjustments to reconcile operating income to net cash provided by operating activities -				
Depreciation	764,433	153,730	-	918,163
Allowance for doubtful accounts	(110,668)	-	-	(110,668)
Changes in assets and liabilities:				
Prepaid expenses	(120)	(4,173)	-	(4,293)
Unearned revenue	(8,117)	7,435	-	(682)
Receivables	(5,618,372)	-	-	(5,618,372)
Payables and accruals	3,568,938	(1,678)	-	3,567,260
Compensated absences	29,149	-	-	29,149
Pension liability and related deferrals	(3,727,449)	-	-	(3,727,449)
OPEB liability and related deferrals	(3,166,574)	-	-	(3,166,574)
Net Cash Provided by Operating Activities	$ 2,317,401	$ 179,820	$ -	$ 2,497,221

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting methods and procedures adopted by the St. Clair County Community Mental Health Authority (the "Authority") conform in all material respects to U.S. generally accepted accounting principles as applied to governmental entities. The following Notes to the Financial Statements are an integral part of the Authority's financial statements.

A. Reporting Entity -

The St. Clair County Community Mental Health Services Authority, a component unit of St. Clair County, Michigan, provides mental health services to residents of St. Clair County. The Board was originally established in 1965 and on January 1, 2000 adopted authority status under Section 205 of the Mental Health Code.

B. Government-wide and Fund Financial Statements -

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 fund financial data to government-wide data in a separate column. Accordingly, this is presented in the Statement of Net Position and the Statement of Activities/Statement of Revenue, Expenses, and Changes in Net Position. The Authority's major fund is reported in a separate column in the aforementioned financial statements.

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation -

The Authority's financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned, and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

The Authority reports the following major enterprise fund:

Mental Health Operating Fund - is used to account for the provision of mental health services in St. Clair County.

In addition, the Authority reports the following fund type:

Internal Service Fund - is used to account for charges to the Authority operating fund for costs of residential facilities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's operating fund are contract revenues from the Prepaid Inpatient Health Plan (PIHP) Region 10 and Michigan Department of Health and Human Services (MDHHS), County Appropriations, and First and Third-Party billings. Operating revenues of the internal service fund are comprised of charges to the operating fund for costs for residential facilities. Operating expenses include the cost of providing mental health services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position -

Cash and Cash Equivalents - The Authority's cash and cash equivalents are cash on hand, demand deposits, and money market accounts.

Receivables - All receivables are shown net of allowances for uncollectible amounts.

Prepaid Items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expenses.

Restricted Assets - MDHHS provides funding for accrued vacation and sick time as it is earned, regardless of when paid, and requires the amounts to be maintained in separate bank accounts. In addition, the Authority had deposits with the Community Foundation of St. Clair County and restricted contributions for the wrap-around program.

Capital Assets - The Authority defines capital assets as assets with an initial individual cost of $5,000 or more 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. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

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

Building	30
Leasehold Improvements	3 - 30
Equipment and Furniture	3 - 15

Accrued Vacation and Sick Pay - In accordance with contracts negotiated with the various employee groups, individual employees have a vested right upon termination of employment to receive payments for unused vacation and sick leave under formulas and conditions specified in the contracts.

Unearned Revenues - Revenues received or recorded before they are earned are recorded as unearned revenues.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of net position reports 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 (expenses) until then. The Authority reports deferred outflows of resources for deferred charges on refunding and items related to the pension plan and other postemployment benefit (OPEB) plan. The deferred charges on refunding result from the difference in the carrying value of refunded debt and its reacquisition price; this amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Pension and OPEB payments made subsequent to the measurement date will be recognized in the next plan year, and the other pension and OPEB related deferred outflows of resources are amortized over the expected remaining service lives of the participants, with the exception of the net difference between expected and actual plan investment earnings, which are amortized over five (5) years.

In addition to liabilities, the statement of net position reports 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 Authority reports deferred inflows of resources for the pension and OPEB plans, which are amortized over the expected remaining lives of the participants.

Long-term Obligations - Long-term debt and other long-term obligations are reported as liabilities in the business-type activities and proprietary fund-type statements of net position. Bond premiums and discounts, if significant, are deferred and amortized over the life of the bonds using the effective interest method.

