HURON BEHAVIORAL HEALTH
HURON COUNTY, MICHIGAN

FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

HURON BEHAVIORAL HEALTH
HURON COUNTY, MICHIGAN

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INDEPENDENT AUDITOR'S REPORT

To the Board
Huron Behavioral Health
Bad Axe, Michigan

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Huron Behavioral Health as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise Huron Behavioral Health's basic financial statements as listed in the table of contents.

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

Basis for Opinion

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

Change in Accounting Principle

As described in Note 1 to the financial statements, the Authority adopted GASB Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Huron Behavioral Health’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 Huron Behavioral Health’s ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2026, on our consideration of Huron Behavioral Health'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 Huron Behavioral Health'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 Huron Behavioral Health's internal control over financial reporting and compliance.

Nietzke + Faupel, P.C.

Nietzke & Faupel, PC
Pigeon, Michigan

February 19, 2026

HURON BEHAVIORAL HEALTH

Management's Discussion and Analysis

For the year ended September 30, 2025

This section of the Huron Behavioral Health (HBH) annual financial report presents management's discussion and analysis of the financial performance for the fiscal year ended September 30, 2025 (fiscal year 2025). This discussion and analysis is designed to assist the reader in focusing on significant financial issues and activities and to identify fiscal year significant changes in financial position and results of operations. Please read this section in conjunction with the auditor's report and with our financial statements, notes to the financial statements and supplemental information taken as a whole.

The Michigan Department of Health & Human Services (MDHHS) contracts for Medicaid specialty supports and services through designated Prepaid Inpatient Health Plans (PIHPs) in regional geographic areas. In fiscal year 2025, Mid-State Health Network (MSHN) was the Medicaid PIHP for the region that included Huron Behavioral Health. The MSHN region encompasses twenty-one (21) counties serviced by twelve (12) Community Mental Health Programs (CMHP) that include: Bay-Arenac Behavioral Health Authority, CMH Authority of Clinton, Eaton, Ingham Counties, CMH for Central Michigan, Gratiot Integrated Health Network, Huron Behavioral Health, The Right Door for Hope, Recovery & Wellness (Ionia County CMH) Lifeways CMH Authority, Montcalm Care Network, Newaygo County – Mental Health Center, Saginaw County CMH Authority, Shiawassee Health and Wellness, and Tuscola Behavioral Health Systems. Huron Behavioral Health is affiliated with and subcontracts for Medicaid, Healthy Michigan and Autism funding through the PIHP, rather than directly with the State of Michigan. State general fund revenue and other state and federal grants are sourced directly from MDHHS. Earned contracts may be sourced through MDHHS or through County of Financial Responsibility (COFR) arrangements with other community mental health service providers.

FINANCIAL HIGHLIGHTS

- Operating results show an increase of net position of $4 thousand or 0.03% of revenue compared to an increase of $364 thousand in the prior year. The decrease in net position is largely due to the decrease in Medicaid funding.
- Unrestricted net position is $1.040 million or 8.9% of total assets. This is an increase of $104 thousand when compared to the prior year unrestricted net position which was $936 thousand or 7.9% of total assets, this is related largely to the change in net expense associated with the pension benefits.
- Over $1.258 million of idle cash was held in Certificates of Deposit managed through Northstar Bank and their CDARS® product. This is an increase of $1.004 million when compared to the prior year idle cash which was $254 thousand. Interest income for fiscal year 2025 totaled $91,327. The increase in interest income is due to the Authority investing excess cash in short-term investment options when possible.

OVERVIEW OF FINANCIAL STATEMENTS

The Authority's financial statements include the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position. These present the overall financial status of the Authority in a manner similar to a private sector business. Information presented in these statements is on the accrual basis of accounting. Long-term assets are capitalized and depreciated. Long-term debt is recorded as a liability. Revenues are recorded when earned and expenses are recorded when incurred, without regard to the timing of cash receipts or disbursements.

The Statement of Net Position includes all assets, deferred outflows of resources and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the improving or deteriorating financial position.

HURON BEHAVIORAL HEALTH

Management's Discussion and Analysis

For the year ended September 30, 2025

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how net position changed during the year as a result of operating activity. All changes in net position are reported as soon as the underlying event giving rise to change occurs, regardless of the timing of the related cash flows.

