



Integrated Services of Kalamazoo

Financial Statements and
Single Audit Act Compliance
Year Ended September 30, 2020

Integrated Services of Kalamazoo

Financial Statements and Single Audit Act Compliance
Year Ended September 30, 2020

Integrated Services of Kalamazoo

Contents

Independent Auditor's Report	3-5
Management's Discussion and Analysis	7-14
Financial Statements:	
Statement of Financial Position	16-17
Statement of Revenues, Expenses and Changes in Net Position	18
Statement of Cash Flows	19-20
Notes to Financial Statements	21-37
Required Supplementary Information:	
<i>Defined Benefit Pension Plan:</i>	
Schedule of Authority's Proportionate Share of the Net Pension Asset	39
Schedule of Contributions	40
<i>Retiree Healthcare Plan:</i>	
Schedule of Authority's Proportionate Share of the Net OPEB Liability	41
Schedule of Contributions	42
Single Audit Act Compliance:	
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 <i>Government Auditing Standards</i>	44-45
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	46-47
Schedule of Expenditures of Federal Awards	49-50
Notes to Schedule of Expenditures of Federal Awards	51
Schedule of Findings and Questioned Costs	52



Independent Auditor's Report

Integrated Services of Kalamazoo
Kalamazoo, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of Integrated Services of Kalamazoo (the Authority), a component unit of Kalamazoo County, Michigan, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Integrated Services of Kalamazoo as of September 30, 2020, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7-14, and the schedules for the defined benefit pension and retiree healthcare plans on pages 39-42, be presented to supplement the basic financial statements. Such information, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2021 on our consideration of Integrated Services of Kalamazoo'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 Integrated Services of Kalamazoo'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 Integrated Services of Kalamazoo's internal control over financial reporting and compliance.

BDO USA, LLP

April 21, 2021

Management Discussion and Analysis

Integrated Services of Kalamazoo

Management Discussion and Analysis

This section of Integrated Services of Kalamazoo's (the Authority) annual financial report presents management's discussion and analysis (MD&A) of activities and financial performance during the fiscal year ended September 30, 2020. Please review it in conjunction with the independent auditor's report, the financial statements, the notes to the financial statements, and the required supplementary information presented in this financial report.

Integrated Services of Kalamazoo, formerly known as Kalamazoo Community Mental Health and Substance Abuse Services, is an Authority established by the State of Michigan and Kalamazoo County, Michigan, to operate, control, and manage an integrated behavioral healthcare and substance abuse system in order to better serve its residents. The mission of the Authority is to promote and provide mental health, intellectual-developmental disability, and substance abuse resources that empower people to succeed. The vision of the Authority is to provide a welcoming and diverse community partnership which collaborates and shares effective resources that support individuals and families to be successful through all phases of life.

The County of Kalamazoo Board of Commission appoints the board members governing the Authority. The County also provides annual financial support to the Authority, and the Authority is considered a component unit for reporting purposes in the audit report of Kalamazoo County, Michigan.

As of January 1, 2014, the Authority transferred its Prepaid Inpatient Health Plans (PIHP) and substance abuse coordinating agency responsibilities to a newly established regional oversight agency known as Southwest Michigan Behavioral Health (SWMBH). Fiscal year 2015 was the first full year in which the Authority was operating in this manner.

The information contained in this MD&A should be considered in conjunction with the information contained in the financial statements audited by BDO USA, LLP for the year ended September 30, 2020. This MD&A contains information on the basic financial statements of the Authority together with any required explanation which would be essential to acquire a full understanding of the data contained therein.

Financial Position Summary

Analysis of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position over time serves as a useful indicator of the Authority's financial position. The Authority's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$20,175,961 as of September 30, 2020. This represents a decrease of \$978,997 from September 30, 2019, when the Authority's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$21,154,958.

Integrated Services of Kalamazoo

Management Discussion and Analysis

A condensed summary of the Authority's statement of net position is shown below:

<i>September 30,</i>	2020	2019	Change	% Change
Assets				
Current	\$ 29,464,528	\$ 19,476,829	\$ 9,987,699	51.3%
Capital assets, net	9,459,917	9,636,427	(176,510)	-1.8%
Net pension asset	6,494,932	2,569,383	3,925,549	152.8%
Total Assets	45,419,377	31,682,639	13,736,738	43.4%
Deferred Outflows of Resources	2,779,655	7,245,398	(4,465,743)	-61.6%
Liabilities				
Current liabilities	17,690,097	8,424,632	9,265,465	110.0%
Long-term liabilities	5,995,479	6,064,971	(69,492)	-1.1%
Net other postemployment benefits liability	1,338,658	1,727,226	(388,568)	-22.5%
Total Liabilities	25,024,234	16,216,829	8,807,405	54.3%
Deferred Inflows of Resources	2,998,837	1,556,250	1,442,587	92.7%
Net Position				
Net investment in capital assets	4,841,804	4,735,203	106,601	2.3%
Restricted	4,937,092	6,531,305	(1,594,213)	-24.4%
Unrestricted	10,397,065	9,888,450	508,615	5.1%
Total Net Position	\$ 20,175,961	\$ 21,154,958	\$ (978,997)	-4.6%

The amount of the Authority's net investment in capital assets at September 30, 2020 is \$4,841,804 or 24% of total net position. Unrestricted net position of \$10,397,065 represents 52% of total net position. The remaining net position of \$4,937,092, or 24%, represents amounts held in trust for payment of pension benefits and OPEB in excess of the actuarial accrued liability for providing such benefits. The increase in current assets is related to cash received from SWMBH. The increase in net pension asset is related to changes in the actuarial study for the pension plan. The decrease in deferred outflows of resources is the result of changes in the deferrals related to the pension and OPEB plans concerning the difference between projected and actual earnings. The increase in current liabilities primarily relates to an amount due to SWMBH.

Integrated Services of Kalamazoo

Management Discussion and Analysis

The following summarizes the revenues, expenses, and change in net position for the years ended September 30, 2020 and 2019:

<i>Year ended September 30,</i>	2020	2019	Change	% Change
Operating Revenues				
Medicaid	\$ 70,736,333	\$ 67,816,012	\$ 2,920,321	4.3%
Federal and state grants	10,436,893	10,796,328	(359,435)	-3.3%
Charges for services	1,244,678	1,477,942	(233,264)	-15.8%
PA2 funds	180,400	180,400	-	0.0%
Other	631,953	743,670	(111,717)	-15.0%
Total Operating Revenues	83,230,257	81,014,352	2,215,905	2.7%
Operating Expenses				
Mental illness adult population	31,631,428	30,360,665	1,270,763	4.2%
Intellectual and developmental disabilities population	29,378,154	28,691,699	686,455	2.4%
Youth services	12,693,951	12,897,694	(203,743)	-1.6%
Multipopulation	3,138,971	3,595,044	(456,073)	-12.7%
Management and general	8,917,760	9,536,193	(618,433)	-6.5%
Total Operating Expenses	85,760,264	85,081,295	678,969	0.8%
Operating loss	(2,530,007)	(4,066,943)	1,536,936	30.1%
Non-Operating Revenues (Expenses)				
County appropriation	1,550,400	1,550,400	-	0.0%
Interest revenue	141,136	148,089	(6,953)	-4.7%
Interest expense	(140,526)	(148,280)	7,754	-5.2%
Restricted donations	-	1,250	(1,250)	-100.0%
Total Non-Operating Revenues	1,551,010	1,551,459	(449)	0.0%
Change in Net Position	(978,997)	(2,515,484)	1,536,487	340.0%
Net Position, beginning of year	21,154,958	23,670,442	(2,515,484)	-10.6%
Net Position, end of year	\$ 20,175,961	\$ 21,154,958	\$ (978,997)	-4.6%

