Montcalm Care Network

Financial Statements
September 30, 2025

RPC
Roslund Prestage & Company
CERTIFIED PUBLIC ACCOUNTANTS

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Montcalm Care Network
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RPC
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Certified Public Accountants

Independent Auditor's Report

To the Members of the Board
Montcalm Care Network
Stanton, Michigan

Report on the Audit of the Financial Statements

Opinions
We have audited the accompanying financial statements of the business-type activities and each major fund of Montcalm Care Network (the CMHSP) as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the CMHSP's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the CMHSP as of September 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the CMHSP and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CMHSP's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the CMHSP's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2026, on our consideration of the CMHSP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CMHSP's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CMHSP's internal control over financial reporting and compliance.

Sincerely,

Roslund, Prestage & Company, P.C.

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

March 17, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

Montcalm Care Network

Management's Discussion and Analysis

For the year ended September 30, 2025

This Management's Discussion and Analysis (MD&A) presents an overview of the financial activities of Montcalm Care Network (the Montcalm County Community Mental Health Authority) for fiscal year (FY) ended September 30, 2025. It is intended to provide readers with a clear insight into the Authority's financial performance, significant changes from the prior year, and any potential issues. This MD&A should be read in conjunction with the audited financial statements, notes and supplementary information that is provided.

Montcalm Care Network operates under the Michigan Mental Health Code and serves as the Community Mental Health Services Program (CMHSP) for Montcalm County. A member of Mid-State Health Network—the 21-county regional Prepaid Inpatient Health Plan (PIHP)—the Authority ensures access to behavioral health, developmental disability, and specialty support services for eligible residents. In FY 2025, the Authority provided services to 2,675 individuals. Funding was primarily sourced through Medicaid, the Healthy Michigan Plan, and the State of Michigan's (MDHHS) general fund (GF).

FINANCIAL HIGHLIGHTS

- Overall expenditure of $34.1 million increased by $1.4 million from the previous year. Actual reimbursable expenditures were $33.2 million prior to an $879,005 pension expense required by GASB No. 68 (Governmental Accounting Standards Board). On a reimbursable expenditures basis there was a decrease in expenditures of $165,000 from prior year.
- The bulk of the Authority's funding was received from the PIHP. Total funding received through the PIHP was $29.7 million, or 89% of total revenue. This was an increase of $104 thousand from the previous year.
- General Funds received from MDHHS were spent in the amount of $1.2 million, or 3.5% of total revenue. There was general fund carry forward from FY 2023 to FY 2024, but no carry forward from FY 2024 to FY 2025.
- Net assets reflect a surplus of $5.024 million, which was a decrease of $532,000 from the $5.556 million surplus of the previous year. This amount was reflective of the impact of the implementation of GASB 68 as explained earlier, which in FY 2025 resulted in a $3.326 million net pension asset.
- GASB 68 continues to influence the Authority's financial position. Although the Authority maintains a net pension asset of $3.326 million, the required recognition of $879,005 in pension expense is not reimbursable by funding sources. This expense is the difference between the financial statements and the cost-settlement-based Financial Status Reports (FSR).

OVERVIEW OF FINANCIAL STATEMENTS

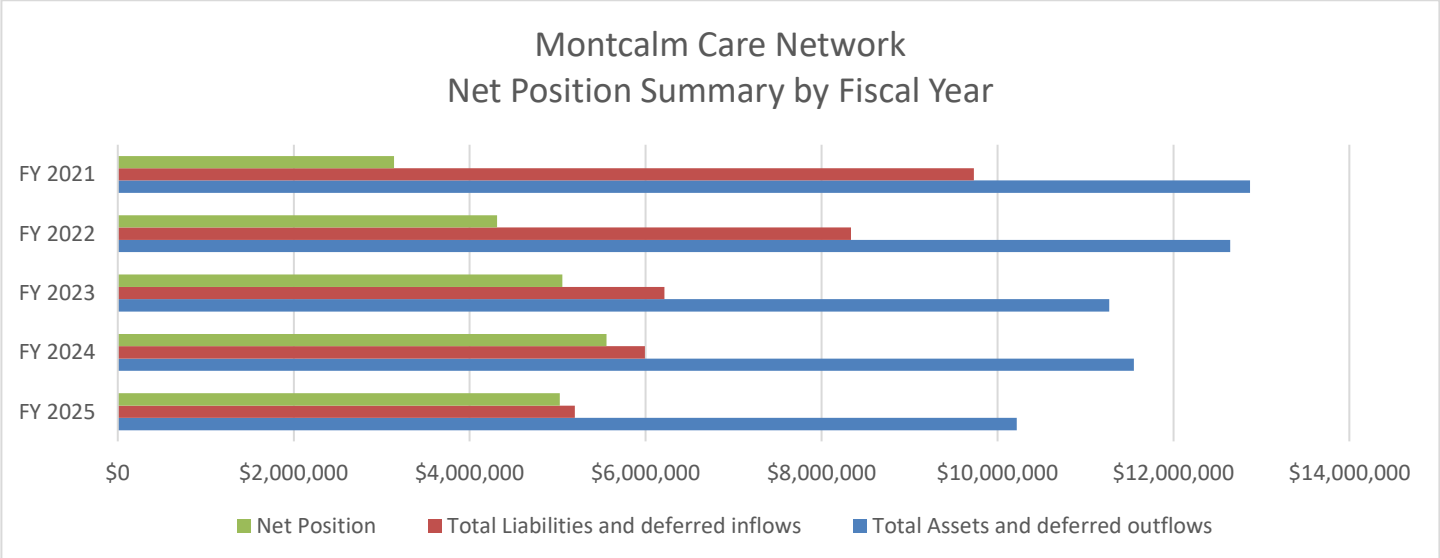
The Authority's basic financial statements include the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows. The financial statements are presented as an enterprise fund, utilizing the full accrual basis of accounting, meaning revenues are recorded when earned and expenses recorded when incurred, without regard to the timing of cash receipts or disbursements.