Estimates - In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Federal Programs - The Authority's federal programs are reported in the general operating fund. The Authority has not integrated its single audit reports and schedules of expenditures of federal awards as part of this report. The single audit will be issued prior to June 30, 2023 under a separate cover as supplementary information to the annual financial report.

Compliance Examination - The compliance examination required by MDHHS has not been integrated as part of the annual financial statements. The report will be issued as a separate report.

NOTE 2 - CASH AND INVESTMENTS:

As of September 30, 2022, the Authority's deposits and investments are as follows:

	Primary Government
Cash and Cash Equivalents:	
Petty Cash	$ 4,400
Deposits with Financial Institutions - Checking/Savings	9,279,345
Total	$ 9,283,745

The primary objectives, in priority order of the St. Clair County Community Mental Health Authority's investment activities, are safety, diversification, liquidity, and return on investment.

The Authority's investment policy and Act 217 PA 1982, as amended, authorizes the Authority to deposit in certificates of deposit, savings accounts, depository accounts, or depository receipts of a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States; but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belonging to the State under

Section 5 or 6 of Act 105 of the Public Acts of 1855, as amended, being section 21.145 and 21.146 of the Michigan Compiled Laws.

Custodial Credit Risk -

Deposits - is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. As an indication of the level of deposit custodial credit risk assumed by the Authority, as of September 30, 2022, the bank balance of the Authority's deposits was $9,469,981, of which $4,147,703 was covered by depository insurance with the remaining balance of $5,322,278 uninsured and uncollateralized.

NOTE 3 - RECEIVABLES:

Receivables as of September 30, 2022 are as follows:

Accounts Receivable -	
Fees	$ 567,000
Contract Agencies	18,943
Other	56,879
	642,822
Allowance for Doubtful Accounts	(84,801)
	558,021
Intergovernmental -	
Federal/State	81,790
Local	7,534,797
	7,616,587
Allowance for Doubtful Accounts	(1,564)
	7,615,023
	$ 8,173,044

The financial statements defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current year, the various components of unearned revenue were as follows:

Wrap Around (Gap Pool)	$ 30,733
Other	18,695
	$ 49,428

NOTE 4 - CAPITAL ASSETS:

Capital assets activity for the current year was as follows:

	Balance October 1, 2021	Additions	Disposals/ Adjustments	Balance September 30, 2022
Capital assets not being depreciated -				
Land	$ 1,620,384	$ -	$ -	$ 1,620,384
Non-depreciable equipment	5,252	-	-	5,252
Construction in progress	84,115	1,599,246	902,252	781,109
	1,709,751	1,599,246	902,252	2,406,745
Capital assets being depreciated -				
Building	16,558,192	1,021,412	-	17,579,604
Leasehold improvements	54,980	-	-	54,980
Equipment and furniture	3,162,468	160,025	56,512	3,265,981
	19,775,640	1,181,437	56,512	20,900,565
Less accumulated depreciation for -				
Building	8,653,542	685,305	-	9,338,847
Leasehold improvements	54,980	-	-	54,980
Equipment and furniture	2,493,124	232,858	56,512	2,669,470
	11,201,646	918,163	56,512	12,063,297
Net capital assets being depreciated	8,573,994	263,274	-	8,837,268
Total capital assets, net of depreciation	$ 10,283,745	$ 1,862,520	$ 902,252	$ 11,244,013

Depreciation expense of $764,433 was charged to the General Fund and $153,730 was in the Internal Service Fund.

NOTE 5 - PAYABLES:

Payables at September 30, 2022 are as follows:

Payables -	
Accounts	$ 5,416,894
Contract Agencies	11,953
Community Inpatient	499,305
	5,928,152
Accrued Payroll and Benefits -	
Wages and Benefits	4,536,112
Intergovernmental -	
Federal/State	24,175
Local	476,193
	500,368
	$ 10,964,632

NOTE 6 - ADVANCE FROM REGION 10 (PIHP):

The Authority was issued advances of $255,658 related to the cost of the Electric Avenue buildout for Region 10 PIHP office space. These advances have been recognized as rental revenue over the lease agreement. In fiscal year 2022, $25,103 of the advances were recognized as revenue, leaving a balance of $0 as of September 30, 2022.