Integrated Services of Kalamazoo

Management Discussion and Analysis

Financial Operations Highlights

- The increase in Medicaid revenue relates to actual revenue earned from SWMBH.
- The increase in the mental illness adult population expense relates to additional services performed in this area.
- The increase in intellectual and developmental disabilities population expense is related to an increase in the cost of services.
- The decrease in management and general expense is due to the decrease in pension and OPEB expense for the year.

Capital Assets and Long-Term Debt

Capital Assets

As of September 30, 2020, the Authority had approximately \$9.5 million invested in a variety of capital assets as reflected in the following schedule:

<i>September 30,</i>	2020	2019
Land	\$ 786,097	\$ 786,097
Work in progress	112,962	96,023
Buildings and improvements	11,845,947	11,671,465
Equipment and furnishings	2,323,750	2,310,222
Vehicles	57,920	57,920
	15,126,676	14,921,727
Less accumulated depreciation	5,666,759	5,285,300
Property and Equipment, net	\$ 9,459,917	\$ 9,636,427

For more information about the Authority's capital assets, see Note 3.

Long-Term Debt

At the end of the current fiscal year, the Authority had total debt outstanding of \$5,995,479. The decrease is the result of making debt payments in accordance with amortization schedules.

<i>September 30,</i>	2020	2019
Contracts payable	\$ 4,475,000	\$ 4,650,000
Note payable - direct borrowing	-	105,000
Premium on contracts payable	143,113	146,224
Compensated absences	1,377,366	1,163,747
Total Long-Term Debt	\$ 5,995,479	\$ 6,064,971

Integrated Services of Kalamazoo

Management Discussion and Analysis

Factors Impacting the Future

There are four major factors that will adversely affect the future of Integrated Services of Kalamazoo:

- MDHHS Future of Behavioral Health Proposal
- Certified Community Based Health Clinics (CCBHC)
- Behavioral Health Fee Schedule, Standard Cost Allocation and Reporting
- National Shortage of Mental Health Professionals and Direct Care Workers

MDHHS Future of Behavioral Health Proposal

In December 2019, then Director of MDHHS (the Department), Robert Gordon, presented to a bipartisan panel of legislators the department's vision for a strengthened behavioral health system, serving individuals with severe mental illness, substance use disorders, and developmental disabilities. The new system will integrate physical and behavioral health services to improve outcomes and meet the growing demand for mental health care in Michigan. Despite the strengths of the current public behavioral health system, Medicaid participants continue to face challenges, such as a lack of coordination between physical health and mental health professionals. Participants find the system confusing to navigate and it can be difficult for families to find the right services. MDHHS proposes a new approach to behavioral health that will lead to greater choice of providers, better coordination of services, and increased investment in behavioral health. To advance these goals, Gordon outlined three key principles for system design:

- Preserving a strong safety net.
- Integrating physical and behavioral health in both care and financing.
- Establishing Specialty Integrated Plans (SIPs).

SIPs bring together the management skills of traditional insurance companies with the expertise and depth of behavioral health organizations. Already in use in other states, including North Carolina, Arizona and Arkansas, SIPs allow for stronger and simpler oversight with lower administrative costs. The department's approach will also preserve the extra protections available today, including person-centered planning (ensuring people actively participate in the design of their care), recipient rights and comprehensive services and supports. It also creates opportunities for further innovation in how care can be delivered. The department will work together with families, advocates, providers and legislators to design a model that improves outcomes and treats individuals with the dignity they deserve. The proposed plan was to launch the new Medicaid-funded integrated health plan in 2022.

In March 2020 the State and entire Country was hard hit by the COVID-19 Pandemic, thus halting further discussions on SIP arrangements and other integration proposals. There is still, however, interest in making changes to integrate the behavioral health system. As the COVID-19 pandemic lessens, this will most likely be an issue that rises again. Any proposal for physical health care and behavioral health care integration could have far reaching impacts on our current system of care delivery and funding.

Integrated Services of Kalamazoo

Management Discussion and Analysis

Certified Community Based Behavioral Health Clinics (CCBHC)

In 2016, MDHHS applied to CMS to become a CCBHC Demonstration state under Section 223 of the federal Protecting Access to Medicare Act of 2014 (PAMA). That request was approved on August 5, 2020, when the Federal CARES Act of 2020 authorized two additional states—Michigan and Kentucky—to join the demonstration. As a result, MDHHS was approved for a two-year demonstration with an anticipated implementation start date of October 1, 2021. CMS requires a state to implement the demonstration in at least two sites: one rural and one urban. Moreover, per CMS, only the 14 prospective CCBHC Demonstration Sites named in Michigan’s 2016 application are eligible to participate in the state’s demonstration. ISK was one of the applicants and is, therefore, eligible to participate. MDHHS will ultimately select CCBHC Demonstration Sites in accordance with federal requirements, including the attainment of state based CCBHC certification, and available funding.

The CMS CCBHC Demonstration requires states and their certified sites to provide a robust set of coordinated, integrated, and comprehensive services to all persons with any mental illness or substance use disorder diagnosis. Moreover, the demonstration requires and emphasizes 24/7/365 crisis response services (e.g., mobile crisis services). Other critical elements include but are not limited to: strong accountability in terms of financial and quality metric reporting; formal coordination with primary and other care settings to provide intensive care management and transitions; linkage to social services, criminal justice/law enforcement, and educational systems; and an emphasis on providing services to veterans and active-duty service members. To account for these requirements, the state must create a Prospective Payment System (PPS) reimbursement structure that finances CCBHC services at an enhanced payment rate to properly cover costs and offer greater financial predictability and viability. The PPS is integral to sustaining expanded services, investments in the technological and social determinants of care, and serving all eligible Michiganders regardless of insurance or ability to pay.

Since 2016, ISK has had a SAMHSA grant to implement CCHBC services. The additional care coordination services of the CCBHC were funded through grant dollars and not through a PPS. If selected, under MDHHS, our current CCBHC program may have different programmatic requirements and will definitely include a PPS for additional funding. The state is targeting July 2021 as the date to begin the CCBHC Certification process, with a service implementation date of October 2021. The change from a Grant funded CCBHC program to one designed and funded from the State may require programmatic changes and will have an impact on funding.