SUMMARY OF NET POSITION

The following summarizes the assets, deferred outflow and inflow of resources, liabilities and net position on an authority-wide basis as of September 30, 2025, and 2024.

Summary of Net Position
For the years ended September 30, 2025 and 2024
(In $000s)

	2025	2024	Increase (Decrease)	% Change
Current assets	4,622	4,311	311	7.21%
Restricted assets	1,122	1,095	27	2.47%
Noncurrent assets	3,598	4,870	(1,272)	-26.12%
Deferred outflows of resources	875	1,273	(398)	-31.26%
Total assets and deferred outflows of resources	10,217	11,549	(1,332)	-11.53%
Current liabilities	2,445	2,670	(225)	-8.43%
Noncurrent liabilities	926	939	(13)	-1.38%
Deferred inflows of resources	1,822	2,384	(562)	-23.57%
Total liabilities and deferred inflows of resources	5,193	5,993	(800)	-13.35%
Net Position:				
Investment in capital assets	255	369	(114)	-30.89%
Restricted for pension benefits and PBIP	3,326	4,369	(1,043)	-23.87%
Unrestricted	1,443	818	625	76.41%
Total net position	5,024	5,556	(532)	-9.58%
Current Position	2,177	1,641	536	32.66%



Current assets consist of cash and investments, accounts receivable, amounts due from other governmental units, and prepaid expenses. These are available for current operations and to pay for current obligations. Total current assets were $4.622 million (7.21% increase) driven by increases in cash and receivables.

Restricted assets consist of cash and investments. These assets are restricted for compensated absences. Restricted assets of $1.1 million increased by $27,000 or 2.47% from FY 2024.

Noncurrent assets consist of capital assets and net pension assets. Capital assets are property and equipment having an estimated useful life of more than one year and original cost more than $10,000. Total noncurrent assets were $3.598 million (26.12% decrease) primarily due to disposal of older assets and depreciation. Capital assets were acquired in the amount of $15,000 in fiscal year 2025. Capital assets in the amount of $124,000 were disposed of in FY 2025.

As of year-end, the net book value of capital assets was 13.9% of the original book value compared to 24.3% at the end of the prior year. This percentage is a measure of the relative age of property and equipment. If property and equipment are relatively new, this percentage will be high. Conversely, if the percentage is low, it means that property and equipment are relatively old.

Net pension asset of $3.326 million was the result of implementation of GASB 68 which resulted in a net pension asset position in FY 2025, which decreased $1.043 million from the previous year.

Noncurrent liabilities consist of compensated absences in the amount of $926,000 and lease liabilities under GASB 87.

Total liabilities and deferred inflows were $5.193 million (13.35% decrease), largely due to a reduction in pension-related deferred inflows.

Net position consists of the investment in capital assets of $255,000, the restricted amount for pension benefits of $3.326 million, the positive unrestricted balance of $1.443 million, resulting in a surplus net position of $5,024 million. Overall net position decreased 9.58%, driven by GASB 68 pension expense recognition and ongoing capital asset depreciation.

Current financial position is defined as the excess of current assets over current liabilities. A positive current financial position is an indicator of financial strength and an increase in current financial position is an indicator of improving financial position. The current financial position at the end of FY 2025 was a positive $2.177 million, an increase of $536,000 or 32.66% increase compared to the prior year.

SUMMARY OF ACTIVITIES

The following summarizes the revenue, expenses and change in net position on an authority-wide basis for the years ended September 30, 2025, and 2024.

Summary of Activities

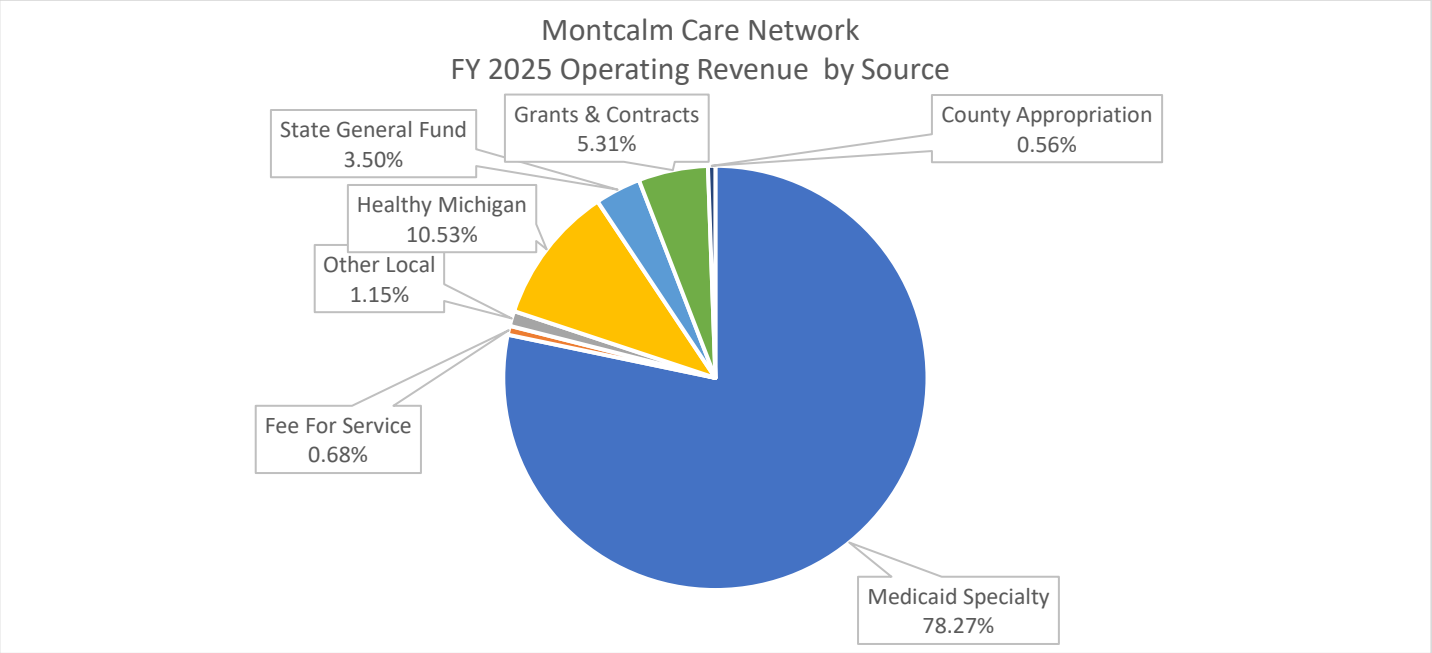
For the years ended September 30, 2025 and 2024

