

Mid-Michigan District Health Department

Financial Statements

September 30, 2022



YEO & YEO

**BUSINESS SUCCESS
PARTNERS**

Table of Contents

| Section | Page | |
|----------------|--|-------|
| 1 | Independent Auditors' Report | 1 – 1 |
| 2 | Management's Discussion and Analysis | 2 – 1 |
| 3 | Basic Financial Statements | |
| | Government-wide Financial Statements | |
| | Statement of Net Position | 3 – 1 |
| | Statement of Activities | 3 – 2 |
| | Fund Financial Statements | |
| | Governmental Funds | |
| | Balance Sheet | 3 – 3 |
| | Reconciliation of Fund Balances of Governmental Fund to Net Position of Governmental Activities | 3 – 4 |
| | Statement of Revenues, Expenditures and Changes in Fund Balances | 3 – 5 |
| | Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Fund to the Statement of Activities | 3 – 6 |
| | Notes to the Financial Statements | 3 – 7 |
| 4 | Required Supplementary Information | |
| | Budgetary Comparison Schedule | |
| | General Operating Fund | 4 – 1 |
| | Municipal Employees Retirement System of Michigan | |
| | Schedule of Changes in Net Pension Liability and Related Ratios | 4 – 2 |
| | Schedule of Employer Contributions | 4 – 3 |
| | Other Postemployment Benefits | |
| | Schedule of Changes in Total OPEB Liability and Related Ratios | 4 – 4 |
| | Schedule of Employer Contributions | 4 – 5 |



800.968.0010 | YEOANDYEO.COM

Independent Auditors' Report

Board of Public Health
Mid-Michigan District Health Department
Stanton, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of Mid-Michigan District Health Department (the Department), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Mid-Michigan District Health Department as of September 30, 2022, and the respective changes in financial position 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Mid-Michigan District Health Department, 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, during the year ended September 30, 2022, the Mid-Michigan District Health Department adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

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 Mid-Michigan District Health Department'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.

Auditors' 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 auditors' 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 Mid-Michigan District Health Department'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 Mid-Michigan District Health Department'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, budgetary comparison schedules, and the pension and OPEB schedules, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2023, on our consideration of Mid-Michigan District Health Department'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 Mid-Michigan District Health Department'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 Mid-Michigan District Health Department's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Alma, Michigan
March 10, 2023

Mid-Michigan District Health Department

Management's Discussion and Analysis

September 30, 2022

This section of the annual financial statements, titled Management's Discussion and Analysis, represents the administration's review of the Department's financial performance during the fiscal year ended September 30, 2022, and is a requirement of GASB 34. The Management's Discussion and Analysis is intended to be read in conjunction with the Department's financial statements.

Generally accepted accounting principles (GAAP) according to GASB 34 require the reporting of two types of financial statements: Government-wide financial statements and Fund Level financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the Department exceeded its liabilities and deferred inflows of resources on September 30, 2022, by \$93,240 (net position) at the government-wide level.
- The Department's total net position decreased by \$449,383 as a result of this year's operations, primarily due to capital outlay in 2022.
- As of September 30, 2022, the Department's governmental fund reported an ending fund balance of \$2,348,953, a decrease of \$437,885.
- As of September 30, 2022, the unassigned fund balance was \$30,776.

Overview of the Financial Statements

The Department'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 provide information about the activities of the entire Department. They present an overall view of the Department's finances for the fiscal year ending September 30, 2022.

The statement of net position presents information on all of the Department's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between these 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 Department is improving or deteriorating.

The statement of activities presents information showing how the Department's net position changed during fiscal year 2021/2022. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows.

All of the Department's offices are supported by intergovernmental revenues, governmental grants, donations, fees and charges for services, interest, and local contributions. The governmental activities of the Department are all considered health and sanitation programs.

The government-wide financial statements include only financial information related to the Department.

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 Department uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Department operates with one fund, which is considered a governmental fund.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

**Mid-Michigan District Health Department
Management's Discussion and Analysis
September 30, 2022**

Such information may be useful in evaluating the Department's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Department's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Department adopts an annual appropriated budget for its General Operating Fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with this budget.

The basic financial statements can be found starting on page 3-1 of this report.

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. The notes to the financial statements can be found starting on page 3-7 of this report.

Required Supplementary Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgeted revenues and expenditures on page 4-1, and information related to the defined pension plan and retired employees' health care plans starting on page 4-2.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Department, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$93,240. A comparative analysis of data with the previous fiscal year is as follows:

| | <u>2022</u> | <u>2021</u> |
|--|------------------|------------------|
| Current and other assets | \$4,127,244 | \$4,689,419 |
| Capital assets | <u>402,979</u> | <u>277,562</u> |
| Total assets | <u>4,530,223</u> | <u>4,966,981</u> |
| | | |
| Deferred outflow of resources | <u>1,832,978</u> | <u>1,299,288</u> |
| | | |
| Current liabilities | 1,588,965 | 1,680,348 |
| Noncurrent liabilities | <u>3,350,324</u> | <u>3,488,992</u> |
| Total liabilities | <u>4,939,289</u> | <u>5,169,340</u> |
| | | |
| Deferred inflow of resources | <u>1,330,672</u> | <u>554,306</u> |
| | | |
| Net position | | |
| Investment in capital assets | 402,979 | 277,562 |
| Restricted for | | |
| Dental Clinic | 95,208 | 95,209 |
| Medicaid cost based reimbursement | 168,289 | 168,289 |
| Unrestricted | <u>(573,236)</u> | <u>1,563</u> |
| Total net position | <u>\$93,240</u> | <u>\$542,623</u> |

**Mid-Michigan District Health Department
Management's Discussion and Analysis
September 30, 2022**

Unrestricted net position (the part of net position that can be used to finance day-to-day operations) decreased by \$449,383. Net position invested in capital assets increased by \$125,417. The current level of unrestricted net position for the governmental activities stands at a deficit of \$573,236.

The following table shows the changes of net position for the years ended September 30, 2022, and 2021.

| | 2022 | 2021 |
|---|-----------------|---------------|
| Program revenues | | |
| Charges for services | \$1,372,169 | \$1,025,085 |
| Operating grants and contributions | 5,626,211 | 5,177,213 |
| General revenue | | |
| County appropriations | 1,385,498 | 1,372,873 |
| Interest/Miscellaneous | 32,942 | 20,198 |
| Gain on Capital Assets | 125 | 56 |
| Total revenues | 8,416,945 | 7,595,425 |
| Program expenses | 8,866,328 | 7,452,320 |
| Change in net position | \$(449,383) | \$143,105 |

Total expenses increased 19% over the previous fiscal year and revenue increased 10.8%.