SUMMARY OF NET POSITION

The following table summarizes the assets, liabilities and net position on a government-wide basis:

Summary of Net Position

As of September 30, 2025 and 2024

(In $000s)

	2025	2024	Incr/(Decr)	% Change
Assets				
Current assets	$ 4,644	$ 4,038	$ 606	15.0%
Restricted assets	462	585	(123)	-21.0%
Capital assets	3,837	4,037	(200)	-5.0%
Net OPEB asset	2,804	3,154	(350)	-11.1%
Total assets	11,747	11,814	(67)	-0.6%
Deferred Outflows of Resources				
Related to pensions	1,340	1,715	(375)	-21.9%
Related to OPEB	183	249	(66)	-26.5%
Total deferred outflows of resources	1,523	1,964	(441)	-22.5%
Liabilities				
Current liabilities *	1,785	1,739	46	2.6%
Net pension liability	6,270	6,674	(404)	-6.1%
Long-term obligations **	1,019	1,056	(37)	-3.5%
Other noncurrent liabilities ***	438	552	(114)	-20.7%
Total liabilities	9,512	10,021	(509)	-5.1%
Net Position				
Net investment in capital assets	2,720	2,819	(99)	-3.5%
Net position related to pensions	(4,930)	(4,960)	30	0.6%
Net position related to OPEB	2,988	3,403	(415)	-12.2%
Unrestricted ***	2,982	2,493	489	19.6%
Total net position ***	$ 3,760	$ 3,755	$ 5	0.1%
Current financial position	*$ 2,859*	*$ 2,299*	*$ 560*	24.4%
Current ratio	*2.6*	*2.3*	*0.3*	12.4%
Unrestricted Net Position % of Total Assets *(Net position related to pensions+Net position related to OPEB+Unrestricted)*	*8.9%*	*7.9%*	*1.0%*	13.0%

*As restated due to error correction
**As restated due to implementation of GASB No. 101, *Compensated Absences*
***As restated due to implementation of GASB No. 101, *Compensated Absences* and error correction

HURON BEHAVIORAL HEALTH

Management’s Discussion and Analysis

For the year ended September 30, 2025

Current financial position is defined as the excess of current assets over current liabilities. A positive current financial position is an indicator of financial strength. The current financial position is a positive $2.859 million, an increase of $560 thousand or 24.4%, compared to the prior year. The current ratio is the measure of current assets divided by current liabilities. The current ratio at fiscal year-end is 2.6:1, a 12.4% increase from the prior year.

Current assets consist of cash and investments, accounts receivable, amounts due from others and prepaid expenses. These are available for current operations and to pay current obligations. Current liabilities include accounts payable, accrued payroll, related taxes and benefits, amounts due to others, unearned revenue, and the current portion of long-term debt.

Restricted assets consist of cash, investments, and the related accrued interest receivable. These are restricted for payment of compensated absences and certain deferred compensation amounts.

Capital assets consist of property and equipment having an estimated useful life of more than one year and an original cost in excess of $5 thousand. These assets are stated at their original book value, net of accumulated depreciation.

In fiscal year 2025, there were no capital asset acquisitions. Depreciation expense was $199 thousand. Of this amount, slightly under $5 thousand was related to assets acquired prior to October 1, 2003, and was not considered for Medicaid and State General Fund cost reconciliation purposes. The net change in capital assets was a decrease of $(200) thousand for the year. The net gain from the sale/disposal of assets was $22,758.

As of year-end, the net book value of depreciable capital assets was 57% of the original book value compared to 58% for the prior fiscal year. This percentage is a measure of the relative age of the property and equipment.

Net OPEB Asset consists of the excess funds that were contributed to the employee post-employment benefit plan to pay the current and future medical costs of the retirees that were hired prior to January 1, 1999 in accordance with GASB Statement 75 that was adopted during fiscal year 2018. For fiscal year 2025, the net OPEB asset amounted to $2.804 million, which decreased $(350) thousand or (11.1)% from the beginning of the year. Additional information on the Net OPEB Asset is included in Note 12 of the Notes to the Financial Statements.

