

# Integrated Services of Kalamazoo

Financial Statements and  
Single Audit Act Compliance  
Year Ended September 30, 2024

The report accompanying these financial statements was issued by BDO USA, P.C., a Virginia professional corporation, and the U.S. member of BDO International Limited, a UK company limited by guarantee.



# **Integrated Services of Kalamazoo**

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Financial Statements and Single Audit Act Compliance  
Year Ended September 30, 2024

# Integrated Services of Kalamazoo

## Contents

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<b>Independent Auditor's Report</b>	3-5
<b>Management's Discussion and Analysis</b>	7-12
<b>Financial Statements</b>	
Statement of Financial Position as of September 30, 2024	14-15
Statement of Revenues, Expenses, and Changes in Net Position for the Year Ended September 30, 2024	16
Statement of Cash Flows for the Year Ended September 30, 2024	17
Notes to Financial Statements	18-34
<b>Required Supplementary Information</b>	
Defined Benefit Pension Plan:	
Schedule of Authority's Proportionate Share of the Net Pension Asset	36
Schedule of Contributions	37
Retiree Healthcare Plan:	
Schedule of Authority's Proportionate Share of the Net OPEB Asset	38
Schedule of Contributions	39
Notes to Required Supplementary Information	40-41
<b>Single Audit Act Compliance</b>	
<b>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></b>	43-44
<b>Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance</b>	45-47
Schedule of Expenditures of Federal Awards for the Year Ended September 30, 2024	48-50
Notes to Schedule of Expenditures of Federal Awards	51
Schedule of Findings and Questioned Costs for the Year Ended September 30, 2024	52-53



## **Independent Auditor's Report**

Integrated Services of Kalamazoo  
Kalamazoo, Michigan

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Integrated Services of Kalamazoo (the Authority), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Integrated Services of Kalamazoo as of September 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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



### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedules of the Authority's proportionate share of the net pension asset and contributions, and schedules of the Authority's proportionate share of the net OPEB asset and contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the



required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 GAAS. In our opinion, the combining statements, and various schedules as listed in the table of contents, and the schedule of expenditures of federal awards, are 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 March 26, 2025 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

***BDO USA, P.C.***

March 26, 2025

## **Management Discussion and Analysis**

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# Integrated Services of Kalamazoo

## Management Discussion and Analysis

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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, 2024. 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 that collaborates and shares effective resources that support individuals and families to be successful through all phases of life.

The information contained in this MD&A should be considered in conjunction with the information contained in the financial statements for the year ended September 30, 2024. This MD&A contains information on the basic financial statements of the Authority together with any required explanation that 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 \$46,469,104 as of September 30, 2024. This represents a decrease of \$1,304,182 from September 30, 2023, when the Authority's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$47,773,286.

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# Integrated Services of Kalamazoo

## Management Discussion and Analysis

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

*September 30,*

	2024	2023	Change	% Change
<b>Assets</b>				
Current	\$ 37,656,174	\$ 40,745,416	\$ (3,089,242)	(7.6)
Capital assets, net	17,801,622	16,827,510	974,112	5.7
Leases receivable	130,460	161,577	(31,117)	(19.3)
Net pension asset	5,412,320	2,188,298	3,224,022	147.3
Net other postemployment benefits asset	315,001	146,170	168,831	115.5
<b>Total Assets</b>	<b>\$ 61,315,577</b>	<b>\$ 60,068,971</b>	<b>\$ 1,246,606</b>	<b>2.0</b>
<b>Deferred Outflows of Resources</b>	<b>\$ 5,399,473</b>	<b>\$ 7,945,059</b>	<b>\$ (2,545,586)</b>	<b>(32.0)</b>
<b>Liabilities</b>				
Current liabilities	\$ 11,679,148	\$ 12,008,573	\$ (329,425)	(2.7)
Long-term liabilities	5,781,229	5,028,674	752,555	14.9
<b>Total Liabilities</b>	<b>\$ 17,460,377</b>	<b>\$ 17,037,247</b>	<b>\$ 423,130</b>	<b>2.5</b>
<b>Deferred Inflows of Resources</b>	<b>\$ 2,785,569</b>	<b>\$ 3,203,497</b>	<b>\$ (417,928)</b>	<b>(13.0)</b>
<b>Net Position</b>				
Net investment in capital assets	\$ 13,776,998	\$ 13,277,168	\$ 499,830	3.8
Restricted	9,336,676	8,154,636	1,182,040	14.5
Unrestricted	23,355,430	26,341,482	(2,986,052)	(11.3)
<b>Total Net Position</b>	<b>\$ 46,469,104</b>	<b>\$ 47,773,286</b>	<b>\$ (1,304,182)</b>	<b>(2.7)</b>

The amount of the Authority's net investment in capital assets at September 30, 2024 is \$13,776,998, or 29.7%, of total net position. Unrestricted net position of \$23,355,430 represents 50.3% of total net position. The remaining net position of \$9,336,676, or 20.0%, represents amounts held in trust for payment of pension benefits in excess of the actuarial accrued liability for providing such benefits. The increase in total assets relates to the increase in the pension asset.