Financial Analysis of the Department's Fund

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

Governmental Fund: The focus of the Department's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Department's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Department's governmental fund reported a total ending fund balance of \$2,348,953, a decrease of \$437,885 in comparison with the prior year. Certain constraints have been placed on fund balance on September 30, 2022. Of the total fund balance, \$1,922,244 or 82% of the total, has been committed for the general operating fund. Committed fund balances are amounts that are constrained for certain purposes that have been approved by the Board of Public Health. Commitments of fund balance can be established, modified, or rescinded by a resolution from the Board of Public Health. The restricted and non-spendable fund balances total \$395,933 and the unassigned fund balance is \$30,776. As a measure of liquidity, it may be useful to compare committed and unassigned fund balance to the total fund expenditure. Committed and unassigned fund balance represents 33% of the total fund expenditures.

**Mid-Michigan District Health Department
Management's Discussion and Analysis
September 30, 2022**

Governmental Fund Budgetary Highlights

Over the course of the year, the Department's Board of Public Health may amend the budget to take into account events that occur during the year. For the year ended September 30, 2022, budget amendments primarily increased and decreased licenses and permits, intergovernmental, and charges for services revenue and certain expenditure line items, especially those related to the approved capital expense projects by amounts necessary to maintain consistency with actual activities for the fiscal year. In total, the Department's amended expenditure budget changed from \$9,673,781 to \$9,463,420, which represented a decrease in the overall agency budget. The actual expenditures came in at \$9,077,063.

Capital Asset and Debt Administration

Capital Assets: The Department's investment in capital assets as of September 30, 2022, amounts to \$402,979 (net of accumulated depreciation). More information is reported in footnote 5.

Long-term Obligations: The Department has long-term obligations related to compensated absences (e.g., unused vacation and personal leave). The total obligation for compensated absences and related payroll taxes at September 30, 2022, was \$591,760.

Economic Factors and Next Year's Budget and Rates

For the fiscal year ending September 30, 2022, the agency will need to continue to monitor Federal and State budget actions and continue to monitor emerging threats. State grant agreements including those that originate at the federal level and other State funding mechanisms such as Essential Local Public Health Services, Medicaid Cost, and Rated Based Reimbursement funding supplements are a large portion of our budget and therefore, funding changes at the State level directly impact our operations and needs to be closely monitored. The Department continues to closely monitor Environmental Health permit applications activity and Community Health and Education charge for services to determine if there are any significant changes in activity.

Requests for Information

This financial report is designed to provide a general overview of the Department's finances for all those with an interest in the Department's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

**Melissa Selby
Administration Services Division Director
Mid-Michigan District Health Department
615 N. State St., Suite 2
Stanton, MI 48888
Office: 989-831-5237
Fax: 989-831-5522
E-mail: mselby@mmdhd.org**

Mid-Michigan District Health Department
Statement of Net Position
September 30, 2022

| | Governmental Activities |
|---|----------------------------|
| Assets | |
| Cash | \$ 6,080 |
| Cash on deposit with fiscal agent | 3,597,599 |
| Receivables | |
| Accounts | 42,462 |
| Leases | 189,326 |
| Due from other units of government | |
| Federal and state | 64,718 |
| Local | 94,623 |
| Inventories | 47,547 |
| Prepaid items | 84,889 |
| Capital assets, net of accumulated depreciation | 402,979 |
| Total assets | 4,530,223 |
| Deferred Outflows of Resources | |
| Deferred amount relating to net pension liability | 1,818,883 |
| Deferred amount relating to net OPEB liability | 14,095 |
| Total deferred outflows of resources | 1,832,978 |
| Liabilities | |
| Accounts payable | 220,672 |
| Accrued wages | 231,829 |
| Accrued liabilities | 89,558 |
| Due to others | 17,987 |
| Due to other units of government | 802,362 |
| Unearned revenue | 226,557 |
| Noncurrent liabilities | |
| Compensated absences due within one year | 583,957 |
| Compensated absences due in more than one year | 7,803 |
| Total OPEB liability | 221,681 |
| Net pension liability | 2,536,883 |
| Total liabilities | 4,939,289 |
| Deferred Inflows of Resources | |
| Deferred amount relating to leases receivable | 189,326 |
| Deferred amount relating to net pension liability | 1,089,715 |
| Deferred amount relating to total OPEB liability | 51,631 |
| Total deferred outflows of resources | 1,330,672 |
| Net Position | |
| Net investment in capital assets | 402,979 |
| Restricted for | |
| Dental clinic | 95,208 |
| Medicaid cost based reimbursement | 168,289 |
| Unrestricted (deficit) | (573,236) |
| Total net position | \$ 93,240 |

See Accompanying Notes to the Financial Statements

Mid-Michigan District Health Department
Statement of Activities
For the Year Ended September 30, 2022

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position |
|----------------------------------|---------------------|-------------------------|--|--|
| | Expenses | Charges for Services | Operating Grants and Contributions | |
| Functions/Programs | | | | |
| Health and welfare | | | | |
| Community health and education | \$ 3,777,609 | \$ 663,182 | \$ 2,299,549 | \$ (814,878) |
| Environmental health | 1,938,331 | 708,987 | 804,447 | (424,897) |
| Administration | 3,150,388 | - | 2,522,215 | (628,173) |
| Total governmental activities | <u>\$ 8,866,328</u> | <u>\$ 1,372,169</u> | <u>\$ 5,626,211</u> | <u>(1,867,948)</u> |
| General revenues | | | | |
| Interest | | | | 14,899 |
| County appropriations | | | | 1,385,498 |
| Gain on sale of capital assets | | | | 125 |
| Miscellaneous | | | | <u>18,043</u> |
| Total general revenues | | | | <u>1,418,565</u> |
| Change in net position | | | | (449,383) |
| Net position - beginning of year | | | | <u>542,623</u> |
| Net position - end of year | | | | <u>\$ 93,240</u> |