Behavioral Health Fee Schedule, Standard Cost Allocation and Reporting

Milliman, Inc. (Milliman) has been retained by the State of Michigan, Department of Health and Human Services (MDHHS) to provide actuarial and consulting services related to the development of a behavioral health fee schedule for its behavioral health managed care program. The impetus behind this project, among other objectives, was to better understand the observed variation in benefit cost and administrative expenses reported by the ten prepaid inpatient health plans (PIHPs) responsible for managing the care of the behavioral health managed care program enrollees.

In order to manage this benefit, the PIHPs contract with 46 Community Mental Health Service Programs (CMHSPs) who often provide direct services to individuals, contract with network providers for service provision, and provide managed care administrative services. Milliman observed that the variation may be attributable to differences in cost allocation methods employed by the CMHSPs and that variations in cost allocation methodology make it difficult to understand the actual variation in resources required to provide these benefits, particularly when the services are provided

Integrated Services of Kalamazoo

Management Discussion and Analysis

directly by a CMHSP and when compared to the cost of services provided by contracted network providers.

To support the development of a behavioral health fee schedule, MDHHS convened a Rate Development workgroup. The work of this group is to develop independent rate models for each of the services provided in the Behavioral Health system. These templates would be used as a point of reference for discussing rate variations.

One of the key issues affecting the current unit cost reporting is inconsistency in the approach to report provider administrative costs versus other administrative costs, including both managed care administration and administration associated with the Michigan's Mental Health Code. As a result, a Standard Cost Allocation workgroup was started to provide guidance to the CMHSPs and PIHPs to achieve greater consistency in reporting provider administration versus other administration. The outcome of this standard cost allocation methodology will also support future PIHP Medicaid medical loss ratio (MLR) reporting required by the federal government, as well as the Encounter Quality Initiative (EQI) reporting.

As a result of these workgroups, ISK will need to evaluate the structure of its General Ledger and Electronic Health Record Systems to accommodate changes to comply with these new requirements.

Lastly, to provide further clarity, the workgroups are recommending changes to service codes to add modifiers to inform rate variations due to varying levels of provider credentials, i.e., Doctor, Master, Bachelor. This change will significantly increase the number of billable codes that CMHSP's will need to manage.

National and State Shortage of Mental Health Professionals and Direct Care Wages

The behavioral health workforce functions in a wide range of prevention, health care, and social service settings. They include public and private prevention programs; community-based and inpatient treatment programs; primary care health delivery offices; systems and hospitals; emergency rooms; criminal justice systems; and school-based or higher education institutions. This workforce includes, but is not limited to: psychiatrists and other physicians, psychologists, social workers, advanced practice psychiatric nurses, marriage and family therapists, certified prevention specialists, addiction counselors, mental health/professional counselors, psychiatric rehabilitation specialists, psychiatric aides and technicians, paraprofessionals in psychiatric rehabilitation and addiction recovery fields (such as case managers, homeless outreach specialists, parent aides, etc.), and peer support specialists and recovery coaches.

The behavioral health workforce is one of the fastest growing workforces in the country. Employment projections for 2020 based on the U.S. Bureau of Labor Statistics forecast a rise in employment for substance abuse and mental health counselors with a 36.3% increase from 2010 to 2020-greater than the 11% projected average for all occupations. This is based on an expected increase in insurance coverage for mental health and substance use services brought about by passage of health reform and parity legislation and the rising rate of military veterans seeking behavioral health services. Serious workforce shortages exist for health professionals and paraprofessionals across the United States. For example, consider:

- In 2011, there were only 2.1 child and adolescent psychiatrists per 100,000 people and 62 clinical social workers per 100,000 people across the United States.
- 62 million people (20-23%) of the U.S. population live in rural or frontier counties; 75% of these counties have no advanced behavioral health practitioners.

Integrated Services of Kalamazoo

Management Discussion and Analysis

- In 2012, the turnover rates in the addiction services workforce ranged from 18.5% to more than 50%.

The current wages that can be paid based on reimbursement rates is inadequate for CMHSPs and providers to compete with private businesses to recruit, hire and retain direct care workers and Licensed Master level Social Workers (LMSW). Low wages for direct care staff is contributing to the serious workforce shortages for paraprofessionals in the Authority's behavioral health and intellectual and developmental disabilities system of care. With increased competition from Hospital and Primary Care Physician groups to add LMSW staff for integrated and care coordination efforts, CMHSP's are needing to significantly increase wages for this large group of employees who deliver direct services.

Request For Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in Integrated Services of Kalamazoo. Questions concerning any of the information provided in this report or request for additional information may be addressed to:

Finance Director
Integrated Services of Kalamazoo
2030 Portage Street
Kalamazoo, Michigan 49001

Financial Statements

Integrated Services of Kalamazoo

Statement of Financial Position

September 30, 2020

Assets

Current Assets

Cash and cash equivalents	\$	20,879,487
Investments		5,782,242
Accounts receivable		1,886,108
Due from State of Michigan		240,139
Prepays		676,552

Total current assets		29,464,528
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Non-Current Assets

Capital assets not being depreciated		899,059
Capital assets being depreciated, net		8,560,858
Net pension asset		6,494,932

Total non-current assets		15,954,849
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Total Assets		45,419,377
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Deferred Outflows of Resources

Deferred pension amounts		1,988,463
Deferred other postemployment benefits amounts		791,192

Total Deferred Outflows of Resources		2,779,655
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Integrated Services of Kalamazoo

Statement of Financial Position

September 30, 2020

Liabilities

Current Liabilities

Accounts payable	\$	7,653,346
Accrued liabilities		917,596
Due to State of Michigan		423,544
Due to other governments		7,757,658
Due to providers		717,627
Unearned revenue		220,326
Current portion of long-term debt		1,583,588

Total current liabilities		19,273,685
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Non-Current Liabilities

Long-term debt, net of current portion		4,411,891
Net other postemployment benefits liability		1,338,658

Total non-current liabilities		5,750,549
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Total Liabilities		25,024,234
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Deferred Inflows of Resources

Deferred pension amounts		1,867,230
Deferred other postemployment benefits amounts		1,131,607

Total Deferred Inflows of Resources		2,998,837
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Net Position

Net investment in capital assets		4,841,804
Restricted for pension and other postemployment benefits		4,937,092
Unrestricted		10,397,065

Total Net Position	\$	20,175,961
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See accompanying notes to financial statements.