(In $000s)

	2025	2024	Increase (Decrease)	% Change
Operating Revenue				
Medicaid specialty supports and services	26,203	26,122	81	0.31%
Healthy Michigan Plan	3,527	3,503	24	0.69%
State general fund priority populations	1,173	1,225	(52)	-4.24%
Fee for service	229	244	(15)	-6.15%
Grants and earned contracts	1,777	1,517	260	17.14%
County appropriation	188	188	0	0.00%
Other local income	385	297	88	29.63%
Total Operating Revenues	33,482	33,096	386	1.17%
Operating Expenses				
Personnel expense	13,170	11,654	1,516	13.01%
Operating expense	20,667	20,812	(145)	-0.70%
Depreciation	245	236	9	3.81%
Total Operating Expenses	34,082	32,702	1,380	4.22%
Operating income (loss)	(600)	394	(994)	-252.28%
Non-Operating Revenues (Expenses)				
Interest revenue	61	76	(15)	-19.74%
Interest expense	(2)	(5)	3	-60.00%
Gain(loss) on sale of assets	9	36	(27)	
Non-operating income (loss)	68	107	(39)	-36.45%
Changes in Net Position	(532)	501	(1,033)	-206.19%
Net position, beginning of year	5,556	5,055	501	9.91%
Prior period adjustment	0	0	0	
Net position, end of year	5,024	5,556	(532)	-9.58%

Operating Revenue

Operating revenue for the year was $33,482,026, an increase of $385,719 thousand from the prior year.



Medicaid revenue of $26.203 million represents 78.27% of total operating revenue, an increase of $81 thousand over the previous year.

Healthy Michigan Plan revenue of $3.527 million represents 10.53% of total operating revenue, an increase of $24 thousand from the prior year.

State general fund revenue of $1.173 million represents 3.50% of total operating revenue, a decrease of $52 thousand compared to last fiscal year, due to no GF carryforward.

Fee for service revenue of $229 thousand represents .68% of total operating revenue. It consists of payments received from consumers based upon ability to pay and Medicare and private insurance; a decrease of $15,000 from the prior year.

Grants and earned contracts revenue of $1.777 million represents 5.31% of total operating revenue, $260,000 more than last fiscal year. This category includes revenue from the RSAT jail program, Montcalm Area Intermediate School District (MAISD), and MDHHS grants.

County appropriation revenue of $188,000 remains consistent with the previous year and represents .56% of total operating revenue.

Other local income of $385,000 represents 1.15% of total operating income. This category consists of Performance Bonus Incentive Pool funds received from the PIHP, interest earned, and miscellaneous.

Operating Expenses

Operating expenses for the year were $34.082 million, an increase of $1.380 million or 4.22% from the prior year. This is $879,005 more than the amount recognized by funding sources as explained on the next page, due to GASB 68 requirements.

Personnel expenses were 38.64% of total operating expenses and increased by $1.516 million from the previous year. Operating expenses were 60.64% of total operating expenses and decreased by $145,000 from the previous year. Depreciation expense was .72% of total operating expense and increased by $9,000 from the previous year.

Operating Income (Loss)

Operating loss totaled $600,000, compared to prior-year operating income of $394,000. This negative change is attributed to pension expense requirements of GASB 68.

Non-Operating Revenue (Expense)

Non-operating revenue from interest was $61,000, $15,000 less than the prior year, while interest expense was $2,000, $3,000 less than last year. Gain on the sale of assets was $9,000. The resulting non-operating income was $68,000, $39,000 less than last year.

Prior Period Adjustment

No prior period adjustments were made in FY 2025.

Change In Net Position

The change in net position was -$532,000, a decrease of $1.033 million from the prior year. Included in this amount is an addition of expenses required by GASB 68 in the amount of $879,005, which is not recognized by the Authority's funding sources. These funding sources only recognize the $347,000 more in revenue than expenses for reporting purposes to them, as indicated on the next page.

Net-Position, End of Year

The net position at year-end was a positive $5.024 million. This is a decrease of $532 thousand from the prior year net position at year-end of $5.556 million.

Financial Statements verses Financial Status Reports submitted to Primary Funding Sources

There is a difference between the Financial Statements and the FSR submitted to (MDHHS). The purpose of the FSR is to summarize all revenues and expenses, with specific sections for funding provided by MDHHS. During the current year that difference was due to the application of the requirements for financial reporting related to the Defined Benefit Pension Plan, contained in GASB 68. Based upon this the financial statements reflected an increase in pension expense of $879,005 not recognized when requesting reimbursement from MDHHS on the FSR. The funding sources are only reimbursed based on cost and the only way to make a profit is to incur more local funding revenue than the amount required for local expenses. The amount of net income for the current year was $346,815.

