

Mid-Michigan District Health Department

Financial Statements

September 30, 2023



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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, 2023, 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, 2023, 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.

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 February 13, 2024, 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
February 13, 2024

Mid-Michigan District Health Department

Management's Discussion and Analysis

September 30, 2023

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, 2023, 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, 2023, by \$546,359 (net position) at the government-wide level.
- The Department's total net position decreased by \$639,599 as a result of this year's operations, primarily due to retirement liabilities.
- As of September 30, 2023, the Department's governmental fund reported an ending fund balance of \$2,262,356, a decrease of \$86,597

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, 2023.

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 2022/2023. 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. Such information may be useful in evaluating the Department's near-term financing requirements. Because the

**Mid-Michigan District Health Department
Management's Discussion and Analysis
September 30, 2023**

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 \$546,359. A comparative analysis of data with the previous fiscal year is as follows:

	<u>2023</u>	<u>2022</u>
Current and other assets	\$3,765,876	\$4,127,244
Capital assets	<u>430,227</u>	<u>402,979</u>
Total assets	<u>4,196,103</u>	<u>4,530,223</u>
Deferred outflow of resources	<u>2,150,076</u>	<u>1,832,978</u>
Current liabilities	1,336,163	1,588,965
Noncurrent liabilities	<u>5,152,502</u>	<u>3,350,324</u>
Total liabilities	<u>6,488,665</u>	<u>4,939,289</u>
Deferred inflow of resources	<u>403,873</u>	<u>1,330,672</u>
Net position		
Investment in capital assets	430,227	402,979
Restricted for		
Dental Clinic	65,209	95,208
Medicaid cost based reimbursement	75,457	168,289
Unrestricted	<u>(1,117,252)</u>	<u>(573,236)</u>
Total net position	<u>\$(546,359)</u>	<u>\$93,240</u>

**Mid-Michigan District Health Department
Management's Discussion and Analysis
September 30, 2023**

Unrestricted net position (the part of net position that can be used to finance day-to-day operations) decreased by \$639,599. Net position invested in capital assets increased by \$27,248. The current level of unrestricted net position for the governmental activities stands at a deficit of \$1,117,252.

The following table shows the changes of net position for the years ended September 30, 2023, and 2022.

	2023	2022
Program revenues		
Charges for services	\$1,151,320	\$1,372,169
Operating grants and contributions	5,645,866	5,626,211
General revenue		
County appropriations	1,427,810	1,385,498
Interest/Miscellaneous	132,089	32,942
Gain on Capital Assets	0	125
Total revenues	8,357,085	8,416,945
 Program expenses	 8,996,684	 8,866,328
 Change in net position	 \$(639,599)	 \$(449,383)

Total expenses increased 15% over the previous fiscal year and revenue decreased approximately 1%.

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 \$2,262,356, a decrease of \$86,597 comparison with the prior year. Certain constraints have been placed on fund balance on September 30, 2023. Of the total fund balance, \$1,884,833 or 83% 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 \$377,523 and the unassigned fund balance is \$0. 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 23% of the total fund expenditures.

**Mid-Michigan District Health Department
Management's Discussion and Analysis
September 30, 2023**

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, 2023, no budget amendments were made, as actual activities did not significantly change compared to expectations. The actual expenditures came in at \$8,443,932 compared to the budgeted expenditures of \$8,800,846.

Capital Asset and Debt Administration

Capital Assets: The Department's investment in capital assets as of September 30, 2023, amounts to \$430,227 (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, 2023, was \$462,513.

Economic Factors and Next Year's Budget and Rates

For the fiscal year ending September 30, 2023, 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, 2023

	Governmental Activities
Cash	\$ 30,537
Cash on deposit with fiscal agent	2,653,084
Receivables	
Accounts	207,898
Leases	167,357
Due from other units of government	
Federal and state	336,237
Local	133,906
Inventories	58,166
Prepaid items	178,691
Capital assets, net of accumulated depreciation	430,227
Total assets	4,196,103
Deferred Outflows of Resources	
Deferred amount relating to net pension liability	2,137,443
Deferred amount relating to total OPEB liability	12,633
Total deferred outflows of resources	2,150,076
Liabilities	
Accounts payable	135,224
Accrued wages	230,127
Accrued liabilities	168,500
Due to others	17,987
Due to other units of government	717,862
Unearned revenue	66,463
Noncurrent liabilities	
Compensated absences due within one year	462,513
Compensated absences due in more than one year	88,488
Total OPEB liability	222,340
Net pension liability	4,379,161
Total liabilities	6,488,665
Deferred Inflows of Resources	
Deferred amount relating to leases receivable	167,357
Deferred amount relating to net pension liability	188,494
Deferred amount relating to total OPEB liability	48,022
Total deferred outflows of resources	403,873
Net Position	
Net investment in capital assets	430,227
Restricted for	
Dental clinic	65,209
Medicaid cost based reimbursement	75,457
Unrestricted (deficit)	(1,117,252)
Total net position (deficit)	\$ (546,359)