Integrated Services of Kalamazoo

Statement of Revenues, Expenses and Changes in Net Position

Year ended September 30, 2020

Operating Revenues	
Medicaid	\$ 70,736,333
Federal and state grants	10,436,893
Charges for services	1,244,678
PA2 funds	180,400
Other revenues	631,953
Total Operating Revenues	83,230,257
Operating Expenses	
Mental health program services:	
Mental illness adult population	31,631,428
Intellectual and developmental disabilities population	29,378,154
Youth services	12,693,951
Multipopulation	3,138,971
Management and general	8,917,760
Total Operating Expenses	85,760,264
Operating loss	(2,530,007)
Non-Operating Revenues (Expenses)	
County appropriation	1,550,400
Interest revenue	141,136
Interest expense	(140,526)
Total Non-Operating Revenues	1,551,010
Change in Net Position	(978,997)
Net Position, beginning of year	21,154,958
Net Position, end of year	\$ 20,175,961

See accompanying notes to financial statements.

Integrated Services of Kalamazoo

Statement of Cash Flows

Year ended September 30, 2020

Operating Activities	
Received from providing services	\$ 90,506,031
Payments to suppliers	(61,573,306)
Payments to employees for services	(18,804,948)
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Net Cash Provided by Operating Activities	10,127,777
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Cash Provided by Non-Capital Financing Activity	
County appropriation	1,550,400
<hr/>	
Capital and Related Financing Activities	
Purchase of capital assets	(204,949)
Payments on long-term debt	(283,111)
Interest paid	(140,526)
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Net Cash Used in Capital and Related Financing Activities	(628,586)
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Investing Activities	
Purchases of investments	(49,716)
Interest received	141,136
<hr/>	
Net Cash Provided by Investing Activities	91,420
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Increase in Cash and Cash Equivalents	11,141,011
Cash and Cash Equivalents, beginning of year	9,738,476
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Cash and Cash Equivalents, end of year	\$ 20,879,487

Integrated Services of Kalamazoo

Statement of Cash Flows

Year ended September 30, 2020

Reconciliation of Operating Loss to Net Cash Provided by

Operating Activities

Operating loss \$ (2,530,007)

Adjustments to reconcile operating loss to net cash provided by operating activities:

Depreciation expense 381,459

Changes in:

Accounts receivable 1,266,123

Due to/from State of Michigan 211,990

Due to providers (83,290)

Prepays (59,348)

Net pension asset and related deferred amounts 1,709,653

Accounts payable 2,875,080

Accrued liabilities 207,561

Due to other governments 5,880,951

Unearned revenue 169,426

Compensated absences 213,619

Net OPEB liability and related deferred amounts (115,440)

Net Cash Provided by Operating Activities \$ 10,127,777

See accompanying notes to financial statements.

Integrated Services of Kalamazoo

Notes to Financial Statements

1. Nature of Business and Summary of Accounting Policies

The financial statements of Integrated Services of Kalamazoo, formerly known as Kalamazoo Community Mental Health and Substance Abuse Services, (the Authority), established under Section 205 of the Mental Health Code, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

Reporting Entity

The Authority is a community mental health authority serving the mental health needs of Kalamazoo County residents. These financial statements represent the financial condition and the results of operations of a component unit of Kalamazoo County, Michigan (the County) and are an integral part of that reporting entity, as defined by generally accepted accounting principles. The County also provides financial support annually to the Authority.

Financial Statements

The financial statements report information on all of the activities of Integrated Services of Kalamazoo.

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

Use of Estimates

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Enterprise fund 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.

The enterprise fund is the Authority's primary operating fund and only fund. It accounts for all financial resources of the Authority.

Integrated Services of Kalamazoo

Notes to Financial Statements

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's operating fund are contract revenues from the Michigan Department of Health and Human Services (MDHHS) and first- and third-party billings. Operating expenses include the cost of providing mental health and substance abuse services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

Deposits and Investments

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

Investments are carried at fair value except for commercial paper, banker's acceptances, and U.S. Treasury and agency obligations with a remaining maturity at the time of purchase of one year or less are shown at amortized cost.

State statutes authorize the Authority to invest in the accounts of federally insured banks, credit unions, and savings and loan associations; and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments.

Receivables

Receivables consist primarily of amounts due from the State of Michigan for Medicaid billings and grant reimbursements and from other agencies, governments, and organizations for services rendered.

Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaids in the financial statements.

Capital Assets

Capital assets are defined as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded for reporting purposes at historical cost or estimated historical cost if constructed or purchased. Donated capital assets are recorded at estimated acquisition cost at the date of donation.

Integrated Services of Kalamazoo

Notes to Financial Statements

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

<i>Asset category</i>	Useful Life (Years)
Buildings and improvements	25 - 40
Equipment and furnishings	3 - 20
Vehicles	5

The Authority 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 current charge to income is recognized.

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) until then. The Authority's deferred outflows of resources are related to the net pension asset and net other postemployment benefits (OPEB) liability.

Long-Term Debt

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds on a straight-line basis, which approximates the effective interest rate method. Contracts payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expense when incurred.

Compensated Absences

It is the Authority's policy to permit employees to accumulate paid time off, subject to certain limitations. Any earned, but unused, paid time off is reported as a liability in the statement of net position.

Unearned Revenue

Unearned revenue represents restricted programmatic funding not expended before year-end. It also includes that portion of the current-year MDHHS contract amount that may be carried over to and expended in subsequent fiscal years. Such carryover is generally limited to five percent of the MDHHS contract amount, and must generally be spent in the following year.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial 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 one or more future periods and

Integrated Services of Kalamazoo

Notes to Financial Statements

so will not be recognized as an inflow of resources (revenue) until that time. The Authority's deferred inflows of resources are related to the net pension asset and net OPEB liability.

Defined Benefit Plans

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

2. Deposits and Investments

Deposits and Investments

Following is a reconciliation of deposit and investment balances as of September 30, 2020:

September 30, 2020

Cash and Investments

Statement of net position:

Cash and cash equivalents	\$ 20,879,487
Investments	5,782,242

Total	\$ 26,661,729
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September 30, 2020

Deposits and Investments

Checking/savings accounts	\$ 20,878,857
Certificates of deposit (due within one year)	1,263,013
Treasury bonds	4,519,229
Cash on hand	630

Total	\$ 26,661,729
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Interest Rate Risk. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of investments. The Authority's investment policy complies with state guidelines and seeks to minimize interest rate risk by investing primarily in short-term securities, liquid assets, money market funds, or similar investment pools and limiting average maturities. The policy does not place specific limitations on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The investment policy states that the investment portfolio shall remain sufficiently liquid to enable the CEO, Deputy Director of Administrative Services, and Finance Director to meet all operating requirements that may be reasonably anticipated. Maturities have been identified above for all of the Authority's investments.

Integrated Services of Kalamazoo

Notes to Financial Statements

Custodial Credit Risk, Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. State law does not require and the Authority does not have a policy for deposit custodial credit risk. As of September 30, 2030, \$20,792,390 of the Authority's bank balance of \$22,305,403 was exposed to credit risk because it was uninsured and uncollateralized.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk. Except for U. S. Treasury Securities and authorized investment pools, the Authority limits the amount invested in a single security type or single financial institution to be no more than 60% of the total portfolio. Safety is one of the primary objectives of the Authority's investment policy, and seeks to ensure the preservation of principal in the overall portfolio. Diversification is required by the policy in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. At September 30, 2020, the Authority was in compliance with its approved investment policy.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require, and the Authority does not have a policy for investment custodial credit risk. At September 30, 2020, the Authority's investments in Treasury Bonds totaled \$4,519,229. There is no custodial credit risk, as these investments are not evidenced by physical securities.