Summary of Financial Statements verses by Funding Sources

For the year ended September 30, 2025

	Financial Statements	Funding Sources
Revenues recognized on financial statements		
Operating revenues	$33,484,019	$33,484,019
Non-operating revenues:		
Interest income	$60,829	$60,829
Gain on sale of assets	$9,150	$9,150
Total revenues	$33,553,998	$33,553,998
Expenditures recognized on financial statements		
Operating expenses		
Gross expenditures before GASB 68 adjustment	$33,205,190	$33,205,190
GASB 68 pension expense reduction	$879,005	
GASB 68 Pension Expense adjustment Booked as a reduction of expense on Financial Statements but not recognized as a reduction by funding sources		
Net operating expenses	$34,084,195	
Non-operating expenses:		
Gain on sale		
Interest expense	$1,993	$1,993
Total expense	$34,086,188	$33,207,183
Change in net position on financial Statements	($532,190)	$346,815

or revenues verses expenses for funding sources

Annual Financial Status Reports submitted to MDHHS for the past five fiscal years, compared to the change in net position on the corresponding financial statements, are summarized below:

Fiscal Year	FSR Recognized Revenue	FSR Recognized Expense	FSR Change to Fund Balance	Financial Statements Change in Net Position
2019	$19,528,661	$19,335,793	$192,868	$43,317
2020	$21,307,723	$21,184,459	$123,264	$1,634,522
2021	$23,457,926	$23,443,052	$14,874	$997,370
2022	$26,402,607	$26,311,407	$91,200	$1,167,001
2023	$30,515,736	$30,295,524	$220,212	$743,782
2024	$33,213,447	$33,375,471	($162,024)	$501,243
2025	$33,553,998	$34,084,195	$346,815	($532,190)

FUTURE OUTLOOK

Approximately 94.3% of FY 2025 operating revenue originated from the State of Michigan. Legislative or budgetary shifts at the State or federal level—especially those related to Medicaid—remain a financial risk factor for FY 2026 and beyond. The Authority continues to monitor trends, implement cost-containment strategies, and advocate for sustainable behavioral health system funding.

As always, questions, comments, and suggestions are welcomed.

BASIC FINANCIAL STATEMENTS

Montcalm Care Network
Statement of Net Position
September 30, 2025

Assets		
Current assets		
Cash and cash equivalents - unrestricted	$	3,375,845
Cash and cash equivalents - restricted		1,121,998
Accounts receivable		6,910
Due from other governmental units		894,599
Prepaid expenses		345,134
Total current assets		5,744,486
Noncurrent assets		
Capital assets being depreciated, net		272,268
Net pension asset		3,325,617
Total noncurrent assets		3,597,885
Total assets		9,342,371
Deferred outflows of resources		
Related to pension		875,314
Liabilities		
Current liabilities		
Accounts payable		1,678,754
Accrued payroll and benefits		250,783
Due to other governmental units		176,437
Unearned revenue		161,395
Long-term liabilities, due within one year		177,649
Total current liabilities		2,445,018
Noncurrent liabilities		
Long-term liabilities, due beyond one year		926,596
Total noncurrent liabilities		926,596
Total liabilities		3,371,614
Deferred inflows of resources		
Related to pension		1,822,304
Net position		
Net investment in capital assets		254,749
Restricted for pension benefits		3,325,617
Unrestricted		1,443,401
Total net position	$	5,023,767

Montcalm Care Network
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended September 30, 2025

Operating revenues		
Medicaid revenue	$	29,729,710
State and Federal grants		1,973,702
County appropriations		188,053
Charges for services		1,113,531
Other		477,030
Total operating revenues		33,482,026
Operating expenses		
Salaries and wages		9,165,479
Fringe benefits		4,006,516
Contracted services		17,365,259
Depreciation		244,701
Inpatient		2,073,433
Insurance and licenses		36,855
Local match		37,420
Miscellaneous		126,555
Professional fees		85,687
Rent		49,997
Repairs and maintenance		161,132
Supplies		92,947
Training		29,593
Travel		384,289
Utilities		222,338
Total operating expenses		34,082,201
Operating income (loss)		(600,175)
Non-operating revenues (expenses)		
Interest income		60,829
Gain/(loss) on sale of assets		9,150
Interest expense		(1,993)
Total non-operating revenues (expenses)		67,986
Change in net position		(532,189)
Net position - beginning of year		5,555,956
Net position - end of year	$	5,023,767

Montcalm Care Network
Statement of Cash Flows
For the Year Ended September 30, 2025

Cash flows from operating activities		
Receipts from the State and other governments	$	31,969,379
Receipts from customers		1,591,425
Payments to suppliers		(20,780,622)
Payments to employees		(12,281,702)
Net cash provided by (used in) operating activities		498,480
Cash flows from capital and related financing activities		
Purchase of capital assets		(15,169)
Proceeds from sale of capital assets		9,150
Principal paid on borrowings		(115,007)
Interest expense		(1,993)
Net cash provided by (used in) capital and related financing activities		(123,019)
Cash flows from investment activities		
Interest income		60,829
Net cash provided by (used in) investment activities		60,829
Net change in cash and cash equivalents		436,290
Cash and cash equivalents - beginning of year		4,061,553
Cash and cash equivalents - end of year	$	4,497,843
Reconciliation of operating income to net cash provided by (used in) operating activities:		
Operating income (loss)	$	(600,175)
Depreciation		244,701
Changes in assets and liabilities:		
Accounts receivable		864
Due from other governmental units		77,914
Prepaid expenses		18,548
Net pension asset		1,043,101
Deferred outflow - related to pension		397,717
Accounts payable		(5,727)
Accrued payroll and benefits		9,178
Due to other governmental units		(190,989)
Unearned revenue		63,051
Compensated absences		2,110
Deferred inflow - related to pension		(561,813)
Net cash provided by (used in) operating activities	$	498,480

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Financial Statement Presentation

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

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

All amounts shown are in U.S. dollars.