NOTE 7 - LONG-TERM DEBT:

The following is a summary of changes in long-term debt (including current portions) for the year ended September 30, 2022:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes Payable	$ 2,747,462	$ 484,500	$ 947,165	$ 2,284,797	$ 326,555
Contracts Payable 2015 Refunding	4,275,000	-	790,000	3,485,000	840,000
Amounts for -					
Bond Premium - 2015 Refunding	396,977	-	88,217	308,760	88,217
	7,419,439	484,500	1,825,382	6,078,557	1,254,772
Accrued Vacation and Sick	2,001,000	2,396,946	2,367,797	2,030,149	1,600,000
	$ 9,420,439	$ 2,881,446	$ 4,193,179	$ 8,108,706	$ 2,854,772

Notes Payable -

Mental Health Operating Fund -

On October 1, 2013, the Authority entered into a promissory note for the purchase and development of Real Estate for $191,641. The note was refinanced in December 2018 for $143,891. The loan agreement calls for 58 monthly payments of $1,540 beginning December 2018 including interest of 5.17% through September 2023, at which time the remaining balance is due. The interest rate of 5.17% was subsequently reduced to 2.99% on May 29, 2020. The note is secured by the property.	$ 90,336
On April 7, 2020, the Authority rolled over the note of $675,119 into a five-year note for $1,030,000 to cover the prior capital purchase and an additional purchase of land and other improvements. The note calls for fifty-nine (59) payments of $5,730, including interest of 2.99%, with a final payment of $833,448. The note is secured by the building with additional collateral by way of a second real estate mortgage on the property financed in the above note.	936,082

NOTE 7 - LONG-TERM DEBT - (cont'd):

On March 17, 2022, the Authority entered into a promissory note for the purchase of a building in Marine City for $484,500. The note is to be repaid in monthly installments of $2,613 including interest of 2.65% through March 17, 2027, at which time the remaining balance is due. The note is secured by the property.	$	475,403
Internal Service Funds -		
In August 2007, the Authority entered into a promissory note for $1,250,000 for the purchase of six homes which were used to provide mental health services. The loan was refinanced in August 2022 for $670,973. The loan agreement calls for 59 monthly payments of $6,869 beginning September 18, 2022 including interest of 4.23% through July 18, 2027, at which time the remaining balance is due.		661,652
On August 27, 2018, the Authority entered into a promissory note for the purchase of the Mayfield Drive Home for $198,400. The note is to be repaid in monthly installments of $1,946 including interest of 3.28% through August 27, 2023, at which time the remaining balance is due. The note is secured by the home and an assignment of any leases and rents.		121,324
	$	2,284,797

Contracts Payable -

The Authority has entered into a lease agreement with St. Clair County (the "County") for the acquisition, construction, and equipping of a new consolidated office building. The County has issued bonds for the project, and the debt service payments will be paid through the lease with the Authority. Upon retirement of the bond debt, the site will be deeded to the Authority. The bonds dated April 1, 2007 were advance refunded on April 15, 2015, with proceeds placed in special escrow accounts that are invested in securities of the U.S. Government and its agencies. The maturities of these investments coincide with the principal and interest payments on the extinguished debt and are sufficient to pay future debt payments. Accordingly, the trust account assets and liabilities for the defeased bonds outstanding are not included in the financial statements. As of September 30, 2022, the defeased bonds outstanding was $3,674,796. The bonds dated April 15, 2015 are due with annual installments of $790,000 to $900,000 through April 1, 2026 with interest ranging from 3.75% to 5.00%, payable semi-annually. The note is being paid by the Operating Fund.	$	3,485,000

Accrued Vacation and Sick -

In accordance with contracts negotiated with various employee groups of the Authority, individual employees have vested rights upon termination of employment to receive payments for unused

NOTE 7 - LONG-TERM DEBT - (cont'd):

vacation and sick leave under formulas and conditions specified in the contract. As of September 30, 2022, the vested benefits amounted to $2,030,149 and are generally liquidated by the operating fund.