Credit Risk - State law limits investments to specific government securities, certificates of deposit and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers' acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The Authority's investment policy does not have specific limits in excess of state law on investment credit risk.

Fair Value Measurements - The Authority categorized the fair value measurements of its investments within the fair value hierarchy established by generally accepted accounting principles. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs—other than quoted prices—included within Level 1 that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable and are based on estimates and assumptions. These levels are determined by the management's review of the type and substance of investments held by the Authority. At September 30, 2020, all of the Authority's investments in Treasury Bonds were determined to be Level 2.

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Integrated Services of Kalamazoo

Notes to Financial Statements

3. Capital Assets

Capital asset activity for the year ended September 30, 2020 was as follows:

<i>September 30, 2020</i>	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 786,097	\$ -	\$ -	\$ -	\$ 786,097
Work in progress	96,023	204,949	-	(188,010)	112,962
	882,120	204,949	-	(188,010)	899,059
Capital assets being depreciated:					
Buildings and improvements	11,671,465	-	-	174,482	11,845,947
Equipment and furnishings	2,310,222	-	-	13,528	2,323,750
Vehicles	57,920	-	-	-	57,920
	14,039,607	-	-	188,010	14,227,617
Less accumulated depreciation for:					
Buildings and improvements	(3,533,390)	(240,242)	-	-	(3,773,632)
Equipment and furnishings	(1,721,045)	(133,487)	-	-	(1,854,532)
Vehicles	(30,865)	(7,730)	-	-	(38,595)
	(5,285,300)	(381,459)	-	-	(5,666,759)
Total capital assets being depreciated, net	8,754,307	(381,459)	-	188,010	8,560,858
Capital Assets, net	\$ 9,636,427	\$ (176,510)	\$ -	\$ -	\$ 9,459,917

Depreciation expense is allocated in the statement of revenues, expenses and changes in fund net position based on each asset's primary use.

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Integrated Services of Kalamazoo

Notes to Financial Statements

4. Long-Term Debt

Long-term debt activity for the year ended September 30, 2020 was as follows:

<i>September 30, 2020</i>	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Contracts payable (bonds held by the county)	\$ 4,650,000	\$ -	\$ (175,000)	\$ 4,475,000	\$ 200,000
Note payable - direct borrowing	105,000	-	(105,000)	-	-
	4,755,000	-	(280,000)	4,475,000	200,000
Premium on contracts payable	146,224	-	(3,111)	143,113	6,222
Compensated absences	1,163,747	213,619	-	1,377,366	1,377,366
	1,309,971	213,619	(3,111)	1,520,479	1,383,588
Total Long-Term Debt	\$ 6,064,971	\$ 213,619	\$ (283,111)	\$ 5,995,479	\$ 1,583,588

Contracts Payable.- Kalamazoo County issued general obligation bonds in the original amount of \$5,000,000 on behalf of the Authority to finance the construction of a new complex. In accordance with an intergovernmental agreement, the Authority is required to make all principal and interest payments as they become due. The bonds are due annually in amounts ranging from \$100,000 to \$400,000 with final maturity in May 2034. Interest is payable semi-annually at a rate ranging from 2.25% to 4.00%.

Note Payable - direct borrowing. In order to finance the purchase of a building, the Authority obtained a note payable in the original amount of \$500,000 from a local bank. The note was fully repaid during the year ended September 30, 2020.

Annual requirements, excluding compensated absences and the unamortized premium on contracts payable, to maturity on the total long-term obligations outstanding at September 30, 2020 are as follows:

<i>Year ending September 30,</i>	Bonds	
	Principal	Interest
2021	\$ 200,000	\$ 135,250
2022	225,000	129,250
2023	250,000	120,250
2024	275,000	110,340
2025	300,000	104,063
2026 - 2030	1,675,000	396,250
2031 - 2034	1,550,000	127,500
Total	\$ 4,475,000	\$ 1,122,903

Integrated Services of Kalamazoo

Notes to Financial Statements

5. Defined Benefit Pension Plan

General Information About the Plan

Plan Description. The Authority participates in the Kalamazoo County Employees Retirement System (the Plan), a single-employer, defined benefit pension plan which provides retirement and disability benefits to eligible plan members and beneficiaries. The Plan was established by the Kalamazoo County Board of Commissioners and is administered by the Kalamazoo County Retirement Investment Committee. Eligible employees include those holding regular positions, either full-time or part-time, of 20 hours or more per week. The Plan is controlled by State of Michigan law. Any changes to the plan document must be approved by the Kalamazoo County Board of Commissioners and subsequently implemented by the Retirement Investment Committee and the County Administrator/Controller. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The financial report may be obtained by writing to the Office of Finance, County of Kalamazoo, Michigan, 201 West Kalamazoo Avenue, Kalamazoo, Michigan 49007.

Benefits Provided. Pension benefits vary by division/bargaining unit and are calculated as final average compensation (based on a five-year period with a maximum benefit of 75% of final average salary) and a multiplier of 2.5% (2.0% for employees hired on or after January 1, 2016). Participants are considered to be fully vested in the plan after eight years. Normal retirement age is 55 with 25 years of service, or age 60 with eight years of service. Early retirement is available at age 55 with 8 years of service with an age reduction factor.

Employees Covered by Benefit Terms. At December 31, 2019, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	51
Inactive employees entitled to, but not yet receiving benefits	61
Active employees (vested)	85
Active employees (non-vested)	177
Total Membership	374

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate which is adjusted on a calendar year basis. 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. Employees of the Authority are not required to contribute to the Plan. Employer contributions are expressed as a percentage of covered payroll and vary by employment class:

<i>Calendar year</i>	2020	2019
Managerial	7.66%	7.35%
Professional	3.44%	5.08%
TOPS	3.97%	5.72%

Integrated Services of Kalamazoo

Notes to Financial Statements

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

At September 30, 2020, the Authority reported an asset of \$6,494,932 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2019, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation rolled forward from December 31, 2018. The Authority's proportion of the net pension asset was based on the present value of future benefits for each employer (which reflects the long-term obligation of each employer to the plan) as of December 31, 2018. At December 31, 2019, the Authority's proportion was 19.006%. This was a decrease from the Authority's proportion at December 31, 2018 of 19.294%.