Fund Accounting

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

The CMHSP reports the following major enterprise fund:

Mental Health Fund – This fund is used to account for those activities that are financed and operated in a manner similar to private business relating to revenues earned, costs incurred, and/or net income. This fund of the CMHSP accounts for its general operations.

Basis of Accounting and Measurement Focus

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

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

Cash and Cash Equivalents
The CMHSP's cash and cash equivalents are considered to be demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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

Due From/Due To Other Governmental Units
Due from/due to other governmental units consist primarily of amounts due from/to the regional entity and the State of Michigan.

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

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

Capital Assets
Capital assets are tangible and intangible assets, defined by the CMHSP as individual assets with an initial cost equal to or more than $10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed (except for intangible right-to-use assets, the measurement of which is discussed in the lessee policy below). Donated capital assets are recorded at estimated acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible capital assets in the appropriate capital asset class.

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

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

Assets	Years
Buildings and improvements	3 – 17
Furniture and equipment	5 – 10
Computers and software	3
Vehicles	4 – 10
Right to use – buildings	5
Right to use – equipment	3 – 4

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

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

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

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

Net Pension (Asset)/Liability
For purposes of measuring the Net Pension (Asset)/Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Pension Plan and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows of Resources
In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The CMHSP has one item that qualifies for reporting in this category: pension benefit related items.

The deferred amounts related to pension benefits relate to differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension benefit related changes. These amounts are recognized in the plan year in which they apply.

Deferred Inflows of Resources
In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The CMHSP has one item that qualifies for reporting in this category: future resources yet to be recognized in relation to the pension actuarial calculation.

The deferred amounts for future resources related to the pension benefit actuarial calculation arise from differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension benefit related changes. These amounts are recognized in the plan year in which they apply.

Long-Term Obligations
Long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

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

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

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

- The CMHSP uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the CMHSP generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the CMHSP is reasonably certain to exercise.

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

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

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

- *Net investment in capital assets* consist of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

- *Restricted* net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

- *Unrestricted* net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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

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

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

NOTE 2 – CASH AND CASH EQUIVALENTS

Custodial Credit Risk
In the case of deposits, this is the risk that, in the event of a bank's failure, the CMHSP's deposits may not be returned to it. The CMHSP evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories. The CMHSP bank balance was $4,555,961 and $3,072,795 of that amount was exposed to custodial credit risk because it was uninsured by FDIC.

A reconciliation of carrying amounts to the basic financial statements follows:

Description	Amount
Cash and cash equivalents – unrestricted	3,375,845
Cash and cash equivalents – restricted	1,121,998
Total	4,497,843

Cash and Cash Equivalents - Restricted
The CMHSP has charged to MDHHS for the vested portion of compensated absences as of September 30th. The CMHSP holds, in a separate bank account, funds restricted for the payment of the compensated absences as they come due.

NOTE 3 – ACCOUNTS RECEIVABLE

The CMHSP believes that the accounts receivable will be collected in full and therefore the receivable balance has not been offset by an allowance for doubtful accounts.

NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS

Due from other governmental units as of September 30th consists of the following:

Description	Amount
Due from PIHP	613,242
Due from State of Michigan	50,000
Other governments	231,357
Total	894,599

NOTE 5 - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

Description	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets being depr/amort					
Buildings and improvements	627,365	-	-	-	627,365
Furniture and equipment	78,168	-	-	-	78,168
Computers and software	103,401	125	-	-	103,526
Vehicles	817,715	15,044	(62,131)	-	770,628
Right to use – equipment	55,878	-	-	-	55,878
Right to use – buildings	384,306	-	(62,385)	-	321,921
Total capital assets being depr/amort	2,066,833	15,169	(124,516)	-	1,957,486
Accumulated depr/amort					
Buildings and improvements	(576,032)	(10,980)	-	-	(587,012)
Furniture and equipment	(72,063)	(2,695)	-	-	(74,758)
Computers and software	(90,562)	(6,545)	-	-	(97,107)
Vehicles	(510,626)	(116,821)	62,131	-	(565,316)
Right to use – equipment	(31,074)	(11,045)	-	-	(42,119)
Right to use – buildings	(284,676)	(96,615)	62,385	-	(318,906)
Total accumulated depr/amort	(1,565,033)	(244,701)	124,516	-	(1,685,218)
Capital assets being depr/amort, net	501,800	(229,532)	-	-	272,268

NOTE 6 - DUE TO OTHER GOVERNMENTAL UNITS

Due to other governmental units as of September 30th consists of the following:

Description	Amount
Due to State of Michigan	176,437

NOTE 7 - UNEARNED REVENUE

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

Description	Amount
Behavioral Health Home	160,067
Advance rent payment	328
Other	1,000
Total	161,395

NOTE 8 – LONG-TERM LIABILITIES

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

Description	Beginning Balance	Additions	(Deletions)	Ending Balance	Due Within One Year
Leases (Note 9)	132,526	-	(115,007)	17,519	14,640
Compensated absences	1,084,615	164,803	(162,692)	1,086,726	163,009
Total	1,217,141	164,803	(277,699)	1,104,245	177,649

NOTE 9 – LEASES

The CMHSP is involved in agreements as a lessee that qualify as long-term lease agreements. Below is a summary of the nature of these agreements. These agreements qualify as intangible, right-to-use assets and not financed purchases, as the CMHSP will not own the assets at the end of the contract terms and the noncancelable terms of the agreements surpass one year.

The right-to-use assets and the related activity are included in the capital asset disclosure. The lease liabilities and related activity are presented in the changes in long-term liabilities table included in the LONG-TERM LIABILITIES disclosure.