Deferred outflows and inflows of resources are related to the reporting of the net pension liability for HBH’s employee retirement plan and the net asset for HBH’s other post-employment benefits. The deferred outflows of resources are a combination of the net difference between the actual experience of the plans and the estimated actuarial calculation of the performance of the plans; the change in the assumptions used in the actuarial calculations for the plans; and the contributions that were made to the plans subsequent to the measurement date of the plans which was December 31, 2024. The deferred inflows of resources are the net difference between the projected investment earnings of the plan assets and the actual investment earnings recognized during the plan year. Additional information on the deferred outflows and inflows of resources is included in Notes 10 and 12 of the Notes to the Financial Statements.

Other noncurrent liabilities consist of the liability for compensated absences that includes vested vacation and sick pay obligations and certain deferred compensation amounts. For fiscal year 2025, the vacation and sick pay obligations for $438 thousand is included in the noncurrent liabilities and the decrease in the obligation for the fiscal year was $(114) thousand or (20.7)%.

Management's Discussion and Analysis

For the year ended September 30, 2025

Net pension liability consists of the net pension liability of the employees' defined benefit retirement plan that is administered by the Municipal Employer's Retirement System of Michigan. For fiscal year 2025, the net pension liability of the employees' retirement plan amounted to $6.270 million. The decrease in the net pension liability for the fiscal year was $(404) thousand or (6.1)%. Additional information on the net pension liability is included in Note 10 of the Notes to the Financial Statements.

Long-term obligations is the debt incurred to construct the Wertz Drive buildings. The amount is shown net of the current portion. The current portion (amount due within one year) is shown in current liabilities.

Net investment in capital assets is the net book value of the capital assets, net of the related debt.

Unrestricted net position at the end of the fiscal year is $2.982 million, an increase of $489 thousand from the prior year. Unrestricted net position is 8.9% of total assets, up from 7.9% at the end of the prior fiscal year. This is the unrestricted net position excluding the sum of net position related to pensions and net position related to OPEB. As noted in the Financial Highlights, this is largely affected by the GASB 68 and 75 expenses.

SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The following table summarizes the revenues, expenses and change in net position on a government-wide basis:

Summary of Revenues, Expenses, and Changes in Net Position

For the years ended September 30, 2025 and 2024

(In $000s)

	2025	2024	Incr/ (Decr)	% Change
REVENUE				
Medicaid specialty supports and services	$ 12,133	$ 13,236	$ (1,103)	-8.3%
Healthy Michigan Medicaid	791	837	(46)	-5.5%
State general fund priority population	689	689	-	0.0%
Medicaid Autism	804	896	(92)	-10.3%
Program service revenue	99	86	13	15.1%
Grants and earned contracts	229	306	(77)	-25.2%
County appropriation	286	308	(22)	-7.1%
Interest income	91	51	40	78.4%
Other local income	28	89	(61)	-68.5%
TOTAL REVENUE	**15,150**	**16,498**	**(1,348)**	**-8.2%**
EXPENSE				
Program operations	7,020	7,054	(34)	-0.5%
Contractual provider expense	1,875	2,075	(200)	-9.6%
General administration	838	2,395	(1,557)	-65.0%
Community hospital	1,578	1,326	252	19.0%
Residential services	3,271	2,707	564	20.8%
Managed care administration	221	230	(9)	-3.9%
State facility services	-	8	(8)	-100.0%
Local funds contributed to State	67	67	-	0.0%
Depreciation	199	230	(31)	-13.5%
Interest expense	77	42	35	83.3%
TOTAL EXPENSE	**15,146**	**16,134**	**(988)**	**-6.1%**
CHANGE IN NET POSITION	**$ 4**	**$ 364**	**$ (360)**	**-99.0%**

Management's Discussion and Analysis

For the year ended September 30, 2025

Total Revenues for the year were $15.150 million compared to $16.498 million for the prior year, a decrease of $(1.348) million or (8.2)% for the year.

Medicaid specialty supports and services revenue of $12.133 million decreased $(1.103) million or (8.3)% compared to the prior year. This represents 80.1% of total revenue. The decrease in Medicaid revenue is a result of decrease Medicaid expenses (discussed below). Medicaid specialty supports and services revenue are provided under a subcontract with MSHN, the Medicaid PIHP for the region. This subcontract is on a net cost not to exceed basis. The funding from MSHN includes $1.121 million more than the Per Member Per Month allocation.