# Integrated Services of Kalamazoo

## Management Discussion and Analysis

The following summarizes the revenues, expenses, and changes in net position:

*Year ended September 30,*

	2024	2023	Change	% Change
<b>Operating Revenues</b>				
Medicaid, Healthy Michigan, and CCBHC contracts	\$ 110,963,476	\$ 98,314,560	\$ 12,648,916	12.9
Federal and state grants	9,755,199	11,927,940	(2,172,741)	(18.2)
State of Michigan general fund	3,900,517	4,083,146	(182,629)	(4.5)
County appropriation	1,550,400	1,550,400	-	-
Charges for services	1,465,936	1,433,117	32,819	2.3
Other revenues	1,147,979	747,649	400,330	70.6
<b>Total Operating Revenues</b>	<b>128,783,507</b>	<b>118,056,812</b>	<b>10,726,695</b>	<b>9.1</b>
<b>Operating Expenses</b>				
Salaries and wages	27,110,974	23,894,593	3,216,381	13.5
Employee benefits	7,826,386	7,300,306	526,080	7.2
Staff development	216,275	215,745	530	0.2
Payments to providers	83,105,349	73,340,856	9,764,493	13.3
Administrative contracts	8,648,047	8,674,555	(26,508)	(0.3)
Office expenses and travel	1,148,867	765,809	383,058	50.0
Facilities and equipment	2,219,493	2,543,916	(324,423)	(12.7)
<b>Total Operating Expenses</b>	<b>130,275,391</b>	<b>116,735,780</b>	<b>13,539,611</b>	<b>11.6</b>
<b>Operating (Loss) Income</b>	<b>(1,491,884)</b>	<b>1,321,032</b>	<b>(2,812,916)</b>	<b>(212.9)</b>
<b>Non-Operating Revenues</b>				
Interest revenue	187,702	114,477	73,225	64.0
<b>Change in Net Position</b>	<b>(1,304,182)</b>	<b>1,435,509</b>	<b>(2,739,691)</b>	<b>(190.9)</b>
<b>Net Position, beginning of year</b>	<b>47,773,286</b>	<b>46,337,777</b>	<b>1,435,509</b>	<b>3.1</b>
<b>Net Position, end of year</b>	<b>\$ 46,469,104</b>	<b>\$ 47,773,286</b>	<b>\$ (1,304,182)</b>	<b>(2.7)</b>

### Financial Operations Highlights

- The decrease in federal and state grants in 2024 was due to continued reduction in federal funding since the public health emergency was ended.
- The increase in salaries and wages, employee benefits, and staff development is due to expansion of the workforce in 2024 to meet service needs of the community as a CCBHC and to operate a 24-hour urgent care.
- The increase in payments to providers in 2024 was due to increased services to Medicaid-eligible individuals, particularly in autism services to eligible youth. ISK also experienced significant cost increases in community living services and inpatient services.
- In 2024, Michigan's Certified Community Behavioral Health Clinics (CCBHC) Demonstration operations resulted in a loss of \$2,857,037. This deficit is due to a reduction in the approved rate per day of service. Integrated Services of Kalamazoo expects that this rate per day will increase in future.

# Integrated Services of Kalamazoo

## Management Discussion and Analysis

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### *Capital Assets and Long-Term Debt*

#### *Capital Assets*

As of September 30, 2024, the Authority had approximately \$17.9 million invested in a variety of capital assets as reflected in the following schedule:

<i>September 30,</i>	<b>2024</b>	<b>2023</b>
Land	\$ 827,021	\$ 827,021
Work-in-progress	671,569	200,707
Buildings and improvements	17,256,653	16,962,091
Equipment and furnishings	2,918,486	2,868,621
Vehicles	87,897	87,897
Right-of-use lease assets	3,907,463	3,866,056
Subscription-based information technology arrangements	970,854	224,380
	<b>26,639,943</b>	<b>25,036,773</b>
Less: accumulated depreciation	<b>8,838,321</b>	<b>7,612,978</b>
<b>Property and Equipment, Net</b>	<b>\$ 17,801,622</b>	<b>\$ 17,423,795</b>

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 no debt outstanding. The schedule below represents compensated absences balances.

<i>September 30,</i>	<b>2024</b>	<b>2023</b>
Compensated absences	\$ 2,106,190	\$ 1,772,650
<b>Total Long-Term Debt</b>	<b>\$ 2,106,190</b>	<b>\$ 1,772,650</b>

### *Factors Impacting the Future*

There are two major factors that will affect the future of the Authority.

#### *Certified Community Behavioral Health Clinics*

In 2016, the Michigan Department of Health and Human Services (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 Coronavirus Aid, Relief, and Economic Security Act of 2020 (CARES Act) authorized two additional states—Michigan and Kentucky—to join the demonstration. As a result, MDHHS was approved for a two-year demonstration that started on October 1, 2021. ISK was certified as a CCBHC certification site.

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

# Integrated Services of Kalamazoo

## Management Discussion and Analysis

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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.

The CCBHC funding for 2022 resulted in a significant surplus for the Authority. In 2023, the PPS rate was recalculated based on 2022 cost and service provision experience and as a result, dropped significantly. As a result, the total CCBHC funding dropped from \$39.3 million in 2022 to \$24.1 million in 2023. As a result of the reduction in revenue and a small increase in expenses, the Authority experienced a loss of about \$2 million that it covered with state general fund and local dollars. The 2023 PPS rate was also used for 2024 with an inflation-adjustment factor, which resulted in losses of about \$3.8 million for 2024 as well. Management has submitted a new CCBHC cost report to MDHHS that reflects 2023 results and an increased PPS rate for 2025. The Authority expects the 2025 PPS rate to mitigate losses in that year and forward.

### ***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. 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.

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, CMHSPs are needing to significantly increase wages for this large group of employees who deliver direct services.