Mid-Michigan District Health Department
Governmental Fund
Balance Sheet
September 30, 2022

| | General Operating Fund |
|---|------------------------------|
| Assets | |
| Cash | \$ 6,080 |
| Cash on deposit with fiscal agent | 3,597,599 |
| Receivables | |
| Accounts | 42,462 |
| Leases | 189,326 |
| Due from other units of government | |
| Federal and state | 64,718 |
| Local | 94,623 |
| Inventories | 47,547 |
| Prepaid items | 84,889 |
| Total assets | \$ 4,127,244 |
| Liabilities | |
| Accounts payable | \$ 220,672 |
| Accrued wages | 231,829 |
| Accrued liabilities | 89,558 |
| Due to others | 17,987 |
| Due to other units of government | 802,362 |
| Unearned revenue | 226,557 |
| Total liabilities | 1,588,965 |
| Deferred Inflows of Resources | |
| Leases | 189,326 |
| Fund Balances | |
| Non-spendable | |
| Inventories | 47,547 |
| Prepaid items | 84,889 |
| Restricted for | |
| Dental clinic | 95,208 |
| Medicaid cost based reimbursement | 168,289 |
| Committed | 1,922,244 |
| Unassigned | 30,776 |
| Total fund balances | 2,348,953 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 4,127,244 |

See Accompanying Notes to the Financial Statements

**Mid-Michigan District Health Department
Governmental Fund
Reconciliation of Fund Balances of Governmental Fund
to Net Position of Governmental Activities
September 30, 2022**

| | |
|---|-------------------------|
| Total fund balances for governmental fund | \$ 2,348,953 |
| Total net position for governmental activities in the statement of net position is different because: | |
| Capital assets net of accumulated depreciation used in governmental activities are not financial resources and therefore are not reported in the funds. | 402,979 |
| Certain liabilities are not due and payable in the current period and are not reported in the funds. | |
| Compensated absences | (591,760) |
| Deferred outflows of resources resulting from net pension liability | 1,818,883 |
| Deferred outflows of resources resulting from net OPEB liability | 14,095 |
| Deferred inflows of resources resulting from net pension liability | (1,089,715) |
| Deferred inflows of resources resulting from total OPEB liability | (51,631) |
| Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. | |
| Total OPEB liability | (221,681) |
| Net pension liability | <u>(2,536,883)</u> |
| Net position of governmental activities | <u><u>\$ 93,240</u></u> |

Mid-Michigan District Health Department
Governmental Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2022

| | <u>General Operating Fund</u> |
|--|---------------------------------------|
| Revenues | |
| Licenses and permits | \$ 712,424 |
| Intergovernmental | |
| Federal and state | 5,766,068 |
| Local | |
| Other | 82,376 |
| County | 1,385,498 |
| Charges for services | 659,745 |
| Interest income | 14,899 |
| Other revenue | <u>18,043</u> |
| Total revenues | <u>8,639,053</u> |
| Expenditures | |
| Current | |
| Health and welfare | |
| Salaries and wages | 4,214,940 |
| Fringe benefits | 2,057,067 |
| Supplies and materials | 543,285 |
| Contractual services | 1,283,189 |
| Communications | 89,261 |
| Travel and training | 128,278 |
| Insurance | 52,329 |
| Building and equipment lease and rentals | 302,333 |
| Printing and advertising | 20,182 |
| Postage | 17,874 |
| Other | <u>41,126</u> |
| Total health and welfare | 8,749,864 |
| Capital outlay | <u>327,199</u> |
| Total expenditures | <u>9,077,063</u> |
| Deficiency of revenues over expenditures | (438,010) |
| Other financing sources | |
| Sale of capital assets | <u>125</u> |
| Net change in fund balance | (437,885) |
| Fund balance - beginning of year | <u>2,786,838</u> |
| Fund balance - end of year | <u><u>\$ 2,348,953</u></u> |

See Accompanying Notes to the Financial Statements

**Mid-Michigan District Health Department
Governmental Fund
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Fund to the Statement of Activities
For the Year Ended September 30, 2022**

Net change in fund balances - total governmental fund \$ (437,885)

Total change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

| | |
|---|----------|
| Depreciation expense | (71,657) |
| Capital outlay | 202,584 |
| Sale of capital assets (net book value) | (5,510) |

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

| | |
|---------------|-----------|
| Other revenue | (222,233) |
|---------------|-----------|

Expenses are recorded when incurred in the statement of activities.

| | |
|----------------------|-----------|
| Compensated absences | (189,871) |
|----------------------|-----------|

The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.

| | |
|---|-----------|
| Net change in net pension liability | 317,934 |
| Net change in the deferred inflows of resources related to the net pension liability | (562,521) |
| Net change in the deferred outflows of resources related to the net pension liability | 535,152 |

The statement of net position reports the total OPEB liability and deferred outflows of resources and deferred inflows related to the total OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.

| | |
|--|----------|
| Net change in total OPEB liability | 10,605 |
| Net change in the deferred inflows of resources related to the total OPEB liability | (24,519) |
| Net change in the deferred outflows of resources related to the total OPEB liability | (1,462) |

Change in net position of governmental activities \$ (449,383)

Mid-Michigan District Health Department
Notes to the Financial Statements
September 30, 2022

Note 1 - Summary of Significant Accounting Policies

Reporting entity

The Mid-Michigan District Health Department (the Department) is a joint venture between Montcalm, Gratiot and Clinton Counties, and was established to provide public health services.

The Board of Public Health is represented by and provides services to Montcalm, Gratiot and Clinton Counties. Each County provides annual appropriations. The current funding formula approved by the Board of Public Health requires Montcalm, Gratiot and Clinton Counties to provide approximately 38, 26, and 36 percent, respectively, of the total County appropriations. The percentages are calculated annually based on the formula in the intergovernmental agreement. In addition, the treasury function for the Department rests with the Montcalm County Treasurer.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General appropriations and other items not properly included among program revenues are reported instead as *general revenues*. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all county appropriations.

Separate financial statements are provided for governmental funds. The Department only has one fund reported in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide 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. Revenues susceptible to accrual include state and federal grants and interest income. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues related to grants are considered available if collected within 180 days due to the State of Michigan's slow payment. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Department reports the following major governmental fund:

The General Operating Fund is used to account for all financial resources of the Department, which includes expenditures primarily for specified health related purposes.

Mid-Michigan District Health Department
Notes to the Financial Statements
September 30, 2022

Assets, liabilities, and net position or equity

Cash – Cash is considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Cash on deposit with fiscal agent – Cash on deposit with the Montcalm County Treasurer.

Receivables – Receivables consist of amounts due from governmental units for various grant programs and accounts receivable for charges for services to clients and other organizations.

The Department has recognized the revenue related to charges for services at the time the services are performed and billed to the extent such amounts are estimated to be received. Contractual adjustments by third-party payers are treated as a reduction to revenues.

Inventories – Inventories are valued at cost, on a first-in, first-out basis. Donated vaccine inventory consists of vaccines received from the State of Michigan and is stated at fair value as of the date of donation. Vaccine inventory received from the State of Michigan that is on hand at year-end has been reported as unearned revenue. They are reported as expenditures at the time individual inventory items are used.