Annual debt requirements to pay the debt outstanding at September 30, 2022 (excluding the accrued vacation and sick) are as follows:

Year Ending	Notes Payable		Contracts Payable	
September 30,	Principal	Interest	Principal	Interest
2023	326,555	73,571	840,000	142,000
2024	118,967	63,577	845,000	99,875
2025	932,585	48,949	900,000	56,250
2026	82,881	30,903	900,000	16,875
2027	823,809	21,119	-	-
	$ 2,284,797	$ 238,119	$ 3,485,000	$ 315,000

NOTE 8 - RETIREMENT PLAN:

DEFINED BENEFIT PLAN

Plan Description -

Full-time employees, except for certain contract management personnel hired prior to January 1, 2016, of St. Clair County Mental Health Authority are covered under the St. Clair County Retirement System. The St. Clair County Retirement System is a single employer, defined benefit pension plan (the "Plan"), which was established by County ordinance in 1964 to provide retirement and pension benefits for eligible employees of St. Clair County, the St. Clair County Road Commission, and St. Clair County Community Mental Health Authority. The Authority shares its experience risks and benefits with the County, and as such, it is reported as a cost sharing multiple-employer Plan. The system is administered, managed, and operated by a Board composed of 9 trustees: the chairperson of the Board of Commissioners or their appointee, a member of the Board of Commissioners, a member of the St. Clair County Road Commission Board, one appointed citizen, four elected employees of the retirement system, and one retired member elected by the retired members. The benefit provisions are governed by Act No. 427 of the Michigan Public Acts of 1984, as amended. The Plan may be amended by the County Board of Commissioners.

The County issues a publicly available annual financial statement that includes financial statements of the Plan. The report may be obtained from St. Clair County by writing to the Administrator/ Controller's office at 200 Grand River Suite 203, Port Huron, Michigan 48060, or by calling (810) 989-6900. The Plan's financial statements are prepared using the accrual basis of accounting.

Contributions are recognized as revenue when due and payable. Benefits and refunds are recognized when due and payable in accordance with the Plan. Plan investments are reported at fair value or estimated fair value.

NOTE 8 - RETIREMENT PLAN - (cont'd):

Benefits Provided -

In general, all employees are eligible for regular retirement when age plus service equals 80 with at least 25 years of service or age 60 with 8 years of service. Maximum benefits are 75% of final average compensation.

In addition to the regular retirement provisions, the system allows for the following retirement provisions at regular or reduced benefits:

- Deferred Retirement - 8 or more years of service, benefits begin at 60 or age 55 with 25 or more years of service.
- Death In-Service - 10 or more years of service.
- Duty Disability - no age or service requirements but must be in receipt of workers' compensation payments.
- Non-Duty Disability - 10 or more years of service.
- Life Insurance - $3,500 policy to retirees.
- Supplemental Payments to Retirees Aged 65 and Older - retirees with less than 20 years of service receive $14 per month and those with 20 or more years of service at retirement receive $16 per month.

Contributions -

The Plan provides for periodic employer contributions at actuarially determined rates that are expressed as a percentage of annual covered payroll. During the year ended September 30, 2022, contributions totaling $6,014,866 ($5,541,622 employer and $473,244 employee) were made in accordance with contribution requirements determined by an actuarial valuation for the Plan as of December 31, 2019 and 2020. The required employer contributions were $375,582 for October 1, 2021 through December 31, 2021 and $1,166,039 for January 1, 2022 through September 30, 2022. Employee contributions represent 5.00% of covered payroll. The contribution requirement of a Plan member and the Authority are established by the St. Clair County Retirement Board and may be amended by the St. Clair County Board of Commissioners. Most administrative costs of the Plan are paid with retirement assets.

Payable to the Plan -

At September 30, 2022, the Authority reported a payable of $4,000,000 to the Plan for pension benefits as an additional payment on the Plan.

NOTE 8 - RETIREMENT PLAN - (cont'd):

Net Pension Liability -

The net pension liability of St. Clair County Community Mental Health Authority has been measured as of December 31, 2021 and has been determined on the same basis as used by the Plan. The Authority's proportionate share of the net pension liability is 25.27% and 20.48% of the Plan's liability at December 31, 2021 and 2020, respectively. The net pension liability is composed of the following:

Total pension liability	$ 60,349,541
Plan fiduciary net position	56,558,136
Net pension liability	$ 3,791,405
Fiduciary net position as a percentage of the total pension liability	93.72%

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

For the Plan year ended December 31, 2021, the Authority recognized pension expenses of $1,814,173. At September 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 641,368	$ -
Changes of assumptions	-	154,074
Changes in proportion and differences between actual contributions and proportionate share of contributions	178,722	234,903
Net difference between projected and actual earnings on Plan investments	-	4,083,278
Contributions made subsequent to the measurement date	5,166,039	-
	$ 5,986,129	$ 4,472,255