Healthy Michigan Medicaid of $791 thousand decreased $(46) thousand or (5.5)% compared to the prior year. This represents 5.2% of total revenue, which is down slightly from the prior year. This decrease is due to a slight decrease in the number of consumers serviced. Healthy Michigan Medicaid revenues are provided under a subcontract with MSHN. This subcontract is on a net cost not to exceed basis. The funding from MSHN includes $680 thousand more than the Per Member Per Month allocation.

Autism Medicaid Supports and Services revenue of $804 thousand represents a small portion of total revenue at 5.3% and is an area for potential growth. Autism Medicaid revenues are provided under a subcontract with MSHN. This subcontract is on a net cost not to exceed basis. The funding from MSHN includes $464 thousand more than the Per Member Per Month allocation.

State General Fund priority population revenue (formula funding) of $689 thousand had no change from the prior year. State general fund revenue represents 4.6% of total revenue, which is up slightly from the prior year. This funding is established by MDHHS as part of the legislative appropriation process under the Michigan Mental Health Code and is used to provide supports and services to indigent priority populations, including state facility utilization and other allowable expenses. The state wide funding allocation changed in fiscal year 2025 resulting in the increase in revenue to HBH. In the last year, the funding has not increased as the revised formula funding has been realized.

Program service revenue of $99 thousand includes charges for services to consumers not covered by Medicaid subcontracts, State General Funds or other contract or grant revenue sources. These have increased $13 thousand or 15.1% from the prior year. These represent 0.7% of total revenue. This revenue is a source of local funds needed to meet matching fund requirements, cover funding shortfalls in other areas and contribute to unrestricted net position.

Grants and earned contract revenue of $229 thousand includes revenue sources for which the use of funds is restricted to a specific purpose. These have decreased $(77) thousand or (25.2)% from the prior year. These represent 1.5% of total revenue. The decrease is related to the Authority having less consumers requiring services in other counties.

County appropriation revenue, interest income and other local revenue totaling $405 thousand are available to meet state matching fund requirements and for other local purposes. These revenue sources represent 2.7% of revenue and have decreased $(43) thousand or (9.6)% from the prior year. The County appropriation is $286 thousand, including $78 thousand for senior services and $15 thousand for prevention activities.

Total expenses of $15.146 million has decreased $(988) thousand or (6.1)% compared to the prior year.

Program operations expense of $7.020 million includes salaries, benefits and other operating costs of direct-operated supports and services programs. These represent 46.3% of total expense, and have decreased $(34) thousand or (0.5)% from the prior year.

Contractual provider expense of $1.875 million includes case management, supported employment, respite, community living supports and other external providers. These represent 12.4% of total expense, and have decreased $(200) thousand or (9.6)% over the prior year.

General administration expense of $838 thousand represents 5.5% of total expense. These have decreased $1.557 million or (65.0)% compared to the prior year. This is due to the decrease in the Net Pension Liability recognizing an expense of $30 thousand related to GASB 68 expense, a decrease of $156 thousand from the prior year.

Community Hospital expense of $1.578 million is for placement of individuals who were in crisis and need an inpatient placement for care which was an increase of $252 thousand or 19.0%.

Residential Services expense of $3.271 million is for service to individuals who require residential support in order to live independently in the community. This was an increase of $564 thousand due to an increase in the number of consumers requiring placement.

Managed care administration expense of $221 thousand relates to state contracts held by HBH and to functions delegated to HBH by the regional Medicaid PIHP. These represent 1.5% of total expense. Expenses for this category decreased $(9) thousand or (3.9)% compared to the prior year.

Local funds contribution to the State of $67 thousand relates to local funds that are required to be submitted to the State and represents 0.5% of total expense. There was no change from the prior year.

FUTURE OUTLOOK

Fiscal year 2025 provided many challenges for Huron Behavioral Health (HBH) as we continued to struggle with ongoing staff shortages due to continued high turnover, inability to recruit higher level clinical positions and significant revenue shortfalls. Unfortunately, the State continues to push unfunded mandates and there remains ongoing political pressure to privatize the public mental health system. Fortunately, HBH was able to maintain a full-service array for the consumers we provide services and supports to. HBH has also maintained the ability for staff to have a flexible work schedule such as work from home and alternative hours, such as four-day, 40-hour work weeks in ongoing efforts to help retain staff and help them to better balance work and personal lives.