See Accompanying Notes to the Financial Statements

Mid-Michigan District Health Department
Statement of Activities
For the Year Ended September 30, 2023

Governmental activities	Expenses	Program Revenues		Net (Expense)
Functions/Programs		Charges for	Operating	Revenue and
		Services	Grants and	Changes in
			Contributions	Net Position
Health and welfare				
Community health and education	\$ 3,658,743	\$ 445,206	\$ 2,204,750	\$ (1,008,787)
Environmental health	2,161,273	706,096	1,018,056	(437,121)
Administration	3,176,668	18	2,423,060	(753,590)
Total governmental activities	<u>\$ 8,996,684</u>	<u>\$ 1,151,320</u>	<u>\$ 5,645,866</u>	<u>(2,199,498)</u>
General revenues				
Interest				107,503
County appropriations				1,427,810
Miscellaneous				<u>24,586</u>
Total general revenues				<u>1,559,899</u>
Change in net position				(639,599)
Net position - beginning of year				<u>93,240</u>
Net position - end of year (deficit)				<u>\$ (546,359)</u>

See Accompanying Notes to the Financial Statements

Mid-Michigan District Health Department
Governmental Fund
Balance Sheet
September 30, 2023

	<u>General Operating Fund</u>
Assets	
Cash	\$ 30,537
Cash on deposit with fiscal agent	2,653,084
Receivables	
Accounts	207,898
Leases	167,357
Due from other units of government	
Federal and state	336,237
Local	133,906
Inventories	58,166
Prepaid items	<u>178,691</u>
Total assets	<u><u>\$ 3,765,876</u></u>
Liabilities	
Accounts payable	\$ 135,224
Accrued wages	230,127
Accrued liabilities	168,500
Due to others	17,987
Due to other units of government	717,862
Unearned revenue	<u>66,463</u>
Total liabilities	<u>1,336,163</u>
Deferred Inflows of Resources	
Leases	<u>167,357</u>
Fund Balances	
Non-spendable	
Inventories	58,166
Prepaid items	178,691
Restricted for	
Dental clinic	65,209
Medicaid cost based reimbursement	75,457
Committed	<u>1,884,833</u>
Total fund balances	<u>2,262,356</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 3,765,876</u></u>

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, 2023**

Total fund balances for governmental fund	\$ 2,262,356
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.	430,227
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Compensated absences	(551,001)
Deferred outflows of resources resulting from net pension liability	2,137,443
Deferred outflows of resources resulting from total OPEB liability	12,633
Deferred inflows of resources resulting from net pension liability	(188,494)
Deferred inflows of resources resulting from total OPEB liability	(48,022)
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	(222,340)
Net pension liability	<u>(4,379,161)</u>
Net position of governmental activities	<u>\$ (546,359)</u>

Mid-Michigan District Health Department
Governmental Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2023

	<u>General Operating Fund</u>
Revenues	
Licenses and permits	\$ 723,134
Intergovernmental	
Federal and state	5,560,191
Local	
Other	85,675
County	1,427,810
Charges for services	428,186
Interest income	107,503
Other revenue	<u>24,586</u>
Total revenues	<u>8,357,085</u>
Expenditures	
Current	
Health and welfare	
Salaries and wages	4,088,974
Fringe benefits	1,872,742
Supplies and materials	469,276
Contractual services	1,013,629
Communications	132,200
Travel and training	163,491
Insurance	63,921
Building and equipment lease and rentals	361,564
Printing and advertising	25,986
Postage	18,936
Other	<u>47,112</u>
Total health and welfare	<u>8,257,831</u>
Capital outlay	<u>186,101</u>
Total expenditures	<u>8,443,932</u>
Deficiency of revenues over expenditures	(86,847)
Other financing sources	
Sale of capital assets	<u>250</u>
Net change in fund balance	(86,597)
Fund balance - beginning of year	<u>2,348,953</u>
Fund balance - end of year	<u><u>\$ 2,262,356</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, 2023

Net change in fund balances - total governmental fund \$ (86,597)

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	(83,537)
Capital outlay	129,668
Sale of capital assets (net book value)	(18,883)

Expenses are recorded when incurred in the statement of activities.