# Integrated Services of Kalamazoo

## Management Discussion and Analysis

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### *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 the Authority. Questions concerning any of the information provided in this report or request for additional information may be addressed to:

Chief Financial Officer  
Integrated Services of Kalamazoo  
610 S. Burdick Street  
Kalamazoo, Michigan 49007

## Financial Statements

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# Integrated Services of Kalamazoo

## Statement of Financial Position

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September 30, 2024

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### Assets

#### Current Assets

Cash and cash equivalents	\$	19,223,275
Investments		4,062,964
Accounts receivable, net		2,423,636
Due from state of Michigan		398,925
Due from other governments		10,353,384
Prepaid expenses		1,193,990

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**Total Current Assets** 37,656,174

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#### Non-Current Assets

Capital assets not being depreciated		1,498,590
Capital assets being depreciated, net		16,303,032
Leases receivable		130,460
Net pension asset		5,412,320
Net other postemployment benefits asset		315,001

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**Total Non-Current Assets** 23,659,403

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**Total Assets** 61,315,577

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#### Deferred Outflows of Resources

Deferred pension amounts		4,605,849
Deferred other postemployment benefits amounts		793,624

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**Total Deferred Outflows of Resources** 5,399,473

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# Integrated Services of Kalamazoo

## Statement of Financial Position

September 30, 2024

### Liabilities

#### Current Liabilities

Accounts payable	7,865,005
Accrued liabilities	2,370,714
Due to state of Michigan	74,821
Due to other governments	112,055
Due to providers	789,701
Unearned revenue	117,267
Current portion of lease liability	171,061
Current portion of subscription liabilities	178,524

**Total Current Liabilities** 11,679,148

#### Non-Current Liabilities

Lease liability, net of current portion	3,024,984
Compensated absences	2,106,190
Subscription liabilities, net of current portion	650,055

**Total Non-Current Liabilities** 5,781,229

**Total Liabilities** 17,460,377

#### Deferred Inflows of Resources

Deferred pension amounts	681,493
Deferred other postemployment benefits amounts	2,002,962
Deferred lease amounts	101,114

**Total Deferred Inflows of Resources** 2,785,569

#### Net Position

Net investment in capital assets	13,776,998
Restricted for pension benefits	9,336,676
Unrestricted	23,355,430

**Total Net Position** \$ 46,469,104

See accompanying notes to financial statements.



# Integrated Services of Kalamazoo

## Statement of Revenues, Expenses, and Changes in Net Position

*Year ended September 30, 2024*

<b>Operating Revenues</b>	
Medicaid, Healthy Michigan, and CCBHC contracts	\$ 110,963,476
Federal and state grants	9,755,199
State of Michigan general fund	3,900,517
County appropriation	1,550,400
Charges for services	1,465,936
Other revenues	1,147,979
<b>Total Operating Revenues</b>	<b>128,783,507</b>
<b>Operating Expenses</b>	
Salaries and wages	27,110,974
Employee benefits	7,826,386
Staff development	216,275
Payments to providers	83,105,349
Administrative contracts	8,648,047
Office expenses and travel	1,148,867
Facilities and equipment	2,219,493
<b>Total Operating Expenses</b>	<b>130,275,391</b>
<b>Operating Loss</b>	<b>(1,491,884)</b>
<b>Non-Operating Revenues</b>	
Interest revenue	187,702
<b>Changes in Net Position</b>	<b>(1,304,182)</b>
<b>Net Position, beginning of year</b>	<b>47,773,286</b>
<b>Net Position, end of year</b>	<b>\$ 46,469,104</b>

*See accompanying notes to financial statements.*

# Integrated Services of Kalamazoo

## Statement of Cash Flows

*Year ended September 30, 2024*

<b>Cash Flows from Operating Activities</b>	
Received from providing services	\$ 119,657,939
Payments to suppliers	(94,790,485)
Payments to employees for services	(33,941,029)
<b>Net Cash Used in Operating Activities</b>	<b>(9,073,575)</b>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Purchase of capital assets	(2,199,455)
Issuance of subscription liabilities	816,403
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(1,383,052)</b>
<b>Cash Flows from Investing Activities</b>	
Purchase of investments	(179,259)
Interest received	187,702
<b>Net Cash Provided by Investing Activities</b>	<b>8,443</b>
<b>Decrease in Cash and Cash Equivalents</b>	<b>(10,448,184)</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>29,671,459</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 19,223,275</b>
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>	
Operating loss	\$ (1,491,884)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization expense	1,225,343
Changes in:	
Accounts receivable	2,988,255
Due from state of Michigan	(1,332,998)
Due from other governments	(10,037,170)
Due to providers	(765,760)
Prepays	(145,659)
Net pension asset and related deferred amounts	(1,182,040)
Lease receivable and related deferred amounts	(5,792)
Accounts payable	439,466
Accrued liabilities	1,267,386
Due to other governments	3
Unearned revenue	22,102
Compensated absences	333,540
Net OPEB asset and related deferred amounts	(46,246)
Principal payments on lease liabilities	(206,821)
Principal payments on subscription liabilities	(135,300)
<b>Net Cash Used in Operating Activities</b>	<b>\$ (9,073,575)</b>

*See accompanying notes to financial statements.*

# Integrated Services of Kalamazoo

## Notes to Financial Statements

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### 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.

#### *Financial Statements*

The financial statements report information on all of the activities of the Authority.

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 GAAP 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.

Proprietary funds distinguish operating revenues and expenses from non-operating 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

# Integrated Services of Kalamazoo

## Notes to Financial Statements

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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, which 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, grant reimbursements, and amounts due from other agencies, governments, and organizations for services rendered.

#### ***Prepaid Expenses***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses 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.

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

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

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# Integrated Services of Kalamazoo

## Notes to Financial Statements

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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 financial 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, therefore, 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) asset.

### ***Long-Term Debt***

Long-term debt and other long-term obligations are reported as liabilities in the statement of financial 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. The Authority had no long-term debt at September 30, 2024.

### ***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 financial position. The compensated absences balance at September 30, 2024 was \$2,106,190.

### ***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 5% 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, therefore, 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, net OPEB asset, and future lease revenue.

### ***Defined Benefit Plans***

For purposes of measuring the net pension asset and net OPEB asset, 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.

# Integrated Services of Kalamazoo

## Notes to Financial Statements

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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.

### *Leases*

#### *Lessee*

The Authority is a party to multiple leases of nonfinancial assets as a lessee. The Authority recognizes a lease liability and an intangible right-of-use (ROU) lease asset (lease asset) in the financial statements, included in capital assets being depreciated, net.