Prepaid items – Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the Department follows the consumption method, and they therefore are capitalized as prepaid items in both government-wide and fund financial statements.

Capital assets – Capital assets are reported in the government-wide financial statements. Capital assets are defined by the Department as assets with an initial individual cost of 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.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the Department values these capital assets at the estimated fair value of the item at the date of its donation.

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

| | |
|------------------------|---------------|
| Building improvements | 5 - 15 years |
| Equipment | 5 - 20 years |
| Leasehold improvements | 10 - 15 years |
| Software | 5 - 15 years |

Deferred outflows of resources – The Department reports deferred outflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions and experience differences relating to the net pension liability and total OPEB liability are deferred and amortized over the expected remaining services lives of the employees and retirees in the plan. The Department also reported deferred outflows of resources for pension contributions made after the measurement date. This amount will reduce net pension liability in the following year.

Due to others – The Department serves as the fiduciary on monies that are to be used for specific purposes. For example, other agencies have provided funding for a dental center expansion. Until all of the funds are raised and the project begins, these funds could possibly be paid back to the other agencies.

Mid-Michigan District Health Department
Notes to the Financial Statements
September 30, 2022

Unearned revenue – The governmental fund reports unearned revenue in connection with resources that have been received but not yet earned and for the inventory previously discussed.

Compensated absences – It is the Department's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Leave time is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Pensions – 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 Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported to MERS. 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.

Other post-employment benefits (OPEB) – For purposes of measuring the total 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 Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Deferred inflows of resources – A deferred inflow of resources is an acquisition of net position by the Department that is applicable to a future reporting period. For the governmental fund this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. Deferred inflow for leases is related to leases receivable and is being amortized to recognize lease revenue in a systematic and rational manner over the term of the lease. The Department reports deferred inflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions and experience differences relating to the net pension liability and total OPEB liability are deferred and amortized over the expected remaining services lives of the employees and retirees in the plan.

Fund Balance – In the fund financial statements fund balance is reported in the following categories:

Non-spendable – assets that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts constrained on use imposed by the Department's highest level of decision-making, its Board of Public Health. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Public Health.

Assigned – amounts intended to be used for specific purposes, as determined by the Board of Public Health, the budget or finance committee, or delegated official. The Board of Public Health has not anyone the authority to assign funds.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

Mid-Michigan District Health Department
Notes to the Financial Statements
September 30, 2022

The following amounts have been committed for the general operating fund:

| | | |
|--------------------------------------|----|---------------------|
| Equipment | \$ | 489,494 |
| Facility development | | 137,523 |
| Self-insurance bonds | | 13,950 |
| Retirement | | 192,270 |
| Vacation and sick leave | | 549,707 |
| Unemployment | | 55,000 |
| Training | | 35,000 |
| Behavioral Risk Factor Survey (BRFS) | | 11,522 |
| Health insurance | | 160,000 |
| OPEB liability | | 77,778 |
| CHW program | | 200,000 |
| | | <u>\$ 1,922,244</u> |

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Department's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the Department's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Use of Estimates

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

Adoption of New Accounting Standards

Statement No. 87, *Leases* increases the usefulness of the financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. The Department had previously recognized a lease receivable and the related deferred inflow of resources; therefore, no adjustment was made to beginning of year amounts.

Statement No. 92, *Omnibus 2020* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following: (1) The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports (2) Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan. (3) The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits. (4) The applicability of certain requirements of Statement No. 84,

Mid-Michigan District Health Department
Notes to the Financial Statements
September 30, 2022

Fiduciary Activities, to postemployment benefit arrangements. (5) Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition. (6) Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers. (7) Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. (8) Terminology used to refer to derivative instruments.

Statement No. 99, *2022 Omnibus* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

Upcoming Accounting and Reporting Changes

Statement No. 96, *Subscription-Based Information Technology Arrangements*, is based on the standards established in Statement No. 87 *Leases*. This statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction (2) requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and (3) provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA. This statement is effective for the year ending September 30, 2023.

Statement No. 100, *Accounting Changes and Error Corrections*, improves the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. More understandable, reliable, relevant, consistent and comparable information will be provided to financial statement users for making decisions or assessing accountability. Additionally, the display and note disclosure requirements will result in more consistent, decision useful, understandable and comprehensive information for users about accounting changes and error corrections. This statement is effective for the year ending September 30, 2024.

Statement No. 101, *Compensated Absences*, updates 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 is effective for the year ending September 30, 2025.

Note 2 - Budget Accountability

Budgetary information

Annual budgets are adopted, at the fund level, on a basis consistent with accounting principles generally accepted in the United States of America for the General Operating Fund. All annual appropriations lapse at fiscal year end. Any revisions that alter the total expenditures of an activity must be approved by the Board of Public Health.

Mid-Michigan District Health Department
Notes to the Financial Statements
September 30, 2022

Note 3 - Cash

At year end deposits were reported in the financial statements in the following categories:

| | Cash and Cash Equivalents | Cash on Deposit with Fiscal Agent | Total |
|-------------------------|---------------------------------|---|--------------|
| Governmental activities | \$ 6,080 | \$ 3,597,599 | \$ 3,603,679 |

The breakdown between deposits and investments is as follows:

| | |
|---|--------------|
| Bank deposits (checking and savings accounts) | \$ 5,230 |
| Cash on deposit with fiscal agent | 3,597,599 |
| Petty cash and cash on hand | 850 |
| | \$ 3,603,679 |

Interest rate risk – The Department does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates.

Credit risk – State statutes and the Department’s investment policy authorize the Department to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Department is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Concentration of credit risk – The government has no policy that would limit the amount that may be issued in any one issuer.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of bank failure, the Department’s deposits may not be returned to it. The Department does not have a policy for custodial credit risk. As of year end, the bank deposits were not exposed to custodial credit risk. The cash on deposit with Montcalm County is part of the County pooled cash and investments. As a result, the insured and uninsured amounts related to these funds cannot be determined.

Note 4 - Leases Receivable

The Department entered into an agreement as a lessor in February 2011 with Michigan Community Dental Clinics, Inc. (MCDC) to provide office space, with a lease term of 10 years and an additional 10 year extension, at an interest rate of 0.91%. Payments are received monthly in the amount of \$1,967. The Department recognized \$23,600 in lease revenue and \$1,670 in related interest income for the year ended September 30, 2022.