Compensated absences	40,759
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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	(1,842,278)
Net change in the deferred inflows of resources related to the net pension liability	901,221
Net change in the deferred outflows of resources related to the net pension liability	318,560

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	(659)
Net change in the deferred inflows of resources related to the total OPEB liability	3,609
Net change in the deferred outflows of resources related to the total OPEB liability	(1,462)

Change in net position of governmental activities \$ (639,599)

Mid-Michigan District Health Department
Notes to the Financial Statements
September 30, 2023

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, 2023

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, 2023

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.

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

Equipment	\$	489,494
Facility development		137,523
Self-insurance bonds		13,950
Retirement		277,270
Vacation and sick leave		511,845
Unemployment		55,000
Training		35,000
Behavioral Risk Factor Survey (BRFS)		11,522
Health insurance		125,451
OPEB liability		77,778
CHW program		150,000
	<u>\$</u>	<u>1,884,833</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. 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.

Upcoming Accounting and Reporting Changes

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.

Mid-Michigan District Health Department
Notes to the Financial Statements
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Statement No. 102, *Certain Risk Disclosures*, requires organizations to provide users of the financial statements with essential information about risks related to the organization’s vulnerabilities due to certain concentrations or constraints. This statement is effective for the year ending September 30, 2025.

The Department is evaluating the impact that the above GASB statements will have on its financial reporting.

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.

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	\$ 30,537	\$ 2,653,084	\$ 2,683,621

The breakdown between deposits and investments is as follows:

Bank deposits (checking and savings accounts)	\$ 29,647
Cash on deposit with fiscal agent	2,653,084
Petty cash and cash on hand	890
	\$ 2,683,621

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.

Mid-Michigan District Health Department
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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 \$1,631 in related interest income for the year ended September 30, 2023.

Note 5 - Capital Assets

Capital assets activity for the current year is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets being depreciated				
Buildings, additions and improvements	\$ 223,617	\$ -	\$ -	\$ 223,617
Equipment	545,566	129,668	73,370	601,864
Leasehold improvements	19,731	-	-	19,731
Software	416,502	-	6,051	410,451
	<u>1,205,416</u>	<u>129,668</u>	<u>79,421</u>	<u>1,255,663</u>
Total capital assets being depreciated				
Less accumulated depreciation for				
Buildings, additions and improvements	77,084	11,490	-	88,574
Equipment	424,880	36,775	54,487	407,168
Leasehold improvements	10,523	1,730	-	12,253
Software	289,950	33,542	6,051	317,441
	<u>802,437</u>	<u>83,537</u>	<u>60,538</u>	<u>825,436</u>
Total accumulated depreciation				
	<u>402,979</u>	<u>46,131</u>	<u>18,883</u>	<u>430,227</u>
Governmental activities capital assets, net				

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

Governmental activities	
Community health and education	\$ 10,031
Environmental health	1,651
Administration	71,855
Total governmental activities	<u>\$ 83,537</u>

Mid-Michigan District Health Department
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September 30, 2023

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:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Compensated absences	\$ 591,760	\$ 421,754	\$ 462,513	\$ 551,001	\$ 462,513

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%.

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Employees covered by benefit terms – At the December 31, 2022 valuation date, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefits	67
Inactive employees entitled to, but not yet receiving benefits	46
Active employees	76
	189

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 11.27% to 31.45% based on annual payroll for open divisions. There were no divisions closed to new hires as of December 31, 2022.

Net pension liability – The employer’s net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Actuarial assumptions – The total pension liability in the December 31, 2022 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%	4.20%	2.50%	2.70%
Global fixed income	20.00%	4.50%	0.90%	2.50%	0.40%
Private investments	20.00%	9.50%	1.90%	2.50%	1.40%
	100.00%		7.00%		4.50%

Mid-Michigan District Health Department
Notes to the Financial Statements
September 30, 2023

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.