Much like the previous year, fiscal year 2025 continued to be challenging financially for the Mid-State Health Network (MSHN). Due to a mid-year rate adjustment, MSHN did not have to utilize any of their risk reserves for FY 25, however, they also were not able to replenish the risk reserves utilized in FY 24. MDHHS put out an RFP in FY 25 for the provision of the public behavioral health system and PIHP work. Therefore, a lot of time has been spent around advocacy and education to assure that the correct message about the public behavioral health system is getting out to the public as well as to the current leaders at the legislative level. The PIHPs and CMHSPs in our region and others entered into a lawsuit against MDHHS regarding legalities around the RFP taking away statutory rights from the CMHSPs. Due to the Judge's ruling in favor of CMHSPs, the MDHHS pulled the RFP. Ongoing outreach and education will be necessary going forward to guard against ongoing privatization efforts and to ensure adequate information when setting rates for services going forward.

In ongoing efforts to provide behavioral health and physical health integration, HBH continues to engage with community providers to enhance coordination and access to services including substance use disorder treatment. We also continue to work with the Great Lakes Bay Health Center (GLBHC)– Thumb Clinic (FQHC) to encourage access to primary care for people that also have behavioral health needs and to continue our work toward a more integrated level of care and treatment. GLBHC continues to provide primary care at our clinic monthly and we are hoping to increase their time on-site.

Management's Discussion and Analysis

For the year ended September 30, 2025

HBH remains a part of the Thumb Community Health Partnership (TCHP) and collaborates on different projects to further advance overall mental health, co-occurring substance use disorders and physical health initiatives in the community. We are also partnering with TCHP to work on assisting with staff recruitment and on increasing the number of individuals going into the field of behavioral health.

HBH continues to maximize services to indigent consumers as access to care is very limited to those without insurance.

HBH's administrative staff continues annual conversations with the County Board of Commissioners (BOC) regarding the budget and allocations for the agency. Our prevention team continues to utilize the monies provided by the BOC to increase awareness and education regarding mental health and substance use disorders.

In summary, there continue to be many challenges and potential threats in HBH's future. However, the one variable that will continue to remain steady and constant is that there are residents of the county who are in need of behavioral health services and supports in order to function as productive and healthy members of their community. In order to assure its viability as a community service provider, HBH will continue to closely monitor and quickly adapt to changes as they are presented, as well as strive to take advantage of opportunities to improve efficiencies and quality of care to individuals receiving services.

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As always, questions, comments and suggestions are welcomed from interested parties and the general public. These can be directed to management.

BASIC FINANCIAL STATEMENTS

HURON BEHAVIORAL HEALTH
HURON COUNTY, MICHIGAN

STATEMENT OF NET POSITION

ASSETS		**SEPTEMBER 30, 2025**
CURRENT ASSETS		
Cash and deposits	$	2,316,512
Accounts receivable - net		208,907
Due from other governmental units		2,051,360
Prepaid expenses		66,870
TOTAL CURRENT ASSETS		4,643,649
NONCURRENT ASSETS		
Cash - restricted		462,418
Capital assets - nondepreciable		112,599
Capital assets - net of depreciation		3,724,803
Net other post-employment benefits		2,804,459
TOTAL NONCURRENT ASSETS		7,104,279
TOTAL ASSETS		11,747,928
DEFERRED OUTFLOWS OF RESOURCES		
Related to pensions		1,339,850
Related to post-employment benefits other than pensions		183,219
TOTAL DEFERRED OUTFLOWS OF RESOURCES		1,523,069
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable		768,243
Due to service providers		673,594
Due to other governmental units		51,093
Accrued payroll		89,290
Accrued payroll taxes and benefits		13,778
Accrued health insurance		24,492
Unearned revenue		65,439
Current portion of long-term obligations		98,866
TOTAL CURRENT LIABILITIES		1,784,795
NONCURRENT LIABILITIES		
Accrued compensated absences		437,745
Mortgage payable - net of current portion		1,018,778
Net pension liability		6,270,109
TOTAL NONCURRENT LIABILITIES		7,726,632
TOTAL LIABILITIES		9,511,427
NET POSITION		
Net investment in capital assets		2,719,758
Unrestricted		1,039,812
TOTAL NET POSITION	$	3,759,570

The accompanying notes are an integral part of the financial statements.