Mid-Michigan District Health Department
Notes to the Financial Statements
September 30, 2022

Note 5 - Capital Assets

Capital assets activity for the current year is as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|-------------------|------------------|---------------------------|
| Governmental activities | | | | |
| Capital assets being depreciated | | | | |
| Buildings, additions and improvements | \$ 85,107 | \$ 138,510 | \$ - | \$ 223,617 |
| Equipment | 487,002 | 64,074 | 5,510 | 545,566 |
| Leasehold improvements | 19,731 | - | - | 19,731 |
| Software | 416,502 | - | - | 416,502 |
| | <u>1,008,342</u> | <u>202,584</u> | <u>5,510</u> | <u>1,205,416</u> |
| Total capital assets being depreciated | | | | |
| Less accumulated depreciation for | | | | |
| Buildings, additions and improvements | 72,437 | 4,647 | - | 77,084 |
| Equipment | 393,141 | 31,739 | - | 424,880 |
| Leasehold improvements | 8,793 | 1,730 | - | 10,523 |
| Software | 256,409 | 33,541 | - | 289,950 |
| | <u>730,780</u> | <u>71,657</u> | <u>-</u> | <u>802,437</u> |
| Total accumulated depreciation | | | | |
| Net capital assets being depreciated | <u>\$ 277,562</u> | <u>\$ 130,927</u> | <u>\$ 5,510</u> | <u>\$ 402,979</u> |

Depreciation expense was charged to programs of the Department as follows:

| | |
|--------------------------------|------------------|
| Governmental activities | |
| Community health and education | \$ 10,690 |
| Environmental health | 1,023 |
| Administration | <u>59,944</u> |
| Total governmental activities | <u>\$ 71,657</u> |

Note 6 - Long-Term Debt

Long-term obligations include compensated absences. Compensated absences are liquidated with funds from the general operating fund. Compensated absences are a liability to the Department which are split between current and noncurrent liabilities within the government-wide financial statements based on an estimate of when they will be due and payable. Payments to employees for compensated absences are recorded as expenditures when they are used and payments are actually made to the employees at the fund level.

Long-term obligation activity is summarized as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|--------------------------------|------------------------------|-------------------|-------------------|---------------------------|--------------------------------|
| Governmental activities | | | | | |
| Compensated absences | <u>\$ 401,889</u> | <u>\$ 773,828</u> | <u>\$ 583,957</u> | <u>\$ 591,760</u> | <u>\$ 583,957</u> |

Mid-Michigan District Health Department
Notes to the Financial Statements
September 30, 2022

Note 7 - Risk Management

The Department is a voluntary member of the Michigan Municipal Risk Management Authority which is organized under Public Act 138 of 1982, as amended as a governmental group self-insurance pool. Public Act 138 authorizes local units of government to exercise jointly any power, privilege, or authority which each might exercise separately. The Authority administers a risk management fund providing the Department with loss protection for general liability, property damage, and losses due to crime. Settled claims relating to the insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Department also carries commercial insurance for the risk of loss due to workers' compensation and healthcare professional liability claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

Note 8 - Employee Retirement and Benefit Systems

Defined benefit pension plan

Plan description – The Department participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer, statewide public employee defined benefit pension plan that covers all employees of the government. The plan was established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917 or on the web at <http://www.mersofmich.com>.

Benefits provided – Benefits provided include plans with multipliers ranging from 2.00% to 2.25%. Vesting periods range from 6 to 10 years. Normal retirement age is 60 with early retirement at 50 with 25 years of service or 55 with 15 years of service. Final average compensation is calculated based on 5 years. Member contributions range from 2.58% to 3.00%.

Employees covered by benefit terms – At the December 31, 2021 valuation date, the following employees were covered by benefit terms:

| | |
|--|-------------------|
| Inactive employees or beneficiaries currently receiving benefits | 64 |
| Inactive employees entitled to, but not yet receiving benefits | 41 |
| Active employees | <u>76</u> |
| | <u><u>181</u></u> |

Contributions – The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees. Employer contributions range from 9.17% to 29.07% based on annual payroll for open divisions. There were no divisions closed to new hires as of December 31, 2021.

Net pension liability – The employer's net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Mid-Michigan District Health Department
Notes to the Financial Statements
September 30, 2022

Actuarial assumptions – The total pension liability in the December 31, 2021 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement include: 1) Inflation 2.5%; 2) Salary increases 3.00% in the long-term; 3) Investment rate of return of 7.00%, net of investment expense, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 3.00% long-term wage inflation assumption would be consistent with a price inflation of 2.5%.

Mortality rates used were based on the Pub-2010 Juvenile Mortality Tables, PubG-2010 Employee Mortality Tables, PubG-2010 Healthy Retiree Tables and PubNS-2010 Disabled Retiree Tables. Future mortality improvements are assumed each year using scale MP-2019 applied fully generationally from the Pub-2010 base year of 2010.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates or 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% | 7.75% | 4.65% | 2.50% | 3.15% |
| Global fixed income | 20.00% | 3.75% | 0.75% | 2.50% | 0.25% |
| Private investments | 20.00% | 9.75% | 1.95% | 2.50% | 1.45% |
| | <u>100.00%</u> | | <u>7.35%</u> | | <u>4.85%</u> |

Discount rate – The discount rate used to measure the total pension liability is 7.25%. 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 plans 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.

Mid-Michigan District Health Department
Notes to the Financial Statements
September 30, 2022

| | |
|--|-----------------------------|
| Total Pension Liability | |
| Service cost | \$ 354,482 |
| Interest on the total pension liability | 1,087,120 |
| Experience differences | (98,630) |
| Changes in actuarial assumptions | 647,442 |
| Benefit payments and refunds | <u>(684,147)</u> |
| Net change in total pension liability | 1,306,267 |
| Total pension liability - beginning | <u>14,469,042</u> |
| Total pension liability - ending (a) | <u><u>\$ 15,775,309</u></u> |
| Plan Fiduciary Net Position | |
| Employer contributions | \$ 483,030 |
| Employee contributions | 115,373 |
| Pension plan net investment income | 1,728,713 |
| Benefit payments and refunds | (684,147) |
| Pension plan administrative expense | <u>(18,768)</u> |
| Net change in plan fiduciary net position | 1,624,201 |
| Plan fiduciary net position - beginning | <u>11,614,225</u> |
| Plan fiduciary net position - ending (b) | <u><u>\$ 13,238,426</u></u> |
| Net pension liability (a-b) | <u><u>\$ 2,536,883</u></u> |
| Plan fiduciary net position as a percentage of total pension liability | 83.92% |
| Covered payroll | \$ 4,008,090 |
| Net pension liability as a percentage of covered payroll | 63.29% |