Total Pension Liability	
Service cost	\$ 372,021
Interest on the total pension liability	1,131,578
Experience differences	(185,574)
Benefit payments and refunds	<u>(706,676)</u>
Net change in total pension liability	611,349
Total pension liability - beginning	<u>15,775,309</u>
Total pension liability - ending (a)	<u>\$ 16,386,658</u>
Plan Fiduciary Net Position	
Employer contributions	\$ 867,392
Employee contributions	113,221
Pension plan net investment loss	(1,480,081)
Benefit payments and refunds	(706,676)
Pension plan administrative expense	<u>(24,785)</u>
Net change in plan fiduciary net position	(1,230,929)
Plan fiduciary net position - beginning	<u>13,238,426</u>
Plan fiduciary net position - ending (b)	<u>\$ 12,007,497</u>
Net pension liability (a-b)	<u>\$ 4,379,161</u>
Plan fiduciary net position as a percentage of total pension liability	73.28%
Covered payroll	\$ 3,891,778
Net pension liability as a percentage of covered payroll	112.52%

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.

	1% Decrease	Current Discount rate	1% Increase
Total pension liability	<u>\$ 18,558,477</u>	<u>\$ 16,386,658</u>	<u>\$ 14,585,204</u>
Fiduciary net position	<u>12,007,497</u>	<u>12,007,497</u>	<u>12,007,497</u>
Net pension liability	<u>\$ 6,550,980</u>	<u>\$ 4,379,161</u>	<u>\$ 2,577,707</u>

Mid-Michigan District Health Department
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September 30, 2023

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 \$1,203,228. 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	\$ 85,845	\$ (188,494)	\$ (102,649)
Differences in assumptions	501,115	-	501,115
Net difference between projected and actual earnings on plan investments	1,122,031	-	1,122,031
Contributions subsequent to the measurement date*	428,452	-	-
Total	<u>\$ 2,137,443</u>	<u>\$ (188,494)</u>	<u>\$ 1,520,497</u>

*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>	
2024	\$ 456,793
2025	300,536
2026	273,389
2027	489,779
	<u>\$ 1,520,497</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 2011 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, 2023, the plan membership consisted of the following:

Active employees	8
Inactive employees or beneficiaries currently receiving benefits	<u>2</u>
	<u>10</u>

The plan is closed to new employees.

Total OPEB liability – The total OPEB liability of \$222,340 was measured as of September 30, 2023 and was determined by an actuarial valuation as of September 30, 2022 rolled forward to September 30, 2023.

Mid-Michigan District Health Department
Notes to the Financial Statements
September 30, 2023

Actuarial assumptions – The total OPEB liability was determined by an actuarial valuation as of September 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	Not applicable, plan is not pre-funded
Salary increases	2.50% (for purpose of allocating liability)
Investment rate of return	Not applicable, plan is not pre-funded
20-year Aa Municipal bond rate	4.87%
Mortality Improvement Scale	Public General 2010 Employee and Healthy Retiree, Headcount weighted MP-2021

Discount Rate – The discount rate used to measure the total OPEB liability was 4.87%. 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, 2022 was 4.77%.

Changes in Total OPEB Liability

Total OPEB Liability	
Service cost	\$ 7,005
Interest on the total OPEB liability	10,555
Experience differences	(975)
Changes in actuarial assumptions	(1,127)
Benefit payments and refunds	<u>(14,799)</u>
Net change in total OPEB liability	659
Total OPEB liability - beginning	<u>221,681</u>
Total OPEB liability - ending	<u><u>\$ 222,340</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>\$ 234,395</u>	<u>\$ 222,340</u>	<u>\$ 210,936</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, 2023

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB – For the year ended September 30, 2023 the employer recognized OPEB expense of \$13,311. 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	\$ 506	\$ (7,871)	\$ (7,365)
Differences in assumptions	12,127	(40,151)	(28,024)
Total	<u>\$ 12,633</u>	<u>\$ (48,022)</u>	<u>\$ (35,389)</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,	
2024	\$ 4,249
2025	4,249
2026	4,249
2027	4,249
2028	4,249
Thereafter	14,144
	<u>\$ 35,389</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, 2023

Note 11 - Related Party Transactions

The Department is a joint venture between Montcalm, Gratiot and Clinton Counties. The Department has deposits of \$2,653,084 held with Montcalm County as part of the County's pooled cash and investments. The Department receives intergovernmental revenue from these counties, including appropriations, grants, and space occupancy. Related party payments for the fiscal year ending September 30, 2023 are as follows:

	Intergovernmental Revenue	Due from County as of September 30, 2023
Montcalm	\$ 553,004	\$ 42,806
Gratiot	369,327	24,389
Clinton	530,023	66,711

Note 12 - 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.