For the year ended September 30, 2020, the Authority recognized pension expense of \$1,709,653. The Authority reported pension-related deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 1,577,722	\$ (1,577,722)
Changes of assumptions	917,117	-	917,117
Changes in proportion and difference between employer contributions and share of contributions	380,345	187,392	192,953
Differences between expected and actual experience	234,626	102,116	132,510
	1,532,088	1,867,230	(335,142)
Contributions subsequent to the measurement date	456,375	-	456,375
Total	\$ 1,988,463	\$ 1,867,230	\$ 121,233

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as an increase in the net pension asset for the year ending September 30, 2021. Other amounts reported as pension-related deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending September 30,

2021	\$ (262,707)
2022	111,566
2023	658,297
2024	(842,298)
Total	\$ (335,142)

Integrated Services of Kalamazoo

Notes to Financial Statements

Actuarial Assumptions. The total pension asset in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25% to 5.25%
Investment rate of return	7.25%
Mortality	<p>Healthy Pre-Retirement: The Pub-2010 Amount-Weighted, General, Employee, Male and Female tables, with future mortality improvements projected to 2025 using scale MP-2019.</p> <p>Healthy Post-Retirement: The Pub-2010 Amount-Weighted, General, Healthy Retiree, Male and Female tables, with future mortality improvements projected to 2025 using scale MP-2019.</p> <p>Disability Retirement: The Pub-2010 Amount-Weighted, General, Disabled Retiree, Male and Female, with future mortality improvements projected to 2025 using scale MP-2019.</p>

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study conducted in 2018, covering years 2014 to 2018.

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:

<i>Asset Class</i>	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Small Cap (Manager 1)	5.00%	4.87%
U.S. Small Cap (Manager 2)	10.00%	4.87%
International Developed Equity	10.00%	5.37%
U.S. Large Cap (Manager 1)	30.00%	4.37%
U.S. Large Cap (Manager 2)	5.00%	4.37%
Emerging Markets	10.00%	7.87%
Domestic Fixed Income	25.00%	0.57%
Real Estate (Manager 1)	2.50%	2.77%
Real Estate (Manager 2)	2.50%	2.77%

Discount Rate. The discount rate used to measure the total pension asset was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Authority contributions will be made at contractually

Integrated Services of Kalamazoo

Notes to Financial Statements

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

Sensitivity of the Net Pension Asset to Changes in the Discount Rate. The following presents the net pension asset of the Authority, calculated using the discount rate of 7.25%, as well as what the Authority's net pension asset would be if it were calculated using a discount rate that is 1% lower (6.25%) or 1% higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Authority's Net Pension Asset	\$ 1,682,903	\$ 6,494,932	\$ 10,516,503

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued plan financial statements.

6. Defined Contribution Retirement Plan

When the Authority became a separate legal entity, it elected not to participate in the Social Security System. To provide its employees a similar retirement benefit, the Authority sponsored a 401(h) plan. Under the terms of this Plan, both the Authority and its employees are required to contribute the same amounts that would be due if the Authority had elected to participate in the Social Security System. For the year ended September 30, 2020, the Authority and its employees each contributed \$891,325. The Authority is not a fiduciary with respect to the plan and, accordingly, assets and liabilities of the plan have been excluded from these financial statements.

7. Other Postemployment Benefits

Plan Description. The Authority participates in the Kalamazoo County Retiree Healthcare Plan, an employer financed retiree health benefit plan, which is administered by Kalamazoo County. The Authority establishes and amends the benefit provisions of the participants in the Plan. Kalamazoo County issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to Kalamazoo County.

Funding Policy. The Authority is required to contribute at an actuarially determined rate; the current rate is 2.84% of annual covered payroll.

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Integrated Services of Kalamazoo

Notes to Financial Statements

Employees Covered by Benefit Terms. At December 31, 2019, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	47
Active employees	93
Total Membership	140

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

At September 30, 2020, the Authority reported a liability of \$1,338,658 for its proportionate share of the OPEB liability. The OPEB liability was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from December 31, 2017. The Authority's proportion of the net OPEB liability was based on the present value of future benefits for each employer (which reflects the long-term obligation of each employer to the plan) as of December 31, 2017. At December 31, 2019, the Authority's proportion was 3.802%.

For the year ended September 30, 2020, the Authority recognized OPEB expense (benefit) of \$(115,440). The Authority reported pension-related deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Net difference between projected and actual earnings on OPEB plan investments	\$ 253,937	\$ 293,993	\$ (40,056)
Changes of assumptions	232,054	219,825	12,229
Differences between expected and actual experience	183,942	617,789	(433,847)
	669,933	1,131,607	(461,674)
Contributions subsequent to the measurement date	121,259	-	121,259
Total	\$ 791,192	\$ 1,131,607	\$ (340,415)

Integrated Services of Kalamazoo

Notes to Financial Statements

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability for the year ending September 30, 2021. Other amounts reported as OPEB-related deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

2021	\$	(169,643)
2022		(188,125)
2023		(48,630)
2024		(55,276)
Total	\$	(461,674)

Actuarial Assumptions. The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.75% to 5.25%
Investment rate of return	7.25%, net of OPEB investment expenses
Health care trend rates	Initial trend of 9.00% gradually decreasing to 3.50%
Mortality	<i>Healthy Pre-Retirement:</i> The Pub-2010 Amount-Weighted, General, Employee, Male and Female tables, with future mortality improvements projected to 2025 using scale MP-2019. <i>Healthy Post-Retirement:</i> The Pub-2010 Amount-Weighted, General, Healthy Retiree, Male and Female tables, with future mortality improvements projected to 2025 using scale MP-2019. <i>Disability Retirement:</i> The Pub-2010 Amount-Weighted, General, Disabled Retiree, Male and Female, with future mortality improvements projected to 2025 using scale MP-2019.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study conducted in 2018, covering years 2014 to 2018.

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

Integrated Services of Kalamazoo

Notes to Financial Statements

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<i>Asset Class</i>	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Small Cap (Manager 1)	5.00%	4.87%
U.S. Small Cap (Manager 2)	10.00%	4.87%
International Developed Equity	10.00%	5.37%
U.S. Large Cap (Manager 1)	30.00%	4.37%
U.S. Large Cap (Manager 2)	5.00%	4.37%
Emerging Markets	10.00%	7.87%
Domestic Fixed Income	25.00%	0.57%
Real Estate (Manager 1)	2.50%	2.77%
Real Estate (Manager 2)	2.50%	2.77%

Discount Rate. The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Authority contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net Pension Asset to Changes in the Discount Rate. The following presents the net OPEB liability of the Authority, calculated using the discount rate of 7.25%, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1% lower (6.25%) or 1% higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Authority's Net OPEB Liability	\$ 1,842,657	\$ 1,338,658	\$ 914,857

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Integrated Services of Kalamazoo

Notes to Financial Statements

Sensitivity of the Net Other Postemployment Benefits Liability to Changes in the Healthcare Cost Trend Rate Assumption. The following presents the net other postemployment benefits liability of the Authority, as well as what the Authority's net other postemployment benefits liability would be if it were calculated using healthcare cost trend rates that are 1% lower (8.0% decreasing to 2.5%) or 1% higher (10.0% decreasing to 4.5%) than the current healthcare cost trend rates:

	1% Decrease (8.0% Decreasing to 2.5%)	Healthcare Cost Trend Rates (9.0% Decreasing to 3.5%)	1% Increase (10.0% Decreasing to 4.5%)
Authority's Net OPEB Liability	\$ 823,567	\$ 1,338,658	\$ 1,954,599

OPEB Plan Fiduciary Net Position. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Plan financial statements.