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the employer, calculated using the discount rate of 7.25%, as well as what the employer’s net pension liability would be using a discount rate that is 1% point lower (6.25%) or 1% higher (8.25%) than the current rate.

| | <u>1% Decrease</u> | <u>Discount rate</u> | <u>1% Increase</u> |
|-------------------------|----------------------------|----------------------------|--------------------------|
| Total pension liability | <u>\$ 17,878,675</u> | <u>\$ 15,775,309</u> | <u>\$ 14,029,915</u> |
| Fiduciary net position | <u>13,238,426</u> | <u>13,238,426</u> | <u>13,238,426</u> |
| Net pension liability | <u><u>\$ 4,640,249</u></u> | <u><u>\$ 2,536,883</u></u> | <u><u>\$ 791,489</u></u> |

Mid-Michigan District Health Department
Notes to the Financial Statements
September 30, 2022

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions – For the year ended September 30, 2022 the employer recognized pension expense of \$596,987. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources | Amount to Amortize |
|--|--------------------------------------|-------------------------------------|-----------------------|
| Differences in experience | \$ 171,692 | \$ (87,569) | \$ 84,123 |
| Differences in assumptions | 932,078 | - | 932,078 |
| Net difference between projected and actual earnings on plan investments | - | (1,002,146) | (1,002,146) |
| Contributions subsequent to the measurement date* | 715,113 | - | - |
| Total | \$ 1,818,883 | \$ (1,089,715) | \$ 14,055 |

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the fiscal year ending 2023.

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

| <u>Year ended September 30,</u> | |
|---------------------------------|------------------|
| 2023 | \$ 313,497 |
| 2024 | 13,407 |
| 2025 | (142,850) |
| 2026 | (169,999) |
| | <u>\$ 14,055</u> |

Note 9 - Other Post-employment Benefits

Plan description – The Department provides other post-employment benefits (OPEB) to non-union employees who retire at the minimum age of 60 and have at least 20 or more years of continuous service with the Department. The Board of Public Health is responsible for oversight of this Plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits provided – The Department will pay the annual amount equal to the single maximum hard cap under State of Michigan PA 152. Dependents are not eligible for any employer paid insurance and if coverage is elected for dependents, it will be 100% employee paid. Employees who do not meet the above stated criteria will not receive employer paid benefits upon retirement. Coverage ends at the earlier of a retiree attainment of age 65 or death.

Employees covered by benefit terms – At September 30, 2022, the plan membership consisted of the following:

| | |
|--|-----------|
| Active employees | 10 |
| Inactive employees or beneficiaries currently receiving benefits | <u>-</u> |
| | <u>10</u> |

The plan is closed to new employees.

Total OPEB liability – The total OPEB liability of \$221,681 was measured as of September 30, 2022 and was determined by an actuarial valuation as of September 30, 2021 rolled forward to September 30, 2022.

Mid-Michigan District Health Department
Notes to the Financial Statements
September 30, 2022

Actuarial assumptions – The total OPEB liability was determined by an actuarial valuation as of September 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement.

| | |
|--------------------------------|--|
| Inflation | Implicit in expected payroll increases |
| Salary increases | 3.5% (for purpose of allocating liability) |
| Investment rate of return | Not applicable, plan is not pre-funded |
| 20-year Aa Municipal bond rate | 2.4% (S&P Municipal Bond 20-Year High Grade Rate Index) |
| Mortality Improvement Scale | Public General 2010 Employee and Healthy Retiree, Headcount weighted MP-2020 |

Discount Rate – The discount rate used to measure the total OPEB liability was 4.77%. Because the plan does not have a dedicated OPEB trust, there are not assets projected to be sufficient to make projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the “depletion date”), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the total OPEB Liability. The discount rate used for September 30, 2021 was 2.43%.

Changes in Total OPEB Liability

| | |
|--------------------------------------|--------------------------|
| Total OPEB Liability | |
| Service cost | \$ 13,440 |
| Interest on the total OPEB liability | 5,971 |
| Changes in actuarial assumptions | <u>(30,016)</u> |
| Net change in total OPEB liability | (10,605) |
| Total OPEB liability - beginning | 232,286 |
| Total OPEB liability - ending | <u><u>\$ 221,681</u></u> |

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the Department, as well as what the Department’s total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate.

| | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|----------------------|--------------------|----------------------------------|--------------------|
| Total OPEB liability | <u>\$ 234,077</u> | <u>\$ 221,681</u> | <u>\$ 209,959</u> |

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – Because the plan provides a stipend and not health insurance, the medical trend is not applicable.

Mid-Michigan District Health Department
Notes to the Financial Statements
September 30, 2022

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB – For the year ended September 30, 2022 the employer recognized OPEB expense of \$15,376. The employer reported deferred inflows and deferred outflows of resources related to OPEB from the following sources:

| | Deferred Outflows of resources | Deferred Inflows of Resources | Amount to Amortize |
|----------------------------|--------------------------------------|-------------------------------------|-----------------------|
| Differences in experience | \$ 565 | \$ (7,857) | \$ (7,292) |
| Differences in assumptions | 13,530 | (43,774) | (30,244) |
| Total | <u>\$ 14,095</u> | <u>\$ (51,631)</u> | <u>\$ (37,536)</u> |

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

| Year ended September 30, | |
|--------------------------|------------------|
| 2023 | \$ 4,035 |
| 2024 | 4,035 |
| 2025 | 4,035 |
| 2026 | 4,035 |
| 2027 | 4,035 |
| Thereafter | <u>17,361</u> |
| | <u>\$ 37,536</u> |

Note 10 - Deferred Compensation Plan

The Department offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, available to substantially all Department employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The plans are administered through MetLife Resources, Royal Alliance, and Primary Shareholders Services.

Legislative changes made to 457 plans mandated that no later than January 1, 1999, all existing 457 plan assets must be held in a custodial account, trust, annuity contract for benefit of participants and their beneficiaries.

Once a trust, custodial account, or annuity contract exists, assets are owned or held by the trust, custodian, or insurer for the exclusive benefit of participants and beneficiary, and are not subject to the claims of public employees creditors nor can they be used by the public employee for any purpose other than the payment of benefits to these individuals participating in the plan or their designated beneficiaries. As of September 30, 1999, the Department had implemented changes to be in compliance with these requirements. As a result, the plan assets are not reported in the audited financial statements by the Department because the legislation eliminated the requirements that Section 457 plan assets legally remain the assets of the sponsoring government.