**Mid-Michigan District Health Department
Required Supplementary Information
Budgetary Comparison Schedule
General Operating Fund
For the Year Ended September 30, 2023**

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
Taxes				
Licenses and permits	\$ 742,500	\$ 742,500	\$ 723,134	\$ (19,366)
Intergovernmental				
Federal and state	5,525,587	5,525,587	5,560,191	34,604
Local				
Other	438,000	438,000	85,675	(352,325)
County	1,430,104	1,430,104	1,427,810	(2,294)
Charges for services	642,455	642,455	428,186	(214,269)
Interest income	-	-	107,503	107,503
Other revenue	22,200	22,200	24,586	2,386
Sale of capital assets	-	-	250	250
Total revenues	8,800,846	8,800,846	8,357,335	(443,511)
Expenditures				
Health and welfare				
Salaries and wages	4,336,979	4,336,979	4,088,974	(248,005)
Fringe benefits	2,069,567	2,069,567	1,872,742	(196,825)
Supplies and materials	491,200	491,200	469,276	(21,924)
Contractual services	1,056,400	1,056,400	1,013,629	(42,771)
Communications	59,400	59,400	132,200	72,800
Travel and training	171,900	171,900	163,491	(8,409)
Insurance	33,000	33,000	63,921	30,921
Building and equipment lease and rentals	316,600	316,600	361,564	44,964
Printing and advertising	34,100	34,100	25,986	(8,114)
Postage	14,800	14,800	18,936	4,136
Other	74,900	74,900	47,112	(27,788)
Total health and welfare	8,658,846	8,658,846	8,257,831	(401,015)
Capital outlay	142,000	142,000	186,101	44,101
Total expenditures	8,800,846	8,800,846	8,443,932	(356,914)
Net change in fund balance	-	-	(86,597)	(86,597)
Fund balance - beginning of year	2,348,953	2,348,953	2,348,953	-
Fund balance - end of year	<u>\$ 2,348,953</u>	<u>\$ 2,348,953</u>	<u>\$ 2,262,356</u>	<u>\$ (86,597)</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, 2023

Measurement date December 31,	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service cost	\$ 372,021	\$ 354,482	\$ 339,458	\$ 272,138	\$ 264,216	\$ 269,282	\$ 281,687	\$ 277,353	\$ 257,983
Interest on the total pension liability	1,131,578	1,087,120	957,613	932,698	900,338	872,780	831,211	741,267	720,117
Experience differences	(185,574)	(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	(706,676)	(684,147)	(622,875)	(596,088)	(588,407)	(496,671)	(467,601)	(457,449)	(443,826)
Net change in total pension liability	611,349	1,306,267	1,727,162	921,191	404,382	392,865	540,342	1,127,210	534,273
Total pension liability - beginning	15,775,309	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>\$ 16,386,658</u>	<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	\$ 867,392	\$ 483,030	\$ 409,518	\$ 849,826	\$ 303,797	\$ 281,778	\$ 266,008	\$ 252,936	\$ 251,231
Employee contributions	113,221	115,373	107,051	92,959	91,929	94,936	95,221	92,676	87,771
Pension plan net investment income (loss)	(1,480,081)	1,728,713	1,336,228	1,254,010	(366,071)	1,115,288	873,830	(119,126)	477,547
Benefit payments and refunds	(706,676)	(684,147)	(622,875)	(596,088)	(588,407)	(496,671)	(467,601)	(457,449)	(443,826)
Pension plan administrative expense	(24,785)	(18,768)	(20,969)	(21,666)	(18,195)	(17,650)	(17,243)	(17,344)	(17,561)
Net change in plan fiduciary net position	(1,230,929)	1,624,201	1,208,953	1,579,041	(576,947)	977,681	750,215	(248,307)	355,162
Plan fiduciary net position - beginning	13,238,426	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>\$ 12,007,497</u>	<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>\$ 4,379,161</u>	<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	73.28%	83.92%	80.27%	81.66%	74.67%	82.37%	76.43%	73.22%	84.69%
Covered payroll	\$ 3,891,778	\$ 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	112.52%	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, 2023**

Fiscal Year Ending September 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
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%
2023	582,029	582,029	-	4,070,412	14.30%

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	13
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	Pre-Retirement Mortality: 100% of Pub-2010 Juvenile Mortality Tables for Ages 0-17, 100% of PubG-2010 Employee Mortality Tables for Ages 18-80, 100% of PubG-2010 Healthy Retiree Tables for Ages 81-120 Non-Disabled retired plan members and beneficiaries: 106% of Pub-2010 Juvenile Mortality Tables for Ages 0-17, 106% of PubG-2010 Employee Mortality Tables for Ages 18-49, 106% of PubG-2010 Healthy Retiree Tables for Ages 50-120 Disables retired plan members: 100% of Pub-2010 Juvenile Mortality Tables for Ages 0-17, 100% of PubNS-2010 Disables Retiree Tables for Ages 18-120