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

Key estimates and judgments related to leases include how the Authority determines (1) the discount rate used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Authority generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and a purchase option price that the Authority is reasonably certain to exercise.

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

#### *Lessor*

The Authority has leased to third parties multiple nonfinancial assets. The Authority recognizes a lease receivable and a deferred inflow of resources in the financial statements where applicable.

At the commencement of the lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments receivable. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Authority determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts. The Authority uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee. The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the

# Integrated Services of Kalamazoo

## Notes to Financial Statements

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lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

### ***Subscription-Based Information Technology Arrangements***

The Authority is party to various subscription-based information technology arrangements (SBITAs). The Authority recognized a subscription liability and an intangible ROU subscription asset (subscription asset) in the financial statements. The Authority recognizes subscription liabilities with an initial term greater than 12 months. Remaining subscription terms are three years with fixed payments due annually. For SBITAs with a maximum possible term of 12 months or less at commencement, the Authority recognizes expenses based on the provisions of the arrangement.

At the commencement of an SBITA, the Authority initially measures the subscription liability at the present value of expected subscription payments to be made of the SBITA term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial measurement of the subscription liability, adjusted for payments associated with the SBITA contract made to the vendor at the commencement of the subscription term, plus any capitalizable initial implementation costs, less any vendor incentives received at the commencement of the subscription term. Subsequently, the subscription asset is amortized on a straight-line basis over the shorter of the useful life of the Information Technology (IT) asset or subscription term.

Key estimates and judgments related to SBITAs include how the Authority determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) the subscription term, and (3) subscription payments.

The Authority uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the Authority generally uses its estimated incremental borrowing rate as the discount rate. The subscription term includes the noncancellable period during which the Authority has a noncancellable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend if reasonably certain the Authority or vendor will exercise that option or to terminate if it is reasonably certain that the Authority or vendor will not exercise that option. Subscription payments included in the measurement of the subscription liability are composed of fixed payments.

The Authority monitors changes in circumstances that would require remeasurement of an SBITA and will remeasure the subscription asset or subscription liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Subscription assets are reported with other capital assets and subscription liabilities are reported with long-term liabilities on the statement of financial position.

The Authority capitalizes qualifying initial implementation costs of \$5,000 or more as part of the subscription asset. Preliminary project stage outlays are expensed as incurred. Operation and additional implementation stage activities are expensed as incurred unless they meet specific capitalization criteria.

# Integrated Services of Kalamazoo

## Notes to Financial Statements

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### 2. Deposits and Investments

#### *Deposits and Investments*

Following is a reconciliation of deposit and investment balances:

*September 30, 2024*

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#### **Cash and Investments**

Statement of financial position:

Cash and cash equivalents	\$ 19,223,275
Investments	4,062,964

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*September 30, 2024*

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#### **Deposits and Investments**

Checking/savings accounts	\$ 19,222,495
Certificates of deposit (due within one year)	4,062,964
Cash on hand	780

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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 Chief Executive Officer, Chief Financial Officer, 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.

*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, 2024, \$22,524,409 of the Authority's bank balance of \$23,491,233 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 so that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. At September 30, 2024, 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.



# Integrated Services of Kalamazoo

## Notes to Financial Statements

*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 GAAP. 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 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.

### 3. Capital Assets

Capital asset activity is as follows:

*September 30, 2024*

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>Capital assets not being depreciated:</b>					
Land	\$ 827,021	\$ -	\$ -	\$ -	\$ 827,021
Work-in-progress	200,707	815,289	-	(344,427)	671,569
	1,027,728	815,289	-	(344,427)	1,498,590
<b>Capital assets being depreciated:</b>					
Buildings and improvements	16,962,091	-	-	294,562	17,256,653
Equipment and furnishings	2,868,621	-	-	49,865	2,918,486
Vehicles	87,897	-	-	-	87,897
ROU lease assets	3,866,056	41,407	-	-	3,907,463
SBITAs	224,380	746,474	-	-	970,854
	24,009,045	787,881	-	344,427	25,141,353
<b>Less: accumulated depreciation for:</b>					
Buildings and improvements	(4,730,042)	(528,189)	-	-	(5,258,231)
Equipment and furnishings	(2,176,215)	(158,381)	-	-	(2,334,596)
Vehicles	(75,387)	(6,870)	-	-	(82,257)
ROU lease assets	(596,287)	(306,689)	-	-	(902,976)
SBITAs	(35,047)	(225,214)	-	-	(260,261)
	(7,612,978)	(1,225,343)	-	-	(8,838,321)
<b>Capital Assets Being Depreciated, Net</b>	<b>16,396,067</b>	<b>(437,462)</b>	<b>-</b>	<b>344,427</b>	<b>16,303,032</b>
<b>Capital Assets, Net</b>	<b>\$17,423,795</b>	<b>\$ 377,827</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$17,801,622</b>

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

# Integrated Services of Kalamazoo

## Notes to Financial Statements

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### 4. Defined Benefit Pension Plan

#### *General Information About the Plan*

##### *Plan Description*

The Authority participates in the Kalamazoo County Employees Retirement System (the Plan), a multi-employer, defined benefit pension plan that 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 eight years of service with an age-reduction factor.

##### *Employees Covered by Benefit Terms*

At December 31, 2023, plan membership consisted of the following:

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Inactive employees or beneficiaries currently receiving benefits	81
Inactive employees entitled to, but not yet receiving benefits	71
Active employees	412
<b>Total Membership</b>	<b>564</b>

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# Integrated Services of Kalamazoo

## Notes to Financial Statements

### 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:

Calendar Year	2024 (%)
Managerial	13.24
Professional	7.70
TOPS	4.75

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

At September 30, 2024, the Authority reported an asset of \$5,412,320, for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2023, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation rolled forward from December 31, 2022. 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, 2023. At December 31, 2023, the Authority's proportion was 22.35%. This was an increase from the Authority's proportion at December 31, 2022 of 21.37%.