The Department also offers its employees a tax sheltered annuity plan created in accordance with Internal Revenue Code Section 403(b). The plan, available to substantially all Department employees, permits them to make pre-tax contributions into various investment options. The Department has obtained non-profit exemption status under Internal Revenue Code Section 501(c)(3) thus allowing them to create the 403(b) plan. The plan is administered through MetLife Resources.

Mid-Michigan District Health Department
Notes to the Financial Statements
September 30, 2022

Note 11 - Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Department expects such amounts, if any, to be immaterial.

Note 12 - Future Commitment

The Department has a contract at year end with I.T. Right for technology services. The Department has spent \$120,200 to date and is committed to pay \$115,200 in both 2023 and 2024.

Mid-Michigan District Health Department
Required Supplementary Information
Budgetary Comparison Schedule
General Operating Fund
For the Year Ended September 30, 2022

| | Budgeted Amounts | | Actual | Actual |
|--|---------------------|---------------------|---------------------|---------------------------------|
| | Original | Final | | Over (Under) Final Budget |
| Revenues | | | | |
| Licenses and permits | \$ 721,500 | \$ 655,000 | \$ 712,424 | \$ 57,424 |
| Intergovernmental | | | | |
| Federal and state | 5,754,300 | 5,674,810 | 5,766,068 | 91,258 |
| Local | | | | |
| Other | 784,371 | 910,057 | 82,376 | (827,681) |
| County | 1,447,778 | 1,390,978 | 1,385,498 | (5,480) |
| Charges for services | 611,902 | 423,575 | 659,745 | 236,170 |
| Interest income | - | - | 14,899 | 14,899 |
| Other revenue | 353,930 | 382,000 | 18,043 | (363,957) |
| Sale of capital assets | - | - | 125 | 125 |
| Total revenues | 9,673,781 | 9,436,420 | 8,639,178 | (797,242) |
| Expenditures | | | | |
| Health and welfare | | | | |
| Salaries and wages | 4,399,598 | 4,238,197 | 4,214,940 | (23,257) |
| Fringe benefits | 2,559,033 | 2,060,736 | 2,057,067 | (3,669) |
| Supplies and materials | 595,950 | 838,372 | 543,285 | (295,087) |
| Contractual services | 1,065,400 | 1,287,115 | 1,283,189 | (3,926) |
| Communications | 84,400 | 90,000 | 89,261 | (739) |
| Travel and training | 151,900 | 130,000 | 128,278 | (1,722) |
| Insurance | 27,000 | 50,000 | 52,329 | 2,329 |
| Building and equipment lease and rentals | 314,800 | 283,000 | 302,333 | 19,333 |
| Printing and advertising | 50,200 | 30,000 | 20,182 | (9,818) |
| Postage | - | - | 17,874 | 17,874 |
| Other | 155,500 | 207,000 | 41,126 | (165,874) |
| Total health and welfare | 9,403,781 | 9,214,420 | 8,749,864 | (464,556) |
| Capital outlay | 270,000 | 222,000 | 327,199 | 105,199 |
| Total expenditures | 9,673,781 | 9,436,420 | 9,077,063 | (359,357) |
| Net change in fund balance | - | - | (437,885) | (437,885) |
| Fund balance - beginning of year | 2,786,838 | 2,786,838 | 2,786,838 | - |
| Fund balance - end of year | <u>\$ 2,786,838</u> | <u>\$ 2,786,838</u> | <u>\$ 2,348,953</u> | <u>\$ (437,885)</u> |

Mid-Michigan District Health Department
Required Supplementary Information
Municipal Employees Retirement System of Michigan
Schedule of Changes in Net Pension Liability and Related Ratios
September 30, 2022

| Measurement date December 31, | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|
| Total Pension Liability | | | | | | | | |
| Service cost | \$ 354,482 | \$ 339,458 | \$ 272,138 | \$ 264,216 | \$ 269,282 | \$ 281,687 | \$ 277,353 | \$ 257,983 |
| Interest on the total pension liability | 1,087,120 | 957,613 | 932,698 | 900,338 | 872,780 | 831,211 | 741,267 | 720,117 |
| Experience differences | (98,630) | 343,386 | (54,391) | (171,765) | (252,527) | (104,954) | 44,440 | - |
| Changes in actuarial assumptions | 647,442 | 709,580 | 366,834 | - | - | - | 498,434 | - |
| Other changes | - | - | - | - | 1 | (1) | 23,165 | (1) |
| Benefit payments and refunds | (684,147) | (622,875) | (596,088) | (588,407) | (496,671) | (467,601) | (457,449) | (443,826) |
| Net change in total pension liability | 1,306,267 | 1,727,162 | 921,191 | 404,382 | 392,865 | 540,342 | 1,127,210 | 534,273 |
| Total pension liability - beginning | 14,469,042 | 12,741,880 | 11,820,689 | 11,416,307 | 11,023,442 | 10,483,100 | 9,355,890 | 8,821,617 |
| Total pension liability - ending (a) | <u>\$ 15,775,309</u> | <u>\$ 14,469,042</u> | <u>\$ 12,741,880</u> | <u>\$ 11,820,689</u> | <u>\$ 11,416,307</u> | <u>\$ 11,023,442</u> | <u>\$ 10,483,100</u> | <u>\$ 9,355,890</u> |
| Plan Fiduciary Net Position | | | | | | | | |
| Employer contributions | \$ 483,030 | \$ 409,518 | \$ 849,826 | \$ 303,797 | \$ 281,778 | \$ 266,008 | \$ 252,936 | \$ 251,231 |
| Employee contributions | 115,373 | 107,051 | 92,959 | 91,929 | 94,936 | 95,221 | 92,676 | 87,771 |
| Pension plan net investment income (loss) | 1,728,713 | 1,336,228 | 1,254,010 | (366,071) | 1,115,288 | 873,830 | (119,126) | 477,547 |
| Benefit payments and refunds | (684,147) | (622,875) | (596,088) | (588,407) | (496,671) | (467,601) | (457,449) | (443,826) |
| Pension plan administrative expense | (18,768) | (20,969) | (21,666) | (18,195) | (17,650) | (17,243) | (17,344) | (17,561) |
| Net change in plan fiduciary net position | 1,624,201 | 1,208,953 | 1,579,041 | (576,947) | 977,681 | 750,215 | (248,307) | 355,162 |
| Plan fiduciary net position - beginning | 11,614,225 | 10,405,272 | 8,826,231 | 9,403,178 | 8,425,497 | 7,675,282 | 7,923,589 | 7,568,427 |
| Plan fiduciary net position - ending (b) | <u>\$ 13,238,426</u> | <u>\$ 11,614,225</u> | <u>\$ 10,405,272</u> | <u>\$ 8,826,231</u> | <u>\$ 9,403,178</u> | <u>\$ 8,425,497</u> | <u>\$ 7,675,282</u> | <u>\$ 7,923,589</u> |
| Net pension liability (a-b) | <u>\$ 2,536,883</u> | <u>\$ 2,854,817</u> | <u>\$ 2,336,608</u> | <u>\$ 2,994,458</u> | <u>\$ 2,013,129</u> | <u>\$ 2,597,945</u> | <u>\$ 2,807,818</u> | <u>\$ 1,432,301</u> |
| Plan fiduciary net position as a percentage of total pension liability | 83.92% | 80.27% | 81.66% | 74.67% | 82.37% | 76.43% | 73.22% | 84.69% |
| Covered payroll | \$ 4,008,090 | \$ 3,953,715 | \$ 3,176,405 | \$ 3,080,999 | \$ 3,148,825 | \$ 3,273,595 | \$ 3,271,321 | \$ 3,042,883 |
| Net pension liability as a percentage of covered payroll | 63.29% | 72.21% | 73.56% | 97.19% | 63.93% | 79.36% | 85.83% | 47.07% |

*GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.

Mid-Michigan District Health Department
Required Supplementary Information
Municipal Employees Retirement System of Michigan
Schedule of Employer Contributions
September 30, 2022

| Fiscal Year Ending September 30, | Actuarially Determined Contribution | Actual Contribution | Contribution Deficiency (Excess) | Covered Payroll | Actual Contribution as a % of Covered Payroll |
|--|---|------------------------|--|--------------------|--|
| 2013 | \$ 414,440 | \$ 198,313 | \$ 216,127 | \$ 2,904,165 | 6.83% |
| 2014 | 219,406 | 219,406 | - | 2,919,078 | 7.52% |
| 2015 | 251,230 | 251,230 | - | 3,149,934 | 7.98% |
| 2016 | 252,937 | 252,937 | - | 3,410,816 | 7.42% |
| 2017 | 266,008 | 266,008 | - | 3,263,521 | 8.15% |
| 2018 | 281,778 | 281,778 | - | 3,193,159 | 8.82% |
| 2019 | 301,786 | 303,797 | (2,011) | 3,200,079 | 9.49% |
| 2020 | 367,217 | 849,826 | (482,609) | 3,476,476 | 24.45% |
| 2021 | 435,199 | 435,199 | - | 4,006,194 | 10.86% |
| 2022 | 542,803 | 866,633 | (323,830) | 4,373,147 | 19.82% |

Notes: Actuarially determined contribution amounts are calculated as of December 31 each year, which is 21 months prior to the beginning of the fiscal year in which contributions are reported. The actuarially determined contribution (ADC) included in this schedule is calculated as the normal cost payment plus the amortized portion of the unfunded actuarial accrued liability.

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|--|
| Actuarial cost method | Entry age normal cost |
| Amortization method | Level percentage, open |
| Remaining amortization period | 14 |
| Asset valuation method | 5-year smoothed value of assets |
| Inflation | 2.50% |
| Salary increases | 3.00% |
| Investment rate of return | 7.00%, net of investment expense |
| Retirement age | 60 |
| Mortality | RP-2014 Healthy Annuitant Mortality Tables - 50% male and 50% female blend RP-2014 Employee Mortality Tables - 50% male and 50% female blend RP-2014 Juvenile Mortality Tables - 50% male and 50% female blend |

Mid-Michigan District Health Department
Required Supplementary Information
Other Postemployment Benefits
Schedule of Changes in Total OPEB Liability and Related Ratios
September 30, 2022

| Fiscal year ended September 30, | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total OPEB Liability | | | | | |
| Service cost | \$ 13,440 | \$ 14,926 | \$ 11,475 | \$ 12,397 | \$ 11,933 |
| Interest on the total OPEB liability | 5,971 | 4,969 | 6,897 | 5,578 | 5,919 |
| Experience differences | - | 683 | - | (5,030) | (6,768) |
| Changes in actuarial assumptions | (30,016) | (5,572) | 17,739 | (5,306) | (12,933) |
| Net change in total OPEB liability | (10,605) | 15,006 | 36,111 | 7,639 | (1,849) |
| Total OPEB liability - beginning | 232,286 | 217,280 | 181,169 | 173,530 | 175,379 |
| Total OPEB liability - ending | <u>\$ 221,681</u> | <u>\$ 232,286</u> | <u>\$ 217,280</u> | <u>\$ 181,169</u> | <u>\$ 173,530</u> |
| Plan fiduciary net position as a percentage of total OPEB liability | - % | - % | - % | - % | - % |
| Covered payroll | \$ 657,806 | \$ 637,250 | \$ 614,327 | N/A | \$ 572,784 |
| Net OPEB liability as a percentage of covered payroll | 33.70% | 36.45% | 35.37% | N/A | 30.30% |

*GASB Statement No. 75 was implemented for the fiscal year ended September 30, 2018 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.

Mid-Michigan District Health Department
Required Supplementary Information
Other Postemployment Benefits
Schedule of Employer Contributions
September 30, 2022

| Fiscal Year Ending September 30, | Actuarially Determined Contribution | Actual Contribution | Contribution Deficiency (Excess) | Covered Payroll | Actual Contribution as a % of Covered Payroll |
|--|---|------------------------|--|--------------------|--|
| 2018 | \$ 27,500 | \$ - | \$ 27,500 | \$ 572,784 | - % |
| 2019 | 27,305 | - | 27,305 | N/A | N/A |
| 2020 | 28,564 | - | 28,564 | 614,327 | - % |
| 2021 | 34,569 | - | 34,569 | 637,250 | - % |
| 2022 | 36,316 | - | 36,316 | 657,806 | - % |

Notes to Schedule of Contributions

Valuation Date: September 30, 2020

Notes: Actuarially determined contribution amounts are calculated as of September 30 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported. The actuarially determined contribution (ADC) included in this schedule is calculated as the normal cost payment plus the amortized portion of the unfunded actuarial accrued liability.

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|--|
| Actuarial cost method | Entry age normal (level percentage of compensation) |
| Amortization method | Level dollar |
| Remaining amortization period | 12 years |
| Asset valuation method | Not applicable, plan is not pre-funded |
| Inflation | Not applicable, plan is not pre-funded |
| Healthcare cost trend rates | Not applicable |
| Salary increases | 2.50% |
| Investment rate of return | Not applicable, plan is not pre-funded |
| Retirement age | 60 |
| Mortality | 2010 Public General Employees and Healthy Retirees, Headcount weighted |