HURON BEHAVIORAL HEALTH
HURON COUNTY, MICHIGAN

STATEMENT OF REVENUE, EXPENSE AND CHANGE IN NET POSITION

	YEAR ENDED SEPTEMBER 30, 2025
OPERATING REVENUES	
Medicaid specialty managed care capitation	$ 13,727,337
Federal grants	72,072
State grants	689,390
County appropriations	285,644
Client and third party pay	98,515
Earned contracts	25,254
Other operating revenue	137,469
TOTAL OPERATING REVENUES	15,035,681
OPERATING EXPENSES	
Salaries & wages	3,992,173
Fringe benefits	2,500,958
Board per diem	14,804
Building rental	20,841
Contract residential	3,271,225
Contractual other	2,629,381
Depreciation	199,174
Inpatient - community	1,578,000
Medical	258,491
Other operating expense	53,865
Printing, postage & advertising	12,459
Repairs & maintenance	181,750
Supplies	129,986
Telephone	27,375
Travel	52,319
Utilities	79,701
Local funds paid to PIHP	66,533
TOTAL OPERATING EXPENSES	15,069,035
OPERATING INCOME (LOSS)	(33,354)
NONOPERATING REVENUES (EXPENSES)	
Interest income	91,327
Interest expense	(77,050)
Gain (loss) on sale of capital assets	22,758
TOTAL NONOPERATING REVENUES (EXPENSES)	37,035
CHANGE IN NET POSITION	3,681

HURON BEHAVIORAL HEALTH
HURON COUNTY, MICHIGAN

STATEMENT OF REVENUE, EXPENSE AND CHANGE IN NET POSITION

	YEAR ENDED SEPTEMBER 30,
NET POSITION - BEGINNING OF THE YEAR, AS PREVIOUSLY REPORTED	3,738,684
ADJUSTMENT FOR CHANGE IN ACCOUNTING PRINCIPLE	12,456
ADJUSTMENT FOR ERROR CORRECTION	4,749
NET POSITION - BEGINNING OF THE YEAR, AS RESTATED	3,755,889
NET POSITION - END OF THE YEAR	$ 3,759,570

The accompany notes are an integral part of the financial statements.

HURON BEHAVIORAL HEALTH
HURON COUNTY, MICHIGAN

STATEMENT OF CASH FLOWS

	YEAR ENDED SEPTEMBER 30, 2025
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from state and other governments	$ 15,513,732
Receipts from customers and users	235,544
Payments to suppliers and service providers	(8,232,468)
Payments to employees for salaries and benefits	(6,260,875)
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,255,933
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Proceeds from sale of capital assets	22,758
Principal payments on long-term obligations	(99,623)
Interest payments on long-term obligations	(77,050)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(153,915)
CASH FLOWS FROM INVESTING ACTIVITES:	
Interest income	91,327
NET CASH FLOWS FROM INVESTING ACTIVITIES	91,327
NET CHANGE IN CASH AND RESTRICTED CASH	1,193,345
CASH AND RESTRICTED CASH - BEGINNING OF THE YEAR	1,585,585
CASH AND RESTRICTED CASH - END OF THE YEAR	$ 2,778,930
RECONCILIATION TO THE STATEMENT OF FINANCIAL POSITION:	
Cash and deposits	$ 2,316,512
Cash - restricted	462,418
CASH AND RESTRICTED CASH - END OF THE YEAR	$ 2,778,930

(Continued)