8. Risk Management

The risks of loss arising from general liability, property and crime, are insured through participation in the Michigan Municipal Risk Management State Pool, a public entity risk pool currently operating as a common risk management program for government entities in the State of Michigan.

The Authority pays annual premiums to the State Pool for insurance coverage up to a maximum of \$15,000,000 for aggregate general liability claims and \$27,075,524 for property and crime claims. In the event of unusually high claims, the State Pool may assess member government units on a retroactive basis. The Authority purchases commercial insurance for risks of loss arising from employee health, medical, and workers' compensation claims. The Authority has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

9. Concentrations and Economic Dependency

Approximately 85% of total revenue is either directly or indirectly, paid by or due from the Michigan Department of Health and Human Services.

10. Contingencies

Under the terms of various federal and state grants and regulatory requirements, the Authority 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 grantor or regulatory agencies. The amount, if any, of expenditures which may be disallowed cannot be determined at this time, although the Authority expects such amounts, if any, to be immaterial.

As is the case with other entities, the Authority faces exposure from potential claims and legal proceedings involving environmental and other matters. No such claims or proceedings have been asserted as of September 30, 2020.

Integrated Services of Kalamazoo

Notes to Financial Statements

11. Net Position

Net Investment in Capital Assets

As of September 30, 2020, the Authority's net investment in capital assets was comprised of the following:

September 30, 2020

Invested in capital assets		
Capital assets not being depreciated	\$	899,059
Capital assets being depreciated, net		8,560,858
		<hr/>
		9,459,917
Related debt		
Contracts payable		4,475,000
Unamortized premium		143,113
		<hr/>
		4,618,113
		<hr/>
Total Net Investment in Capital Assets	\$	4,841,804

Restricted Net Position

The Authority's restricted net position represents amounts held in a qualified trust for the purpose of providing pension and OPEB benefits to qualified employees and retirees. This amount represents an excess of assets held in trust over the actuarial accrued liability for providing pension and OPEB benefits. Since these amounts are held in trust, they cannot be accessed by the Authority or used at the Board's discretion.

Unrestricted Net Position

As of September 30, 2020, unrestricted net position was comprised of the following:

September 30, 2020

Designated for equipment replacement	\$	1,545,676
Designated for bond payments		5,073,393
Undesignated		3,777,996
		<hr/>
Total Unrestricted Net Position	\$	10,397,065

Integrated Services of Kalamazoo

Notes to Financial Statements

12. Uncertainties

COVID-19

On January 30, 2020 the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

Management is actively monitoring the impact of the global situation. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Authority is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021. Although the Authority cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have an adverse effect on results of future operations, financial position, and liquidity in fiscal year 2021. The Authority's operations are heavily dependent on funds received from the Michigan Department of Health and Human Services.

CARES Act

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The CARES Act, among other things, awarded the Authority approximately \$71,000 of CARES Act revenue under the Coronavirus Relief Fund. The Authority continues to examine the impact that the CARES Act may have on its operations. Currently, the Authority is unable to determine the impact that the CARES Act will have on its financial condition, results of operations, or liquidity.

Required Supplementary Information

Integrated Services of Kalamazoo

Defined Benefit Pension Plan Schedule of Authority's Proportionate Share of the Net Pension Asset

<i>December 31,</i>	2014	2015	2016	2017	2018	2019
Authority's proportion of the net pension asset	34.414%	17.724%	18.324%	19.352%	19.294%	19.006%
Authority's proportionate share of the net pension asset	\$ 14,791,176	\$ 4,634,263	\$ 6,597,409	\$ 10,036,522	\$ 2,569,383	\$ 6,494,932
Authority's covered payroll	\$ 10,422,152	\$ 10,009,846	\$ 10,652,479	\$ 11,833,751	\$ 12,536,241	\$ 13,961,612
Authority's proportionate share of the net pension asset as a percentage of its covered payroll	141.900%	46.300%	61.900%	84.813%	20.496%	46.520%
Plan fiduciary net position as a percentage of total pension asset	126.600%	115.700%	121.000%	129.410%	106.99%	117.33%

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

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

Integrated Services of Kalamazoo

Defined Benefit Pension Plan Schedule of Contributions

<i>Fiscal year ended September 30,</i>	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Covered Payroll
2015	\$ 515,417	\$ 515,417	\$ -	\$ 9,773,277	5.3%
2016	504,126	504,126	-	10,142,610	5.0%
2017	515,064	515,064	-	11,299,962	4.6%
2018	550,516	550,516	-	12,231,904	4.5%
2019	358,556	358,556	-	13,429,060	2.7%
2020	394,250	394,250	-	13,970,948	2.8%

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

Integrated Services of Kalamazoo
Retiree Healthcare Plan
Schedule of Authority's Proportionate Share of the Net OPEB Liability

<i>December 31,</i>	2017	2018	2019
Authority's proportion of the net OPEB liability	4.299%	4.153%	3.802%
Authority's proportionate share of the net OPEB liability	\$ (1,978,090)	\$ (1,727,226)	\$ (1,338,658)
Authority's covered payroll	\$ 5,779,519	\$ 5,362,845	\$ 5,140,630
Authority's proportionate share of the net OPEB liability as a percentage of its covered payroll	34.226%	32.207%	26.041%
Plan fiduciary net position as a percentage of total OPEB liability	62.100%	61.350%	69.110%

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

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

Integrated Services of Kalamazoo

Retiree Healthcare Plan Schedule of Contributions

<i>Fiscal year ended September 30,</i>	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Covered Payroll
2018	\$ 228,973	\$ 209,892	\$ 19,081	\$ 5,657,770	3.7%
2019	156,571	175,652	(19,081)	5,321,931	3.3%
2020	145,752	145,752	-	5,088,347	2.9%

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

Single Audit Act Compliance

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*

Integrated Services of Kalamazoo
Kalamazoo, 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 Integrated Services of Kalamazoo (the Authority), which comprise the statement of net position as of September 30, 2020, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 21, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority’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 the Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority’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 Authority’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 have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Integrated Services of Kalamazoo'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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

Kalamazoo, Michigan
April 21, 2021

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Integrated Services of Kalamazoo
Kalamazoo, Michigan

Report on Compliance For Each Major Federal Program

We have audited Integrated Services of Kalamazoo's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Integrated Services of Kalamazoo's major federal programs for the year ended September 30, 2020. Integrated Services of Kalamazoo's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Integrated Services of Kalamazoo's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Integrated Services of Kalamazoo's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Integrated Services of Kalamazoo's compliance.