For the year ended September 30, 2024, the Authority recognized pension expense of \$632,424. The Authority reported pension-related deferred outflows of resources and deferred inflows of resources from the following sources:

#### *September 30, 2024*

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 1,331,104	\$ -	\$ 1,331,104
Changes in proportion and difference between employer contributions and share of contributions	777,297	681,493	95,804
Differences between expected and actual experience	1,084,976	-	1,084,976
	3,193,377	681,493	2,511,884
Contributions subsequent to the measurement date	1,412,472	-	1,412,472
<b>Total</b>	<b>\$ 4,605,849</b>	<b>\$ 681,493</b>	<b>\$ 3,924,356</b>

# 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 an increase in the net pension asset for the year ending September 30, 2025. 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,*

2025	\$	616,883
2026		661,628
2027		1,885,118
2028		(651,745)
<b>Total</b>	<b>\$</b>	<b>2,511,884</b>

### *Actuarial Assumptions*

The total pension asset in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	3.75% to 5.25%
Investment rate of return	7.25%
Mortality	The Pub-2010 Amount-Weighted, General, Employee, and Male and Female tables, with future mortality improvements projected to 2025 using scale MP-2019.

The actuarial assumptions used in the December 31, 2023 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:

Asset Class	Target Allocation (%)	Long-Term Expected Real Rate of Return (%)
U.S. Small-Cap (Manager 1)	5.00	5.84
U.S. Small-Cap (Manager 2)	10.00	5.84
International Developed Equity	10.00	4.14
U.S. Large-Cap (Manager 1)	30.00	5.25
U.S. Large-Cap (Manager 2)	5.00	5.25
Emerging Markets	10.00	5.14
Domestic Fixed Income	25.00	2.64
Real Estate (Manager 1)	2.50	4.54
Real Estate (Manager 2)	2.50	4.54

# Integrated Services of Kalamazoo

## Notes to Financial Statements

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### *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 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%)
<b>Authority's Net Pension Asset</b>	<b>\$ 4,049,621</b>	<b>\$ 5,421,320</b>	<b>\$ 16,190,063</b>

### *Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued plan financial statements. These can be found at <https://www.kalcounty.gov>.

## **5. 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, 2024, the Authority and its employees each contributed \$3,230,041. 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.

## **6. 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.

# Integrated Services of Kalamazoo

## Notes to Financial Statements

### ***Funding Policy***

The Authority is required to contribute at an actuarially determined rate; the current actuarially determined contribution was \$0.

### ***Employees Covered by Benefit Terms***

At December 31, 2023, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	54
Active employees	57
<b>Total Membership</b>	<b>111</b>

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

At September 30, 2024, the Authority reported an asset of \$315,001 for its proportionate share of the OPEB asset. The OPEB asset was measured as of December 31, 2023, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation from December 31, 2023. The Authority's proportion of the net OPEB 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, 2023. At December 31, 2023, the Authority's proportion was (7.50)%. At December 31, 2022, the Authority's proportion was (4.95)%.

For the year ended September 30, 2024, the Authority recognized an OPEB benefit of \$(582,102). The Authority reported OPEB-related deferred outflows of resources and deferred inflows of resources from the following sources:

#### ***September 30, 2024***

	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	\$ 134,635	\$ -	\$ 134,635
Changes of assumptions	244,187	437,641	(193,454)
Differences between expected and actual experience	414,802	1,565,321	(1,150,519)
<b>Total</b>	<b>\$ 793,624</b>	<b>\$ 2,002,962</b>	<b>\$ (1,209,338)</b>

# Integrated Services of Kalamazoo

## Notes to Financial Statements

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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, 2025. Other amounts reported as OPEB-related deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

*Year ending September 30,*

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2025	\$	(409,522)
2026		(364,754)
2027		(310,453)
2028		(124,609)
<b>Total</b>	<b>\$</b>	<b>(1,209,338)</b>

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### *Actuarial Assumptions*

The total OPEB liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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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 8.25% gradually decreasing to 3.50%.
Mortality	<i>Healthy Pre-Retirement</i> - The Pub-2010 Amount-Weighted, General, Healthy Retiree, and Male and Female tables, with future mortality improvements projected to 2025 using MP-2019. <i>Healthy Post-Retirement</i> - The Pub-2010 Amount-Weighted, General, Healthy Retiree, and Male and Female tables, with future mortality improvements projected to 2025 using MP-2019. <i>Disability Retirement</i> - The Pub-2010 Amount-Weighted, General, Disabled Retiree, and Male and Female tables, with future mortality improvements projected to 2025 using MP-2019.

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The actuarial assumptions used in the December 31, 2023 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:

Asset Class	Target Allocation (%)	Long-Term Expected Real Rate of Return (%)
U.S. Small-Cap (Manager 1)	5.00	5.84
U.S. Small-Cap (Manager 2)	10.00	5.84
International Developed Equity	10.00	4.14
U.S. Large-Cap (Manager 1)	30.00	5.24
U.S. Small-Cap (Manager 2)	5.00	5.24
Emerging Markets	10.00	5.14
Domestic Fixed Income	25.00	2.64
Real Estate (Manager 1)	2.50	2.64
Real Estate (Manager 2)	2.50	2.64

### *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 Other Postemployment Benefits Liability 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%)
<b>Authority's Net Pension Asset</b>	\$ 22,097	\$ 315,001	\$ 565,979



# Integrated Services of Kalamazoo

## Notes to Financial Statements

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### *Sensitivity of the Net Other Postemployment Benefits Liability to Changes in the Healthcare Cost Trend Rate Assumption*

The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (6.50% decreasing to 2.50%) or 1% higher (8.50% decreasing to 4.50%) than the current healthcare cost trend rates:

	1% Decrease (6.50% Decreasing to 2.50%)	Healthcare Cost Trend Rates (7.50% Decreasing to 3.50%)	1% Increase (8.50% Decreasing to 4.50%)
<b>Authority's Net OPEB Asset (Liability)</b>	<b>\$ 628,064</b>	<b>\$ 315,001</b>	<b>\$ (51,310)</b>

### *OPEB Plan Fiduciary Net Position*

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued plan financial statements. These can be found at <https://www.kalcounty.gov>.