HURON BEHAVIORAL HEALTH
HURON COUNTY, MICHIGAN

STATEMENT OF CASH FLOWS

		YEAR ENDED SEPTEMBER 30, 2025
CASH FLOWS FROM OPERATING ACTIVITIES:		
Reconciliation of operating income (loss) to net cash flows from operating activities:		
Operating income (loss)	$	(33,354)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:		
Depreciation expense		199,174
Changes in assets and liabilities:		
Accounts receivable - net		(77,949)
Due from other governmental units		739,289
Prepaid expenses		49,117
Net other post-employment benefits		349,646
Deferred outflow - related to pensions		374,914
Deferred outflow - related to OPEB		65,923
Accounts payable		(292,246)
Due to service providers		379,782
Due to other governmental units		(7,195)
Accrued payroll		4,418
Accrued payroll taxes and benefits		5,502
Accrued health insurance		(34,588)
Unearned revenue		52,255
Accrued compensated absences		(114,366)
Net pension liability		(404,389)
NET CASH FLOWS FROM OPERATING ACTIVITIES	$	1,255,933

The accompany notes are an integral part of the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The basic financial statements of Huron Behavioral Health have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by Huron Behavioral Health are described below.

Reporting Entity:

Huron Behavioral Health is an Authority that operates under the provisions of Act 258 – Public Acts of 1974 (the Michigan Mental Health Code), as amended. The Authority arranges for or provides supports and services for persons with developmental disabilities, adults with severe mental illness, children with serious emotional disturbances, and individuals with addictive disorder and substance abuse. These supports and services are made available to residents of the County of Huron who meet eligibility and other criteria.

The accounting policies of Huron Behavioral Health conform to U.S. GAAP as applicable to governmental units.

In accordance with U.S. GAAP, these financial statements present all of the Authority's activities. The criteria established by the GASB for determining the reporting entity include oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Financial Statement Presentation:

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

Measurement Focus and Basis of Accounting:

The 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

Fund Accounting:

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Fund Accounting: (Continued)

The financial activities of Huron Behavioral Health that are reported in the accompanying financial statements have been classified into the following major enterprise fund:

Mental Health Operating Fund – This fund is Huron Behavioral Health's primary operating fund. It is used to account for those activities that are financed and operated in a manner similar to private business related to revenues earned, costs incurred, and/or net income.

Cash and Deposits:

In accordance with Michigan Compiled Laws, Huron Behavioral Health is authorized to invest in obligations of the U.S. Treasury including its agencies and instrumentalities, certificates of deposit, savings accounts, deposit accounts or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC), commercial paper rated in the three (3) highest classifications of two rating services, United States government or federal agency obligation repurchase agreements, and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Huron Behavioral Health's deposits are in accordance with statutory authority.

A specific amount of cash has been restricted for future payment of the compensated absences, since it has been charged to the Department of Health and Human Services. Huron Behavioral Health has established a separate cash account to monitor this future liability.

Receivables:

Uncollectible accounts are provided for using the allowance method based on historical experience and management's evaluation of outstanding accounts receivable. Based on these factors, there is an allowance for uncollectible accounts of $96,353 at September 30, 2025.

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, which include property and equipment, are reported in the financial statements. Capital assets are defined by the government as individual assets with an initial cost equal to or more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of Huron Behavioral Health are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings and Improvements	20 – 40
Equipment	5 – 10
Computers	3
Transportation Equipment	5

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Unearned Revenue:

The Authority reports unearned revenue when resources are received by the Authority before it has a legal claim to them, such as when grant money is received prior to the incurrence of qualifying expenses. In subsequent periods, when both revenue recognition criteria are met, or when the Authority has legal claim to the resources, the liability for unearned revenue is removed and the revenue is recognized.

Incurred But Not Reported Claims Liability:

The amounts recorded in current liabilities include amounts for incurred patient, residential and community provider claims and employee health care claims liability based on management's estimates. The Authority may not be billed for these until several months after the date of service. The actual cost may vary from the estimated amount for a variety of reasons that include, but are not limited to, retroactive consumers eligibility or cost recovery from other third party payers.

Compensated Absences:

Huron Behavioral Health's policy allows full time employees to accumulate vacation time and sick time, at various rates, depending on the employee's length of service with Huron Behavioral Health. The liability for such leave is reported as incurred in the financial statements. The liability includes salary related benefits, where applicable.