Mid-Michigan District Health Department
Required Supplementary Information
Other Postemployment Benefits
Schedule of Changes in Total OPEB Liability and Related Ratios
September 30, 2023

Fiscal year ended September 30,	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service cost	\$ 7,005	\$ 13,440	\$ 14,926	\$ 11,475	\$ 12,397	\$ 11,933
Interest on the total OPEB liability	10,555	5,971	4,969	6,897	5,578	5,919
Experience differences	(975)	-	683	-	(5,030)	(6,768)
Changes in actuarial assumptions	(1,127)	(30,016)	(5,572)	17,739	(5,306)	(12,933)
Benefit payments and refunds	(14,799)	-	-	-	-	-
Net change in total OPEB liability	659	(10,605)	15,006	36,111	7,639	(1,849)
Total OPEB liability - beginning	221,681	232,286	217,280	181,169	173,530	175,379
Total OPEB liability - ending	<u>\$ 222,340</u>	<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	\$ 588,218	\$ 657,806	\$ 637,250	\$ 614,327	N/A	\$ 572,784
Net OPEB liability as a percentage of covered payroll	37.80%	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, 2023**

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	- %
2023	33,705	-	33,705	588,218	- %

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	11 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	Public General 2010 Employee and Healthy Retiree, Headcount weighted



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February 13, 2024

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

We have audited the 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, 2023. We are required to communicate certain matters to you in accordance with generally accepted auditing standards that are related to internal control and the audit.

Our communication includes the following:

- I. Auditors' Communication of Significant Matters with Those Charged with Governance
- II. Matters for Management's Consideration

Matters for management's consideration are not required to be communicated but we believe are valuable for management.

We discussed these matters with various personnel in the Department during the audit and with management. We would also be pleased to meet with you to discuss these matters at your convenience.

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

Yeo & Yeo, P.C.

Alma, Michigan

Appendix I

Auditors' Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated December 20, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Department are described in the footnotes of the financial statements. The Department has adopted the following Governmental Accounting Standards Board Statements effective October 1, 2022:

- 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.

We noted no transactions entered into by the Department during the year for which there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.
- Leases receivable and the related deferred inflows of resources. The estimate is based on management's assessment of the likelihood of exercising renewal options and utilizing interest and discount rates.
- Net pension liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.
- Net other postemployment benefits (OPEB) liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Disclosures in the financial statements are neutral, consistent and clear.

A significant risk is an identified and assessed risk of material misstatement that, in the auditors' professional judgment, requires special audit consideration. Within our audit, we focused on the following areas.

- Management override of controls
- Improper revenue recognition
- Implementation of new accounting standard
- Information technology controls
- Improper use of gas cards

Accounting Standards and Regulatory Updates

The Governmental Accounting Standards Board has released additional Statements. Details regarding these Statements are described in the footnotes of the financial statements.

Implementation Guide No 2021-1, *Implementation Guidance Update-2021* has an amended response related to the capitalization of assets purchased as a group. Under the amended guidance, governments *should* capitalize individual items when the purchase in the aggregate is considered significant, even if the individual items are less than the capitalization threshold of the government. The effective date for implementation is for reporting periods beginning after June 15, 2023 (effectively, for the first year ended September 30, 2024 or later) and requires retroactive implementation.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial and communicate them to the appropriate level of management. Management has corrected all such misstatements.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Management has determined that the effects of the uncorrected misstatements summarized below are immaterial both individually and in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit.

- For the purposes of GASB 96, the impact of a subscription-based information technology arrangement was not reported in the financial statements for the year ended September 30, 2023. This resulted in governmental activities' assets and liabilities being understated by approximately \$12,000 and \$18,000, respectively, and beginning net position being overstated by approximately \$6,000.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management’s Consultations with Other Accountants

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

Other Audit Findings or Issues

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

Other Reports

Other information that is required to be reported to you is included in the: Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors’ Report on Compliance For Each Major Federal Program; Independent Auditors’ Report on Internal Control Over Compliance; Independent Auditors’ Report on Schedule of Expenditures of Federal Awards Required by the Uniform Grant Guidance; and the Schedule of Findings and Questioned Costs. Please read all information included in those reports to ensure you are aware of relevant information.