Description	Issuance Date	Interest Rate	Original Amount	Ending Balance
Pitney Bowes lease	1/20/2022	2.50%	13,780	4,124
Ricoh lease	12/10/2021	2.50%	42,098	10,277
Clubhouse lease	11/1/2022	2.50%	108,502	3,118
Total				17,519

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

	Leases	
Year Ended September 30	Principal	Interest
2026	14,640	235
2027	2,879	15
Total	17,519	250

NOTE 10 – RETIREMENT PLANS

Defined Benefit Pension Plan

General Information about the Pension Plan – Plan Description

The CMHSP's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The CMHSP participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained through the MERS website at www.mersofmich.com. As of January 1, 2019, the pension plan was closed to new hires. As of April 30, 2019, benefits to be paid from the plan were frozen.

Benefits Provided

Up to the date the Plan was frozen, participants who were active in the Plan: 2% of final average monthly compensation times years of service up to 25 years, plus 1% of final average monthly compensation times years of service in excess of 25 years.

Employees Covered by Benefit Terms
As of the December 31, 2024 valuation date, the following employees were covered by the benefit terms:

Active employees receiving benefits	-
Inactive employees or beneficiaries currently receiving benefits	43
Inactive employees entitled to but not yet receiving benefits	66
Total	109

Contributions
The CMHSP is required to contribute amounts at least equal to the actuarially determined rate. 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.

Employer contribution for the year was $0.

Net Pension (Asset)/Liability
The CMHSP's Net Pension (Asset)/Liability was measured as of December 31, 2024, and the total pension liability used to calculate the Net Pension (Asset)/Liability was determined by an annual actuarial valuation as of that date.

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

- Inflation: 2.5%
- Salary Increases: 3.00%
- Investment rate of return: 6.93%
- Actuarial Cost Method: Entry-Age Normal
- Asset Valuation Method: Market Value
- Discount rate: 7.18%

Mortality rates used were based on the MP-2021 scale, applied fully generationally from the Pub-2010 base year of 2010.

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

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 of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Target Allocation Gross Rate of Return	Long-Term Expected Real Rate of Return	Inflation Assumption	Long-Term Expected Real Rate of Return
Global Equity	60.00%	7.00%	4.20%	2.50%	2.70%
Global Fixed Income	20.00%	4.66%	0.93%	2.50%	0.43%
Private Investments	20.00%	9.00%	1.80%	2.50%	1.30%
Total	100.00%		6.93%		4.43%

Discount Rate

The discount rate used to measure the total pension liability was 7.18%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension (Asset) / Liability

Calculating the Net Pension (Asset) / Liability			
Changes in net pension (asset)/liability	Total pension liability (a)	Increase (decrease) plan fiduciary net position (b)	Net pension (asset)/liability (a) – (b)
Balances at beginning of plan year	8,767,089	13,135,804	(4,368,715)
Changes for the year			
Service cost	-	-	-
Interest on total pension liability	611,510	-	611,510
Changes in benefits	-	-	-
Difference between expected and actual experience	1,397,851	-	1,397,851
Changes in assumptions	(17,680)	-	(17,680)
Employer contributions	-	-	-
Employee contributions	-	-	-
Net investment income	-	977,535	(977,535)
Benefit payments, including employee refunds	(500,470)	(500,470)	-
Administrative expense	-	(28,951)	28,951
Other changes	-	(1)	1
Net changes	1,491,211	448,113	1,043,098
Balances as of end of plan year	10,258,300	13,583,917	(3,325,617)

Sensitivity of the Net Pension (Asset) / Liability to Changes in the Discount Rate

The following presents the Net Pension (Asset) / Liability of the CMHSP, calculated using the discount rate of 7.18%, as well as what the CMHSP's Net Pension (Asset) / Liability would be using a discount rate that is 1 percentage point lower (6.18%) or 1 percentage point higher (8.18%) than the current rate.

Description	1% Decrease 6.18%	Current Discount Rate 7.18%	1% Increase 8.18%
Net Pension (Asset)/Liability at end of plan year	(3,325,617)	(3,325,617)	(3,325,617)
Change in Net Pension (Asset)/Liability	1,160,987	-	(962,762)
Calculated Net Pension (Asset)/Liability	(2,164,630)	(3,325,617)	(4,288,379)
Note: the current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes it is net of administrative expenses.			

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
For the year ended September 30, 2025, the CMHSP recognized pension expense of $879,005. The CMHSP reported deferred outflows and inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in Experience	168,595	(322,547)
Differences in Assumptions	217,855	(1,499,757)
(Excess) Deficit Investment Returns	488,864	-
Totals	875,314	(1,822,304)

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

Plan year ended	Amount
2025	80,890
2026	173,139
2027	(379,058)
2028	(285,773)
2029	(275,095)
Thereafter	(261,093)

Defined Contribution Retirement Plan – MERS 401(a)
Plan Description
The CMHSP offers employees a retirement plan created in accordance with the Internal Revenue Code, Section 401(a). The assets of the plan were held in trust for the exclusive benefit of the participants (employees) and their beneficiaries. MERS acts as the custodian for the plan and holds the custodial account for the beneficiaries of this Section 401(a) plan.

The assets may not be diverted to any other use. The MERS are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. Plan balances and activities are not reflected in the CMHSP's financial statements.

Plan provisions are established or amended by Board resolution. This plan is funded solely by employer contributions.

Eligibility
All full-time employees who work more than 20 hours per week are eligible.

Contributions
The CMHSP matches employee contributions made into the 457 plan for employees regularly working 20 or more hours per week at a ratio of 2:1, up to 6%.

Normal Retirement Age & Vesting
Retirement age as defined by the plan is 60 years of age. Participants are vested in the employer match contributions as follows: 25% after 2 years of service; 50% after 3 years of service; 100% after 4 years of service. All participants are fully vested in employer contributions at age 60.

Forfeitures
Forfeitures are first used to pay administrative expenses and remaining funds are reallocated as an employer required contribution.

Funding
For the year ended September 30th, employer match contributions (reduced by $64,068 in forfeitures) amounted to $508,984. The outstanding liability to the plan at year-end was $0.