The amounts of deferred outflows of resources and deferred inflows of resources related to pension, excluding contributions to the Plan subsequent to the measurement date which will be recognized by the Plan in the next measurement period, will be recognized in pension expense as follows:

2022	$(286,631)
2023	(1,746,870)
2024	(918,461)
2025	(700,203)
	$(3,652,165)

NOTE 8 - RETIREMENT PLAN - (cont'd):

Actuarial Assumptions -

The total pension liability was determined by an actuarial valuation as of December 31, 2020, which used updated procedures to roll forward the estimated liability to December 31, 2021. The valuation used the following actuarial assumptions based on the most recent study of Plan experience completed in December 2020:

Inflation - 2.25%

Salary Increases – 2.25% - 7.00%

Investment Rate of Return - 7.00%

Mortality Rate - Mortality rates were based on Pub-2010 Mortality Table for General Employees with generational improvements from 2010 based on Society of Actuaries' MP-2020 Scale.

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that Authority contributions will be made at rates equal to the difference between actuarially determined contribution rates and employee rates.

Projected Cash Flows -

Based on the assumptions above, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of December 31, 2021 for each major asset class included in the Plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	25.00 %	1.61 %
Domestic Equity	30.00	9.23
International Equity	20.00	6.57
Emerging Markets Equity	5.00	11.82
Hedge Funds	2.50	2.01
REITs	5.00	10.33
Real Estate	12.50	6.80

NOTE 8 - RETIREMENT PLAN - (cont'd):

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

The following presents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated 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	$ 11,272,967	$ 3,791,405	$(2,430,444)

DEFINED CONTRIBUTION PLAN -

General Government -

The Authority offers employees who have been hired on or after January 1, 2016 the option to participate in a defined contribution plan (the "DC Plan") with contributions being held in accordance with Internal Revenue Code Section 457. The DC Plan is administered by a third-party administrator. Participation in the DC Plan is voluntary to eligible full-time employees. Employees opting to participate in the DC Plan may contribute up to the IRS maximum elective deferral ($19,500 for calendar year 2021). The Authority will match the employee contribution dollar-for-dollar up to the maximum of 8.00% of total wages. The DC Plan may be amended by the Board of Directors. During the year ended September 30, 2022, employer match contributions were $558,656.

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS:

ST. CLAIR COUNTY RETIREMENT SYSTEM EMPLOYEES -

Plan Description -

St. Clair County Community Mental Health Authority provides other postemployment benefits for those employees hired prior to January 1, 2016 that are part of the St. Clair County Retirement System as described in Note 8. These benefits consist of health, dental, and prescription drug coverage.

The County issues publicly available annual financial statements that include financial statements for the plan. That report may be obtained from St. Clair County by writing to the Administrator/ Controller's office, 200 Grand River, Suite 203, Port Huron, Michigan, 48060 or by calling (810) 989-6900.

Contribution and Funding Policy -

The funding policy provides for periodic employer contributions at actuarially determined rates. The plan requires member contributions of 2.00% for Authority employees. During the year ended September 30, 2022, employer contributions of $264,797 were made by the Authority. The actuarial valuations dated December 31, 2021 and 2020 determined a contribution of $0, however, the actuary recommended contributing the Net Normal Cost plus interest for years in which an entity is fully funded. The amount funded for calendar years 2022 and 2021 was $282,000 and $213,189, respectively.

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS - (cont'd):

The contributions of the OPEB plan members and the Authority are established and may be amended by the St. Clair County Board of Commissioners. Most administrative costs of the OPEB plan are paid with OPEB plan assets.