Opinion on Each Major Federal Program

In our opinion, Integrated Services of Kalamazoo complied, in all material respects, with the types of 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, 2020.

Report on Internal Control Over Compliance

Management of Integrated Services of Kalamazoo is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Integrated Services of Kalamazoo's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Integrated Services of Kalamazoo's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

BDO USA, LLP

Kalamazoo, Michigan
April 21, 2021

Schedule of Expenditures of Federal Awards

Integrated Services of Kalamazoo
Schedule of Expenditures of Federal Awards
September 30, 2020

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services:				
Medicaid Cluster				
Passed through Michigan Department of Health and Human Services: Medical Assistance Program:				
Omnibus Budget Reconciliation Act - pre-admission screening/ annual resident reviews	93.778	E20201850-00	\$ 134,336	\$ 136,211
Total Medicaid Cluster			134,336	136,211
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	-	-	329,249
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	-	-	11,203
Total Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)			-	340,452
Passed through Michigan Department of Health and Human Services: Projects for Assistance in Transition from Homelessness (PATH)	93.150	E20201193-00	-	238,272
Substance Abuse and Mental Health Services Projects of Regional and National Significance:				
Mobile Integrated Behavioral Health Team	93.243	-	-	356,534
Women's Health Initiative (WHI)	93.243	-	-	44,248
Mental Health First Aid (MHFA) Training	93.243	-	-	94,078
Supported Employment	93.243	-	-	499,554
Suicide Prevention	93.243	-	-	804
Passed through Michigan Department of Health and Human Services: Healthy Transitions	93.243	E20202741-00	-	293,488
Total Substance Abuse and Mental Health Services Projects of Regional and National Significance			-	1,288,706
Passed through Southwest Michigan Behavioral Health:				
Opioid STR:				
Project Assert	93.788	N/A	-	22,878
Criminal Justice Opioid Overdose Reduction Program (OORP)	93.788	N/A	-	42,213
Medication Assisted Treatment	93.788	N/A	-	467
Total Medical Assistance Program			-	65,558
Section 223 Demonstration Programs to Improve Community Mental Health Services:				
Certified Community Behavioral Health Clinics (CCBHC)	93.829	-	-	2,090,450
Certified Community Behavioral Health Clinics (CCBHC)	93.829	-	-	102,657
Total Section 223 Demonstration Programs to Improve Community Mental Health Services			-	2,193,107

Integrated Services of Kalamazoo
Schedule of Expenditures of Federal Awards
September 30, 2020

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
Passed through Michigan Department of Health and Human Services:				
Block Grants for Community Mental Health Services:				
Behavioral Health Consultant Grant	93.958	E20202643-00	\$ -	\$ 40,000
Enhanced Nutrition Care Coordination & Medical Culinary				
Education Programs	93.958	E20202052-00	-	141,492
Veteran Navigator	93.958	E20201675-002	53,646	161,267
Statewide Parent Management Training - Oregon (PMTO)	93.958	E20202642-00	-	268,386
Total Block Grants for Community Mental Health Services			53,646	611,145
Passed through Southwest Michigan Behavioral Health:				
Block Grants for the Prevention and Treatment of Substance Abuse:				
Project Assert	93.959	N/A	-	8,557
Opioid Outreach and Recovery Program	93.959	N/A	-	167,772
Total Block Grants for the Prevention and Treatment of Substance Abuse			-	176,329
Total U.S. Department of Health and Human Services			187,982	5,049,780
U.S. Department of Housing and Urban Development:				
Passed through Michigan State Housing Development Authority:				
Emergency Solutions Grant Program	14.231	HML-2019-5395-ESF	-	94,119
Continuum of Care Program:				
HUD Grant (HBI) - Renewal 14 (1 yr.)	14.267	-	-	241,563
HUD Grant (HBI) - Renewal 15 (1 yr.)	14.267	-	-	118,468
HUD Grant (HBII) - Renewal 11 (1 yr.)	14.267	-	-	184,826
HUD Grant (HBII) - Renewal 12 (1 yr.)	14.267	-	-	238,397
HUD Grant (Full Count) - Renewal 11 (1 yr.)	14.267	-	-	41,934
HUD Grant (Full Count) - Renewal 12 (1 yr.)	14.267	-	-	2,920
HUD Grant (2nd Base) - Renewal 8 (1 yr.)	14.267	-	-	25,326
HUD Grant (2nd Base) - Renewal 9 (1 yr.)	14.267	-	-	55,406
HUD Grant (3rd Base) - Renewal 7 (1 yr.)	14.267	-	-	22,860
HUD Grant (3rd Base) - Renewal 7 (1 yr.)	14.267	-	-	47,202
HUD Grant (Grand Slam) - Renewal 8 (1 yr.)	14.267	-	-	36,782
HUD Grant (Grand Slam) - Renewal 9 (1 yr.)	14.267	-	-	26,230
HUD Grant (Home Run) - Renewal 9 (1 yr.)	14.267	-	-	29,482
HUD Grant (Home Run) - Renewal 10 (1 yr.)	14.267	-	-	7,900
Total Continuum of Care Program			-	1,079,296
Total U.S. Department of Housing and Urban Development			-	1,173,415
U.S. Department of Education				
Passed through Michigan Department of Health and Human Services:				
Race to the Top - Early Learning Challenge	84.412	E20202647-001	64,028	64,028
U.S. Department of Treasury				
Passed through Michigan Department of Health and Human Services:				
COVID-19 - Coronavirus Relief Fund	21.019	E20204079-002	-	71,330
Total Expenditures of Federal Awards			\$ 252,010	\$ 6,358,553

The accompanying notes are an integral part of this schedule.

Integrated Services of Kalamazoo

Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2020

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Integrated Services of Kalamazoo (the Authority) under programs of the federal government for the year ended September 30, 2020. 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 the Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Authority.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

3. Indirect Cost Rate

For purposes of charging indirect costs to federal awards, the Authority has not elected to use the 10% de minimis cost rate as permitted by the Uniform Guidance.

4. Reconciliation to Financial Statements

Year ended September 30, 2020

Federal and state grants per financial statements	\$ 10,436,893
Less state grants	(4,078,340)
Expenditures of Federal Awards	\$ 6,358,553

Integrated Services of Kalamazoo
Summary Schedule of Findings and Questioned Costs
Year Ended September 30, 2020

Section 1 - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? No
- Significant deficiencies identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? No
- Significant deficiencies identified? None reported

Type of auditor's 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)? No

Identification of major federal programs:

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>
93.829	Section 223 Demonstration Programs to Improve Community Mental Health Services

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

Auditee qualified as a low-risk auditee? Yes

Section 2 - Financial Statement Findings

There were no findings related to the financial statements which are required to be reported in accordance with generally accepted government auditing standards.

Section 3 - Federal Award Findings and Questioned Costs

There were no findings and questioned costs for federal awards as defined in *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Guidance* that are required to be reported.