Deferred Compensation Retirement Plan – MERS 457 Program
Plan Description
The CMHSP offers all employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plan were held in trust, as described in IRC Section 457 (b) for the exclusive benefit of the participants (employees) and their beneficiaries. MERS acts as the custodian for the plan and holds the custodial account for the beneficiaries of this Section 457 plan.

The assets may not be diverted to any other use. The MERS are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters.

Plan provisions are established or amended by Board resolution. Under the plan, employees may elect to defer a portion of their wages, subject to Internal Revenue Service limits. This plan is funded solely by employee contributions.

Eligibility
All employees are immediately eligible for the plan upon hire excluding leased and independent contractors.

Contributions
Under the plan, employees may elect to defer a portion of their salaries and defer paying income taxes on the deferred portion until the withdrawal date.

Normal Retirement Age & Vesting
Retirement age is not defined by the plan. All contributions are 100% vested immediately.

Forfeitures
Contributions are 100% vested immediately therefore there are no forfeitures.

Funding
For the year ended September 30th, employee contributions were $581,874. The outstanding liability to the plan at year-end was $0.

NOTE 11 - NET INVESTMENT IN CAPITAL ASSETS

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

Description	Amount
Capital assets being depreciated, net	272,268
Capital related leases	(17,519)
Net investment in capital assets	254,749

NOTE 12 - RISK MANAGEMENT

The CMHSP is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters. The CMHSP participated in the public entity risk pool – Michigan Municipal Risk Management Authority (MMRMA) for auto and general liability, property and crime and vehicle physical damage coverage.

MMRMA, a separate legal entity, is a self-insured association organized under the laws of the State of Michigan to provide self-insurance protection against loss and risk management services to various Michigan governmental entities.

As a member of this pool, the CMHSP is responsible for paying all losses, including damages, loss adjustment expenses and defense costs, for each occurrence that falls within the member's self-insured retention. If a covered loss exceeds the CMHSP's limits, all further payments for such loss are the sole obligation of the CMHSP. If for any reason MMRMA's resources available to pay losses are depleted, the payment of all unpaid losses of the CMHSP is the sole obligation of the CMHSP. Settled claims have not exceeded the amount of coverage in any of the past three years.

The CMHSP's coverage limits are $10,000,000 for liability, $1,500,000 for vehicle physical damage, and approximately $2,294,970 for buildings and personal property.

NOTE 13 – RELATED PARTY TRANSACTIONS

The CMHSP provides services to consumers in the regional entity's geographic region through a contract with the regional entity. The CMHSP receives prepaid sub capitation payments from the regional entity for these services on a "per member per month" basis. The amounts received from the regional entity are disclosed on page 2 under the heading: Medicaid revenue.

Montcalm County is deemed a related party by management due to the fact that the county is statutorily required to provide local funding to the CMHSP.

The county owns the land and the building in which the CMHSP conducts its operations at 611 North State Street in Stanton. This building is one of six buildings occupied by the CMHSP. The CMHSP has an agreement to lease the building from the county for $0. No lease payments were paid to the county during the year.

NOTE 14 – CONTINGENT LIABILITIES

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

NOTE 15 – ECONOMIC DEPENDENCE

The CMHSP receives over 85% of its revenues from the State of Michigan either directly from MDHHS or indirectly through the CMHSP's regional entity.

NOTE 16 - UPCOMING ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 103, *Financial Reporting Model Improvements*, was issued by the GASB in April of 2024 and will be effective for fiscal year 2026. This Statement establishes new accounting and financial reporting requirements—or modifies existing requirements—related to the following:

a. Management's discussion and analysis (MD&A);
    i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
        1) Overview of the Financial Statements,
        2) Financial Summary,
        3) Detailed Analyses,
        4) Significant Capital Asset and Long-Term Financing Activity,
        5) Currently Known Facts, Decisions, or Conditions;
    ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
    iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
b. Unusual or infrequent items;
c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
    i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net

position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;

ii. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;

d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, was issued by the GASB in September 2024 and will be effective for the fiscal year 2026. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. Lease assets recognized in accordance with Statement No. 87, Leases, and intangible right-to-use assets recognized in accordance with Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, Subscription-based Information Technology Arrangements, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale.

REQUIRED SUPPLEMENTAL INFORMATION

Montcalm Care Network
Defined Benefit Pension Plan - Required Supplemental Information
Schedule of Changes in Net Pension (Asset)/Liability and Related Ratios

	Plan year ending December 31,				
	2015	2016	2017	2018	2019
Total pension liability (TPL)					
Service cost	$ 596,556	$ 591,240	$ 610,965	$ 606,021	$ 228,226
Interest	437,446	595,410	631,670	689,580	700,831
Changes of benefit terms	-	-	-	-	(1,152,092)
Difference between expected & actual experience	284,794	(266,786)	(279,773)	(313,304)	(759,603)
Changes in assumptions	(1,870,328)	(232,940)	560,025	(1,508,684)	(623,606)
Benefit payments including employee refunds	(236,619)	(285,242)	(323,263)	(380,143)	(284,020)
Other	628	810	-	-	-
Net change in total pension liability	(787,523)	402,492	1,199,624	(906,530)	(1,890,264)
Total pension liability beginning	9,455,408	8,667,885	9,070,377	10,270,001	9,363,471
Total pension liability ending	8,667,885	9,070,377	10,270,001	9,363,471	7,473,207
Plan fiduciary net position					
Contributions - employer	325,220	574,223	684,108	468,971	189,189
Contributions - employee	155,022	176,969	180,552	179,862	59,272
Net investment income	(32,961)	712,288	1,133,713	(525,722)	1,872,192
Benefit payments including employee refunds	(236,619)	(285,242)	(323,263)	(380,143)	(284,020)
Administrative expense	-	(38,133)	-	-	(34,949)
Other	-	-	-	-	-
Net change in plan fiduciary net position	210,662	1,140,105	1,675,110	(257,032)	1,801,684
Plan fiduciary net position beginning	7,299,739	7,510,401	8,650,506	10,325,616	10,068,584
Plan fiduciary net position ending	7,510,401	8,650,506	10,325,616	10,068,584	11,870,268
Employer net pension (asset)/liability (NPL)	1,157,484	419,871	(55,615)	(705,113)	(4,397,061)
Plan fiduciary net position as a percentage of TPL	87%	95%	101%	108%	159%
Covered employee payroll (from GASB 68 actuarial page)	3,850,502	4,719,278	4,895,061	4,942,001	4,488,854
Employer's NPL as a percentage of covered employee payroll	30%	9%	-1%	-14%	-98%