The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

Net OPEB Asset -

The net OPEB asset of the Authority has been measured as of December 31, 2021 and has been determined on the same basis as used by the OPEB Plan. The Authority's net OPEB asset is (77.35)% of the OPEB Plan's liability, compared to (.02)% at December 31, 2020, and is composed of the following:

Total OPEB liability	$ 14,258,535
Plan fiduciary net position	24,313,837
Net OPEB asset	$(10,055,302)
Fiduciary net position as a percentage of the total OPEB liability	170.52%

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

For the year ended September 30, 2022, the Authority recognized OPEB expense of $(2,901,777). At September 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between actual contributions and proportionate share of contributions	$ 2,161,130	$ 746,781
Differences between expected and actual experience	41,330	3,907,411
Changes in assumptions	106,412	2,077,280
Net difference between projected and actual earnings on OPEB Plan investments	-	341,972
Contributions made subsequent to the measurement Date	211,500	-
	$ 2,520,372	$ 7,073,444

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS - (cont'd):

The amounts of deferred outflows of resources and deferred inflows of resources related to OPEB, excluding contributions to the OPEB Plan subsequent to the measurement date, which will be recognized by the OPEB Plan in the next measurement period, will be recognized in OPEB expense as follows:

2022	$(2,566,392)
2023	(1,946,914)
2024	(125,567)
2025	(125,699)
	$(4,764,572)

The total OPEB liability was determined at December 31, 2021, which used updated procedures to roll forward the actuarial valuation as of December 31, 2020. The actuarial methods and assumptions as of December 31, 2020 for FYE December 31, 2021 are as follows:

Inflation		2.00%	
Salary increases		3.50%	
Investment rate of return		5.25%	
Healthcare cost trend rate	- Non-Medicare	7.50%	decreasing to 4.50% by increments of 0.25%
	- Medicare	5.75%	decreasing to 4.50% by increments of 0.25%

Mortality Rate - Mortality rates were based on a version of PUB-2010 with Scale MP-2019 generational mortality improvement or based on actuarial experience study within the past 5 years.

Discount Rate - The discount rate used to measure the total pension liability was 5.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that Authority contributions will be made at rates equal to the difference between actuarially determined contribution rates and employee rate.

Projected Cash Flows -

Based on the assumptions above, the OPEB Plan's fiduciary net position is projected to be available to make all projected future benefit payments expected to be made from the Plan. Therefore, the long-term expected rate of return on OPEB Plan investments of 5.25% was applied to these periods of projected benefit payments to determine the total OPEB liability.

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS - (cont'd):

The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of December 31, 2021 for each major asset class included in the Plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	42.00 %	.60 %
Domestic Equity	40.00	5.10
International Equity	14.00	5.70
Real Estate	1.00	4.20
Cash	3.00	-0.10

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate -

The following presents the net OPEB asset, calculated using the discount rate of 5.25%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower (4.25%) or 1-percentage-point higher (6.25%) than the current rate.

	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
Net OPEB liability (asset)	$(2,618,099)	$(10,055,302)	$(16,224,632)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Rate -

The following presents the net OPEB asset, calculated using the assumed trend rates (8.0-4.50%), as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0-3.50%) or 1-percentage-point higher (9.0-5.50%) than the current rate.

	1% Decrease (7.00-3.50%)	Current Healthcare Cost Trend Rate (8.00-4.50%)	1% Increase (9.00-5.50%)
Net OPEB liability (asset)	$(17,104,773)	$(10,055,302)	$(1,480,140)

NOTE 10 - DEFERRED COMPENSATION:

The Authority offers all of its employees deferred compensation plans created in accordance with the Internal Revenue Code, Section 457. The assets of the plans are held in trust, as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof, for the exclusive benefit of the participants, holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the employer for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Authority's financial statements.

NOTE 11 - STATE OF MICHIGAN AND PIHP SETTLEMENT:

As is common for Mental Health Authorities, the St. Clair County Community Mental Health Authority receives its Medicaid and Non-Medicaid revenues through contracts with the State of Michigan Department of Health and Human Services. Medicaid revenue is passed through Region 10 (PIHP), with a settlement reached at the end of each fiscal year. The settlement is based on accumulated reimbursable cost of the Authority and is subject to final audit by the MDHHS.

NOTE 12 - INSURANCE/RISK MANAGEMENT:

General Liability -

The Authority is exposed to various risk of loss to general and auto liability, property damage and errors and omissions. The Authority is a member in a public risk pool administered by the Michigan Municipal Risk Management Authority (MMRMA) for risk of losses relating to its property and general liability (including auto liability and vehicle physical damage).

MMRMA is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the MMRMA is to administer a risk management fund that provides members with loss protection for general and property liability.