## 7. 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 \$27,106,564 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.

## 8. Concentrations and Economic Dependency

Approximately 84% of total revenue is either directly or indirectly, paid by or due from MDHHS.

## 9. 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 that may be disallowed cannot be determined at this time, although the Authority expects such amounts, if any, to be immaterial.

# Integrated Services of Kalamazoo

## Notes to Financial Statements

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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, 2024.

### 10. Net Position

#### *Net Investment in Capital Assets*

The Authority's net investment in capital assets is comprised of the following:

*September 30, 2024*

Invested in capital assets:	
Capital assets not being depreciated	\$ 1,498,590
Capital assets being depreciated, net	16,303,032
<b>Investment in Capital Assets</b>	<b>17,801,622</b>
Lease liability	(3,196,045)
Subscription liabilities	(828,579)
<b>Total Net Investment in Capital Assets</b>	<b>\$ 13,776,998</b>

#### *Restricted Net Position*

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

### 11. Leases

#### *Leases Payable*

The Authority entered into leases for buildings and copiers with lease terms ranging from two to 15 years. The leases went into effect on October 1, 2021. As of September 30, 2024, the outstanding balance on the leases was \$3,196,045. The Authority is required to make monthly principal and interest lease payments ranging from \$1,100 to \$26,650. The leases have an interest rate of 5%. The net value of the ROU assets as of September 30, 2024 was \$3,907,463 and had an accumulated amortization of \$902,976.

# Integrated Services of Kalamazoo

## Notes to Financial Statements

The future principal and interest lease payments as of September 30, 2024 are as follows:

*Year ending September 30,*

	Principal		Interest		Total
2025	\$	171,061	\$	148,739	\$ 319,800
2026		179,812		139,988	319,800
2027		189,012		130,788	319,800
2028		198,682		121,118	319,800
2029		208,847		110,953	319,800
2030-2034		1,215,873		383,127	1,599,000
2035-2037		1,032,759		70,204	1,102,963
<b>Total</b>	\$	<b>3,196,046</b>	\$	<b>1,104,917</b>	\$ <b>4,300,963</b>

### *Leases Receivable*

The Authority leases various buildings to third parties. The leases are for terms ranging from four to 15 years, and the Authority will receive monthly payments ranging from \$1,810 to \$2,750. The Authority recognized \$80,525 in lease revenue for the year ended September 30, 2024. As of September 30, 2024, the Authority's receivable for lease payments was \$130,460. The Authority recognized a deferred inflow of resources associated with the lease of \$101,114 at September 30, 2024, that will be recognized as revenue over the remainder of the lease terms.

## 12. Subscription Liabilities

Changes in subscription liabilities for the year ended September 30, 2024 are as follows:

*September 30, 2024*

	Balance, Beginning of Year	Additions	Deductions	Balance, End of Year	Amounts Due Within One Year
Subscription liabilities	\$ 147,476	\$ 816,403	\$ (135,300)	\$ 828,579	\$ 178,524

The future principal and interest SBITA payments as of September 30, 2024 are as follows:

*Year ending September 30,*

	Principal		Interest		Total
2025	\$	178,524	\$	32,494	\$ 211,018
2026		175,037		22,243	197,280
2027		146,721		14,558	161,279
2028		154,196		7,084	161,280
2029		174,101		652	174,753
<b>Total</b>	\$	<b>828,579</b>	\$	<b>77,031</b>	\$ <b>905,610</b>

## Required Supplementary Information

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## Integrated Services of Kalamazoo

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

<i>December 31,</i>	2017	2018	2019	2020	2021	2022	2023
Authority's proportion of the net pension asset	19.35%	19.294%	19.006%	19.24%	20.04%	21.37%	<b>22.35%</b>
Authority's proportionate share of the net pension asset	\$ 10,036,522	\$ 2,569,383	\$ 6,494,932	\$ 6,843,869	\$ 12,726,932	\$ 2,188,298	\$ <b>5,412,320</b>
Authority's covered payroll	\$ 11,833,751	\$ 12,536,241	\$ 13,961,612	\$ 14,412,297	\$ 16,780,910	\$ 20,228,003	\$ <b>23,123,000</b>
Authority's proportionate share of the net pension asset as a percentage of its covered payroll	84.813%	20.469%	46.520%	47.49%	75.84%	10.82%	<b>23.4%</b>
Plan fiduciary net position as a percentage of total pension liability	129.410%	106.99%	117.33%	117.25%	129.88%	104.67%	<b>110.47%</b>

# Integrated Services of Kalamazoo

## Defined Benefit Pension Plan Schedule of Contributions

*Fiscal year ended September 30,*

	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Covered Payroll (%)
2017	\$ 515,064	\$ 515,064	\$ -	\$ 11,299,962	4.60
2018	550,516	550,516	-	12,231,904	4.50
2019	358,556	358,556	-	13,429,060	2.70
2020	394,250	394,250	-	13,970,948	2.80
2021	599,345	599,345	-	16,503,966	3.60
2022	705,354	705,354	-	21,392,418	3.30
2023	997,502	997,502	-	24,067,529	4.14
2024	1,527,233	1,527,233	-	27,259,585	5.60