Report on Required Supplementary Information

We applied certain limited procedures to management’s discussion and analysis and the remaining required supplementary information (RSI) as described in the table of contents of the financial statements that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Appendix II

Matters for Management’s Consideration

In planning and performing our audit of the financial statements of the Department as of and for the year ended September 30, 2023, we considered the Department’s internal control over financial reporting (internal control) as a basis for designing audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Department’s internal control.

However, during our audit we became aware of the following matter for management’s consideration that is an opportunity for improving compliance. This letter does not affect our report dated February 13, 2024, on the financial statements of the Department.

Electronic Transaction Policy

The Department does not have a written policy concerning electronic transactions of public funds. Michigan Public Act 738 of 2002 requires the Department to adopt a written electronic transaction policy. We recommend that management review the requirements, draft a policy and present the policy to the Board of Public Health for approval.

Mid-Michigan District Health Department

Single Audit Report

September 30, 2023



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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditors' Report

Management and the Board of Public Health
Mid-Michigan District Health Department
Stanton, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Mid-Michigan District Health Department as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise Mid-Michigan District Health Department's basic financial statements, and have issued our report thereon dated February 13, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mid-Michigan District Health Department's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mid-Michigan District Health Department's internal control. Accordingly, we do not express an opinion on the effectiveness of Mid-Michigan District Health Department's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mid-Michigan District Health Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Yeo & Yeo, P.C.

Alma, Michigan
February 13, 2024



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Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditors' Report

Management and the Board of Public Health
Mid-Michigan District Health Department
Stanton, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Mid-Michigan District Health Department's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Mid-Michigan District Health Department's major federal programs for the year ended September 30, 2023. Mid-Michigan District Health Department's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Mid-Michigan District Health Department complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance 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 relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Mid-Michigan District Health Department's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or agreements applicable to Mid-Michigan District Health Department's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Mid-Michigan District Health Department's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Mid-Michigan District Health Department's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Mid-Michigan District Health Department's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Mid-Michigan District Health Department's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Mid-Michigan District Health Department's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities and the major fund of Mid-Michigan District Health Department, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise Mid-Michigan District Health Department's basic financial statements. We issued our report thereon dated February 13, 2024, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

Alma, Michigan
February 13, 2024

**Mid-Michigan District Health Department
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2023**

Federal Grantor Pass-Through Grantor Program Title	Assistance Listing Number	Pass-Through Grantors Number	Award Amount	Expenditures
U.S. Department of Agriculture				
Passed through Michigan Department of Health and Human Services				
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557			
WIC Resident Services		232MI003W1003	\$ 720,777	\$ 720,777
WIC Breastfeeding		232MI003W1003	71,653	71,653
WIC Breastfeeding		222MI013W5003	46,270	45,610
WIC Breastfeeding		232MI013W5003	10,811	<u>10,811</u>
				<u>848,851</u>
U.S. Department of Health and Human Services				
Passed Through Michigan Department of Health and Human Services				
Public Health Emergency Preparedness (PHEP) 7/1-9/30	93.069	NU90TP22186	33,925	<u>33,925</u>
Passed Through Michigan Department of Health and Human Services				
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116			
Tuberculosis (TB) Control		NU52PS910173	1,299	<u>570</u>
Passed Through Michigan Department of Health and Human Services				
Family Planning Services	93.217	FPHPA006540	116,884	<u>116,884</u>
Passed Through Michigan Department of Health and Human Services				
Immunization Cooperative Agreements	93.268			
Immunization Action Plan (IAP)		NH23IP922635	81,024	81,024
CSHCS Vaccine Initiative		NH23IP922635	14,007	11,650
Immunization Fixed Fees		NH23IP922635	15,000	8,400
COVID Immunizations		NH23IP922635	260,591	260,591
Vaccine Supply - non-cash		N/A	150,123	<u>150,123</u>
				<u>511,788</u>
Passed Through Michigan Department of Community Health				
Drug-Free Communities Support Program Grants	93.276			
Clinton Substance Abuse Prevention Coalition		1H79SP020468-06	125,000	<u>94,290</u>
Passed Through Michigan Department of Health and Human Services				
Epidemiology and Laboratory Capacity for Infectious Disease	93.323			
ELC Contact Tracing, Testing, Coordination, and Infection Prevention		NU50CK000510	606,095	407,418
Reopening Schools HRA		NU50CK000510	924,000	<u>531,066</u>
				<u>938,484</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**Mid-Michigan District Health Department
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2023**