The St. Clair County Community Mental Health Authority has joined with numerous other governmental agencies in Michigan as a participant in MMRMA's "State Pool." Members of the State Pool do not have individual self-retention amounts other than $250 or $1,000 deductible per occurrence of property and vehicle coverage.

State Pool members' limits of coverage (per occurrence) are $15 million for liability and approximately $15 million for buildings and personal property. If a loss exceeds these limits or, if for any reason, MMRMA's resources are depleted, the payment of all unpaid losses is the sole obligation of the St. Clair County Community Mental Health Authority.

NOTE 12 - INSURANCE/RISK MANAGEMENT - (cont'd):

Health Insurance -

Beginning January 1, 2020, the Authority offered a variety of Blue Cross Blue Shield health insurance plan options through the Western Michigan Health Insurance Pool.

Workers' Compensation -

The Authority purchases workers' compensation insurance through a commercial carrier with a maximum limit of $500,000 per occurrence.

NOTE 13 - CONTRACTED TRANSPORTATION SERVICES:

The Authority entered into an agreement with the Blue Water Area Transportation Commission to provide transportation services for the Authority's clientele. Under the agreement, the Authority was to undertake, carry out, and complete the transportation services. In addition, the agreement specified that the Authority is to pay all costs of said services and shall be reimbursed approximately 40.0% of the Eligible Operation Expenses for fiscal 2022 and, if applicable, an additional 42.0% of Eligible Nonurban costs. The final percentage of reimbursement is based on the funding the Blue Water Area Transportation Commission receives from the Michigan Department of Transportation.

For the fiscal year 2022, the Authority incurred $336,180 of eligible expenses which resulted in revenue of $133,128.

NOTE 14 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS:

Beneficial interest in assets held by others represent assets transferred to the Community Foundation of St. Clair County (the "Foundation") to establish an agency endowment fund plus accumulated investment earnings. Under the terms of the agreement with the Foundation, the Board of Directors of the St. Clair County Community Mental Health Authority may recommend or request distribution from the fund in amounts limited by the spending policies of the Foundation. The Foundation's current spending policy is to distribute 5% of the average fair value over the prior 16 quarters, determined as of September 30 of the year preceding the distribution. At the time of the transfer of assets, the St. Clair County Community Mental Health Authority granted variance power to the Foundation. The Foundation expects to follow the Authority's recommendations, but reserves the right to accept or reject the Authority's recommendations. Variance power also gives the Foundation the right to distribute the spendable portion of the fund to another nonprofit organization of its choice if the Authority ceases to exist or if the Board of the Foundation determines that support of the Authority is no longer necessary or is inconsistent with the mission or purpose of the fund or needs of the community. The agreement allows for the Authority to withdraw up to $50,000; therefore, only $75,317 has been shown as restricted.

REQUIRED SUPPLEMENTARY INFORMATION

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (PLAN YEAR END)

	Proportion of Net Pension Liability	Proportionate Share of Net Pension Liability	Covered Payroll	Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
2021	25.27%	$ 3,791,405	$ 8,566,644	44.26%	93.72%
2020	20.48%	7,052,572	8,920,174	79.06%	87.69%
2019	18.05%	7,140,038	9,089,594	78.55%	86.83%
2018	17.69%	7,930,705	9,418,249	84.21%	83.68%
2017	23.31%	4,353,386	10,718,100	40.62%	90.69%
2016	22.93%	7,715,533	11,568,130	66.70%	83.23%
2015	20.54%	6,643,787	11,386,219	58.35%	84.30%
2014	18.93%	4,389,428	10,857,807	40.43%	88.84%

* GASB Statement No. 68 was implemented for fiscal year ended September 30, 2015. This schedule is being built prospectively. Ultimately, ten years of data will be presented.

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

SCHEDULE OF PENSION CONTRIBUTIONS
FISCAL YEARS

For the Year Ended September 30,	Actuarially Determined Contributions (ADC)	Contributions	Contributions Excess	Covered Payroll	Contributions as a Percentage of Covered Payroll
2022	$ 1,541,622	$ 5,541,622	$ 4,000,000	$ 9,464,860	58.55%
2021	1,391,934	1,410,792	18,858	9,130,592	15.45%
2020	1,052,419	1,052,419	-	9,290,831	11.33%
2019	1,058,846	1,058,846	-	9,743,212	10.87%
2018	1,194,346	1,401,657	207,311	9,319,639	15.04%
2017	1,285,108	1,285,108	-	10,451,717	12.30%
2016	1,137,045	1,137,045	-	11,715,697	9.71%
2015	1,185,445	1,185,445	-	11,567,267	10.25%