## Integrated Services of Kalamazoo

### Retiree Healthcare Plan Schedule of Authority's Proportionate Share of the Net OPEB Asset

<i>December 31,</i>	2017	2018	2019	2020	2021	2022	2023
Authority's proportion of the net OPEB asset (liability)	4.30%	4.15%	3.80%	3.35%	1.25%	(4.95)%	(7.50)%
Authority's proportionate share of the net OPEB asset (liability)	\$ (1,978,090)	\$ (1,727,226)	\$ (1,338,658)	\$ (1,027,899)	\$ (735,905)	\$ 146,170	\$ 315,001
Authority's covered payroll	\$ 5,779,519	\$ 5,362,845	\$ 5,140,630	\$ 4,799,580	\$ 4,436,875	\$ 4,359,884	\$ 4,163,858
Authority's proportionate share of the net OPEB asset (liability) as a percentage of its covered payroll	34.23%	32.207%	26.041%	21.42%	16.59%	(3.35)%	(7.57)%
Plan fiduciary net position as a percentage of total OPEB liability	62.10%	61.35%	69.11%	75.65%	83.11%	104.95%	110.51%

# Integrated Services of Kalamazoo

## Retiree Healthcare Plan Schedule of Contributions

*Fiscal year ended September 30,*

	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	3.70
2019	156,571	175,652	(19,081)	5,321,931	3.30
2020	145,752	145,752	-	5,088,347	2.90
2021	161,679	161,679	-	4,799,580	3.37
2022	154,050	154,050	-	4,436,875	3.47
2023	-	-	-	4,359,884	-
2024	-	-	-	4,163,858	-



# Integrated Services of Kalamazoo

## Notes to Required Supplementary Information

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### 1. Defined Benefit Pension Plan

#### *Schedule of Authority's Proportionate Share of the Net Pension Asset*

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

The Government Accounting Standards Board (GASB) 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, ten years of data will be presented.

#### *Schedule of Contributions*

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

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Valuation Date	December 31, 2022
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Methods and assumptions used to determine contribution rates (2024, based on the December 31, 2022 actuarial valuation):

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Actuarial cost method	Individual entry-age normal cost
Amortization method	Level percent of payroll, open period
Remaining amortization period	10 years
Asset valuation method	Market value with five-year smoothing
Inflation	3.25%
Salary increases	3.75% to 5.25%
Investment rate of return	7.25%, net of investment and administrative expense, including inflation.
Retirement age	Age-based table of rates that are specific to the type of eligibility condition. The Normal Retirement rates were first used for the December 31, 2020 actuarial valuations. The Early Retirement rates were first used for the December 31, 2020 actuarial valuations.
Mortality	The Pub-2010 Amount-Weighted, General and Safety, Employee, Healthy Retiree and Disabled Retiree, and Male and Female tables, with future mortality improvements projected to 2025 using scale MP-2019.

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# Integrated Services of Kalamazoo

## Notes to Required Supplementary Information

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### 2. Other Postemployment Benefits Plan

#### *Schedule of Authority's Proportionate Share of the Net OPEB Liability*

The amounts presented for each fiscal year were determined as of September 30 of that fiscal year. GASB 74 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, ten years of data will be presented.

#### *Schedule of Contributions*

GASB 74 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, ten years of data will be presented.

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Valuation Date	December 31, 2023
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Methods and assumptions used to determine contribution rates:

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Actuarial cost method	Entry-age normal
Amortization method	Level dollar
Remaining amortization period	22 years, closed
Asset valuation method	Market value of assets
Inflation	2.5%
Salary increases	3.25% to 5.25%
Investment rate of return	7.25%, net of investment and administrative expense, including inflation.
Retirement age	Age-based or service-based table of rates that are specific to the type of eligibility condition.
Mortality	The Pub-2010 Amount-Weighted, General, Healthy Retiree, Disabled Retiree, and Male and Female tables, with future mortality improvements projected to 2025 using MP-2019.
Healthcare trend rates	Initial trend of 8.25% gradually decreasing to 3.50%.

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## Single Audit Act Compliance

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## **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), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated March 26, 2025.

### **Report on 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 entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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, P.C.*

March 26, 2025



## **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**

#### ***Opinion on Each Major Federal Program***

We have audited Integrated Services of Kalamazoo's (the Authority) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2024. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2024.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

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



### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

### **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

*BDO USA, P.C.*

March 26, 2025



# Integrated Services of Kalamazoo

## Schedule of Expenditures of Federal Awards

Year ended September 30, 2024

Federal Grantor/Pass-Through Grantor/ Cluster or Program Title	Assistance Listing	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
<b>United States Department of Health and Human Services</b>				
Medicaid Cluster:				
Pass-through from Michigan Department of Health and Human Services:				
Medical Assistance Program:				
Omnibus Budget Reconciliation Act - pre-admission screening/annual resident reviews				
	93.778	E20232796-00	\$ 284,734	\$ 341,111
<b>Total Medicaid Cluster</b>			<b>284,734</b>	<b>341,111</b>
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	H79SM082994-04	-	609,824
Passed through Michigan Department of Health and Human Services:				
Projects for Assistance in Transition from Homelessness (PATH)				
	93.150	N/A	-	213,606
Passed through Network 180:				
Mental Health Research Grants				
	93.242	N/A	-	27,784
Substance Abuse and Mental Health Services Projects of Regional and National Significance:				
Mobile integrated Behavioral Health Team Zero Suicide				
	93.243	1H79SM080669-04	-	103,840
	93.243	6H79SM083409-02M001	-	162,803
Zero Suicide				
	93.243	6H79SM083409-03M001	-	179,846
Mental Health First Aid (MHFA) Training				
	93.243	H79SM084381-01	-	26,262
Mental Health First Aid (MHFA) Training MIBHT				
	93.243	H79SM084381-02	-	85,914
	93.243	H79SM080669	-	434,138
<b>Total Substance Abuse and Mental Health Services Projects of Regional and National Significance</b>			<b>-</b>	<b>992,803</b>
Passed through Network 180:				
COVID-19 Emergency Grants to Address Mental and Substance Use Disorders During COVID-19				
	93.665	N/A	-	102,032
Passed through Southwest Michigan Behavioral Health:				
Opioid STR:				
Peer Outreach				
	93.788	N/A	-	215,851
Passed through Salvation Army:				
Temporary Assistance for Needy Families				
	93.558	N/A	-	142,779
CCDF Cluster:				
Child Care and Development Block Grant				
	93.575	N/A	66,257	66,257
Certified Community Behavioral Health Clinic Expansion Grants				
	93.696	N/A	-	1,103,424