Notes to schedule:

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

Montcalm Care Network
Defined Benefit Pension Plan - Required Supplemental Information
Schedule of Changes in Net Pension (Asset)/Liability and Related Ratios

	Plan year ending December 31,				
	2020	2021	2022	2023	2024
Total pension liability (TPL)					
Service cost	$ -	$ -	$ -	$ -	$ -
Interest	551,362	581,689	584,648	600,620	611,510
Changes of benefit terms	-	-	-	-	-
Difference between expected & actual experience	95,027	(58,089)	125,293	44,400	1,397,851
Changes in assumptions	153,528	328,641	-	67,872	(17,680)
Benefit payments including employee refunds	(436,891)	(364,858)	(518,929)	(460,434)	(500,470)
Other	-	(2)	2	3	-
Net change in total pension liability	363,026	487,381	191,014	252,461	1,491,211
Total pension liability beginning	7,473,207	7,836,233	8,323,614	8,514,628	8,767,089
Total pension liability ending	7,836,233	8,323,614	8,514,628	8,767,089	10,258,300
Plan fiduciary net position					
Contributions - employer	-	-	-	-	-
Contributions - employee	-	-	-	-	-
Net investment income	1,472,385	1,808,391	(1,484,457)	1,349,578	977,535
Benefit payments including employee refunds	(436,891)	(364,858)	(518,929)	(460,434)	(500,470)
Administrative expense	(23,656)	(20,748)	(26,186)	(28,660)	(28,951)
Other	3	(2)	-	-	(1)
Net change in plan fiduciary net position	1,011,841	1,422,783	(2,029,572)	860,484	448,113
Plan fiduciary net position beginning	11,870,268	12,882,109	14,304,892	12,275,320	13,135,804
Plan fiduciary net position ending	12,882,109	14,304,892	12,275,320	13,135,804	13,583,917
Employer net pension (asset)/liability (NPL)	(5,045,876)	(5,981,278)	(3,760,692)	(4,368,715)	(3,325,617)
Plan fiduciary net position as a percentage of TPL	164%	172%	144%	150%	132%
Covered employee payroll (from GASB 68 actuarial page)	-	-	-	-	-
Employer's NPL as a percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A

Notes to schedule:

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

Montcalm Care Network
Defined Benefit Pension Plan - Required Supplemental Information
Schedule of Employer Contributions

Fiscal year ended Sept 30th	Actuarial Determined Contributions	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2016	$ 574,223	$ 574,223	$ -	$ 4,719,278	12%
2017	656,637	656,637	-	5,181,649	13%
2018	522,755	522,755	-	5,117,653	10%
2019	306,432	306,432	-	3,021,283	10%
2020	-	-	-	-	N/A
2021	-	-	-	-	N/A
2022	-	-	-	-	N/A
2023	-	-	-	-	N/A
2024	-	-	-	-	N/A
2025	-	-	-	-	N/A

Notes to Schedule of Contributions

Actuarial valuation date	December 31, 2024
Actuarial cost method	Entry age normal
Asset valuation method	Market value
Investment rate of return	6.93%
Discount rate	7.18%
Inflation rate	2.50%
Salary increases	3.00%

Previous actuarial methods and assumptions:
Investment rate of return of 7.00%

Actuarially Determined Contributions are found in the actuarial valuation report.
Above dates are based on fiscal year, not necessarily the measurement date.
Note that these are employer contributions, not employee contributions.

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

To the Members of the Board
Montcalm Care Network
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 business-type activities and each major fund of Montcalm Care Network (the CMHSP) as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the CMHSP's basic financial statements, and have issued our report thereon dated March 17, 2026.

Report on Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered the CMHSP's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CMHSP's internal control. Accordingly, we do not express an opinion on the effectiveness of the CMHSP's internal control.

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

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

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

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

Sincerely,

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

March 17, 2026

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

To the Members of the Board
Montcalm Care Network
Stanton, Michigan

We have audited the financial statements of the business-type activities and each major fund of Montcalm Care Network (the CMHSP) for the year ended September 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and G*overnment Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you during planning. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

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

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

> Management's estimate of the payout of employee compensated absences is based on expected payout. We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's allocation of current and noncurrent compensated absences is based on an estimate of the percentage of employee's use of compensated absences.
>
> Management's estimated lives of capital assets are based on the expected life of the asset. We evaluated the key factors and assumptions used to develop the estimated lives of capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.
>
> Management's estimated incremental borrowing rate used to discount future lease payments under GASB 87 is based on the entity's current borrowing rate. We evaluated the key factors and assumptions used to develop the estimated intrinsic borrowing rate in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> The assumptions used in the actuarial valuations of the pension plan are based on historical trends and industry standards. We evaluated the key factors and assumptions used to develop the information used in the financial statements in determining that they are reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit
We encountered no significant difficulties in dealing with management in performing and completing our audit.

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

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

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

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

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

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

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

Sincerely,

Roslund, Prestage & Company, P.C.

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

RPC
Roslund Prestage & Company
CERTIFIED PUBLIC ACCOUNTANTS

Montcalm Care Network
Financial Statements
September 30, 2025