Valuation Date: December 31, two years prior of the end of the fiscal year

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal cost method
Amortization method	Level dollar, closed
Remaining amortization period	15 years
Asset valuation method	5-year smoothing of expected actuarial value and market value
Salary increases	2.25% - 7.00%
Investment rate of return	7.00%
Retirement age	Replacement Index up to age 70, then 100%
Mortality	PUB-2010 General Mortality table with generational improvements from 2010 based on the SOA scale MP-2020.

* GASB Statement No. 68 was implemented for fiscal year ended September 30, 2015. This schedule is being built prospectively. Ultimately, ten years of data will be presented.

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
(PLAN YEAR END)

	Proportion of Net OPEB Liability	Proportionate Share of Net OPEB Liability	Covered Payroll	Proportionate Share of Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total OPEB Liability
2021	-77.35%	$(10,055,302)	$ 8,915,697	-112.78%	170.52%
2020	0.00%	(9,753)	9,288,630	-0.10%	100.00%
2019	-8.85%	(3,762,213)	9,039,278	-41.60%	122.30%
2018	-2.39%	(1,268,223)	9,325,996	-13.60%	107.77%
2017	9.83%	14,456,335	10,660,894	135.60%	55.80%

* GASB Statement No. 75 was implemented for fiscal year ended September 30, 2018. This schedule is being built prospectively. Ultimately, ten years of data will be presented.

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

SCHEDULE OF OPEB CONTRIBUTIONS
FISCAL YEARS

For the Year Ended September 30,	Actuarially Determined Contributions (ADC)	Contributions	Contributions Excess (Deficiency)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2022	$ -	$ 264,797	$ 264,797	$ 9,316,886	2.84%
2021	-	182,522	182,522	9,130,592	2.00%
2020	-	6,251	6,251	9,290,831	0.07%
2019	60,591	380,910	320,319	9,110,958	4.18%
2018	1,342,484	409,903	(932,581)	9,319,639	4.40%

Note: Although there was no required actuarially determined contributions, the actuary strongly recommended contribution the net normal costs plus interest plus interest for years in which the plan is fully funded.

Valuation Date: December 31 of the year prior

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of pay, closed
Remaining amortization period	8 years
Asset valuation method	Actuarial value of assets with a 5-year smoothing
Salary increases	2.25% - 7.00%
Investment rate of return	5.25%
Retirement age	Replacement Index up to age 70, then 100%
Mortality	A version of PUB-2010 General Headcount-weighted generational mortality using scale MP-2021

* GASB Statement No. 75 was implemented for fiscal year ended September 30, 2018. This schedule is being built prospectively. Ultimately, ten years of data will be presented.

SUPPLEMENTARY FINANCIAL INFORMATION

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

SCHEDULE OF BWATC TRANSPORTATION EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Operations	Maintenance	General Admin.	Total System
Labor -				
Operator's salaries and wages	$ 111,549	$ -	$ -	$ 111,549
Other salaries and wages	-	-	11,344	11,344
Dispatchers' salaries and wages	27,864	-	-	27,864
Fringe Benefits	32,825	-	4,938	37,763
Materials and Supplies Consumed -				
Fuel and lubricants	41,979	-	-	41,979
Tires and tubes	2,896	-	-	2,896
Other materials and supplies	-	11,866	-	11,866
Utilities	191	-	116	307
Casualty and Liability Costs -				
Liability Insurance	18,335	-	-	18,335
Other Insurance	-	-	96	96
Miscellaneous Expenses -				
Travel and Meetings	-	-	-	-
Other miscellaneous expenses	376	-	11,287	11,663
Depreciation	59,682	-	836	60,518
	295,697	11,866	28,617	336,180
Less: Ineligible Expenses				
Other Ineligible Expenses	-	-	-	-
Total Operating Expenses	$ 295,697	$ 11,866	$ 28,617	$ 336,180

MILEAGE DATA (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Total Mileage
Demand-Response	
1st Quarter	134,051
2nd Quarter	109,582
3rd Quarter	119,596
4th Quarter	125,716
	488,945