# Integrated Services of Kalamazoo

## Schedule of Expenditures of Federal Awards

Year ended September 30, 2024

Federal Grantor/Pass-Through Grantor/ Cluster or Program Title	Assistance Listing	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
Block Grants for Community Mental Health Services:				
Passed through Michigan Department of Health and Human Services:				
Behavioral Health Workforce Stabilization	93.958	N/A	\$ -	\$ 68,000
Adult Nutrition Grant	93.958	E20231650-00	-	138,170
EMH Co-Responding Grant	93.958	N/A	-	14,281
ACT and Dual ACT/IDDT Financial Incentive	93.958	E20224858-00	-	-
Veteran Navigator	93.958	E20240214-00	51,385	125,000
Statewide Parent Management Training - Oregon (PMTO)	93.958	E20222675-00	-	467,634
Passed through Southwest Michigan Behavioral Health:				
COVID-19 - MHBG Supplemental CHW	93.958	N/A	-	49,982
<b>Total Block Grants for Community Mental Health Services</b>			<b>51,385</b>	<b>863,067</b>
Block Grants for the Prevention and Treatment of Substance Abuse:				
Passed through Southwest Michigan Behavioral Health:				
OORP	93.959	N/A	-	119,362
<b>Total U.S. Department of Health and Human Services</b>			<b>402,376</b>	<b>4,797,900</b>
U.S. Department of Housing and Urban Development				
Passed through Michigan State Housing Development Authority:				
Emergency Solutions Grant Program	14.231	HML-2023- Housing-5395-ESF	-	102,163
Home Investment Partnerships Program	14.239	N/A	-	237,058
<b>Total Michigan State Housing Development Authority</b>			<b>-</b>	<b>339,221</b>
Continuum of Care Program:				
HUD Grant (HBI)	14.267	MI0183L5F072215	-	338,666
HUD Grant (HBI)	14.267	MI0183L5F072216	-	131,795
HUD Grant (HBII)	14.267	MI0183L5F072215	-	115,407
HUD Grant (HBII)	14.267	MI0183L5F072216	-	166,701
HUD Grant (Full Count)	14.267	MI0182L5F072114	-	46,528
HUD Grant (Full Count)	14.267	MI0182L5F072115	-	6,655
HUD Grant (2 <sup>nd</sup> Base)	14.267	MI0296L5F072013	-	25,780
HUD Grant (2 <sup>nd</sup> Base)	14.267	MI0296L5F072114	-	37,867
HUD Grant (3 <sup>rd</sup> Base)	14.267	MI0346L5F072010	-	28,896
HUD Grant (3 <sup>rd</sup> Base)	14.267	MI0346L5F072111	-	27,545
HUD Grant (Grand Slam)	14.267	MI0178L5F072113	-	52,621
HUD Grant (Grand Slam)	14.267	MI0178L5F072214	-	23,895
HUD Grant (Home Run)	14.267	MI0332L5F072113	-	43,324
HUD Grant (Home Run)	14.267	MI0332L5F072214	-	17,065
<b>Total Continuum of Care Program</b>			<b>-</b>	<b>1,062,745</b>
<b>Total U.S. Department of Housing and Urban Development</b>			<b>-</b>	<b>1,401,966</b>

**Integrated Services of Kalamazoo**  
**Schedule of Expenditures of Federal Awards**

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*Year ended September 30, 2024*

Federal Grantor/Pass-Through Grantor/ Cluster or Program Title	Assistance Listing	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
<b>U.S. Department of Justice</b>				
Connect and Protect:				
Law Enforcement Behavioral Health Responses	16.745	N/A	\$ -	\$ 118,902
<b>Total U.S. Department of Justice</b>			-	118,902
<b>Total Expenditures of Federal Awards</b>			\$ 402,376	\$ 6,318,768

*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, 2024

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### 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, 2024. 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, 2024*

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Federal and state grants per financial statements	\$	9,755,199
Less: state grants		(3,436,431)
<b>Expenditures of Federal Awards</b>	<b>\$</b>	<b>6,318,768</b>

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# Integrated Services of Kalamazoo

## Schedule of Findings and Questioned Costs Year Ended September 30, 2024

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### Section I - 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 weakness(es) identified?  yes  no
- Significant deficiency(ies) identified?  yes  none reported

Noncompliance material to financial statements noted?

yes  no

#### *Federal Awards*

Internal control over major federal programs:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified?  yes  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)?

yes  no

Identification of major federal programs:

Name of Federal Program or Cluster

Federal Assistance Listing Number

Continuum of Care Program  
Medicaid Cluster

14.267  
93.778

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

yes  no

# **Integrated Services of Kalamazoo**

## **Schedule of Findings and Questioned Costs Year Ended September 30, 2024**

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### **Section II - Financial Statement Findings**

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

### **Section III - Federal Award Findings and Questioned Costs**

There were no findings and questioned costs for federal awards (as defined in 2 CFR 200.516(a)) that are required to be reported.