Federal Grantor Pass-Through Grantor Program Title	Assistance Listing Number	Pass-Through Grantors Number	Award Amount	Expenditures
U.S. Department of Health and Human Services (Continued)				
Passed Through Michigan Department of Health and Human Services Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	NU90TP22186	\$ 131,894	<u>\$ 131,894</u>
Passed Through Michigan Rural Health Center CDC COVID Health Disparities	93.391	N/A	399,610	<u>179,980</u>
Passed Through Michigan Department of Health and Human Services Covid Health Disparities-State, Tribal, Local, Territorial	93.391	NH750T000078	25,000	<u>25,000</u>
Passed Through Michigan Department of Health and Human Services Medicaid Cluster Medical Assistance Program	93.778			
CSHCS Outreach & Advocacy		2305MI5ADM	58,364	58,364
CSHCS Medicaid Outreach		2405MI5ADM	78,719	75,274
MAP - Medicaid Outreach		2305MI5ADM	59,606	18,138
Immunization Michigan Car Improvement Registry Regions		2305MI5ADM	18,750	18,750
CSHCS Care Coordination		2405MI5ADM	793	202
CSHCS Care Coordination		2305MI5ADM	13,063	6,710
CSHCS Medicaid Elevated Blood Lead Case Management		2405MI5MAP	2,172	916
Total Medicaid Cluster				<u>178,354</u>
Passed Through Michigan Department of Health and Human Services National Bioterrorism Hospital Preparedness Program Public Health Emergency Preparedness (PHEP) 10/1 - 6/30	93.889	U3REP190584	121,334	<u>121,334</u>
Passed Through Michigan Department of Health and Human Services Preventative Health and Health Services Block Grant Family Planning Services Local Health Department Sharing Services	93.991	NB010T009436 NB010T009436	10,000 52,394	<u>10,000</u> <u>52,394</u> <u>62,394</u>
Maternal and Child Health Services Block Grant to the States CSHCS Care Coordination FY 22-23 MCH - Children FY 22-23 MCH - All Other FY 22-23 Family Planning Services	93.994	B0447425 B0447425 B0447425 B0447425	3,380 50,504 34,700 47,139	6,050 50,504 34,700 47,139 <u>138,393</u>
Total U.S. Department of Health and Human Services				<u>2,533,290</u>
Total Expenditures of Federal Awards				<u>\$ 3,382,141</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Mid-Michigan District Health Department
Notes to the Schedule of Expenditures of Federal Awards
September 30, 2023

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Mid-Michigan District Health Department under programs of the federal government for the year ended September 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Mid-Michigan District Health Department, it is not intended to and does not present the financial position or changes in net position of Mid-Michigan District Health Department.

Note 2 – Summary of Significant Accounting Policies

Expenditures

Expenditures reported on the Schedule are reported on the modified accrual or accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

Mid-Michigan District Health Department has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 – Reconciliation to Financial Statements

The following is a reconciliation between the financial statements and the Schedule of Expenditures of Federal Awards.

Federal and state revenue per financial statements	\$ 5,560,191
Less: Difference between vaccines administered (revenue per financial statements) and vaccines received (expenditures per SEFA as instructed by grantor agency)	10,619
Less: State grants	<u>(2,188,669)</u>
Total expenditures of federal awards	<u>\$ 3,382,141</u>

Note 4 – Subrecipients

No amounts were provided to subrecipients.

Mid-Michigan District Health Department
Schedule of Findings and Questioned Costs
September 30, 2023

Section I – Summary of Auditors’ Results

Financial Statements

Type of report the auditor issued on whether the financial statements were prepared in accordance with Generally Accepted Accounting Principles: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major federal programs:

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

Type of auditors’ report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of major federal programs:

<i>Assistance Listing Number(s)</i>	<i>Name of Federal Program or Cluster</i>
10.557	Special Supplemental Nutrition Program for Women, Infants and Children

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X yes _____ no

**Mid-Michigan District Health Department
Schedule of Findings and Questioned Costs
September 30, 2023**

Section II – *Government Auditing Standards* Findings

There were no *Government Auditing Standards* findings for the year ended September 30, 2023.

Section III – Federal Award Findings

There were no findings or questioned costs for Federal Awards for the year ended September 30, 2023.

**Mid-Michigan District Health Department
Summary Schedule of Prior Audit Findings
September 30, 2023**

Section IV – Prior Audit Findings

Government Auditing Standards Findings

There were no findings or questioned costs for Federal Awards for the year ended September 30, 2022.

Federal Award Findings

There were no findings or questioned costs for Federal Awards for the year ended September 30, 2022.