Net Pension Liability and Net OPEB Asset:

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

Deferred Outflows and Inflows of Resources:

In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The Authority has two items that qualify for reporting in this category. The first is related to pensions reported in the Statements of Net Position. This represents the effect of the net change in the Authority's net pension liability related to the plan's contributions, change in assumptions, investment returns, and actual experience compared to the plan projections. The second item relates to the OPEB reporting in the Statements of Net Position. This represents the effect of the net change in the Authority's net OPEB liability (asset) related to the plan's contributions, change in assumptions, and actual experience compared to the plan projections.

In addition to liabilities, the Statements of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has no items that qualify for reporting in this category.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Long-Term Obligations:

Long-term debt and other long-term obligations are reported as liabilities in the Statements of Net Position.

Net Position:

Net investment in capital assets – This category consists of capital asset balances, net of accumulated depreciation, less outstanding balances of debt related to those assets.

Restricted – Net position in this category is reported as restricted when constraints placed on net position use is either, 1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation.

Unrestricted – If net position does not meet the criteria for the above categories, it is reported as unrestricted.

In addition, the Authority will first use restricted resources when an expense is incurred for purposes for which either restricted or unrestricted net position is available.

MDHHS Revenue:

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

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

Estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of 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.

Accounting Changes:

Change in Accounting Principle – As a result of implementing GASB Statement No. 101, *Compensated Absences*, the Authority has restated the beginning net position on the Statement of Net Position, effectively increasing net position as of September 30, 2024 by $12,456. The increase in net position results from the Authority decreasing the compensated absences liability by changing the calculation to include (a) leave that has been earned but not used and is more likely than not to be used as time off or otherwise paid in cash or settled through noncash means and (b) leave that has been used but has not yet been paid in cash or settled through noncash means, and exclude accruals related to defined benefit plans.

Subsequent Events:

The Authority has evaluated subsequent events through February 19, 2026, the date that the financial statements were available to be issued.

NOTE 2 – CASH AND DEPOSITS:

The Authority's cash balances are as follows as of September 30:

	2025
Carrying amount of cash and deposits	
Unrestricted	$2,316,512
Restricted	462,418
Total carrying amount of cash and deposits	$2,778,930

The bank balances of the cash and deposits are classified as follows as of September 30:

	2025
Bank balance of cash and deposits	
Insured by FDIC	$2,779,722
Uninsured and uncollateralized	146,852
Total bank balance of cash and deposits	$2,926,574

Restricted cash balances have been set aside for the following purposes:

	2025
Restricted cash balances	
Compensated absences	$ 437,745
Other restricted cash	24,673
Total restricted cash balances	$ 462,418

Interest rate risk. In accordance with its investment policy, the Authority will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Authority's cash requirements.

Credit risk. The Authority will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities authorized by Board policy and state law.

Concentration of credit risk. The Authority will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – Investments. For an investment, this 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.

The Authority will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the Authority will do business.

Foreign currency risk. The Authority is not authorized to invest in investments which have this type of risk.

NOTE 3 – DUE FROM OTHER GOVERNMENTAL UNITS:

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

	2025
State of Michigan	$ 12,552
Mid-State Health Network	1,907,433
Huron County	131,375
Total	$2,051,360

NOTE 4 – CHANGES IN CAPITAL ASSETS:

A summary of the changes in the Authority's capital assets is as follows:

	2024	Additions	Disposals	2025
Non-depreciable assets				
Land	$ 112,599	$ -	$ -	$ 112,599
Total non-depreciable assets	$ 112,599	$ -	$ -	$ 112,599
Depreciable assets				
Land improvements	$ 606,353	$ -	$ -	$ 606,353
Buildings	4,454,277	-	-	4,454,277
Building improvements	190,518	-	-	190,518
Office equipment	321,124	-	-	321,124
Computer equipment	576,838	-	-	576,838
Transportation equipment	743,680	-	215,130	528,550
Total depreciable assets	$6,892,790	$ -	$ 215,130	$6,677,660

	2024	Additions	Disposals	2025	Net capital assets
Accumulated depreciation					
Land improvements	$ 160,217	$ 16,100	$ -	$ 176,317	$ 430,036
Buildings	1,210,033	108,063	-	1,318,096	3,136,181
Building improvements	119,099	10,254	-	129,353	61,165
Office equipment	297,709	1,606	-	299,315	21,809
Computer equipment	521,838	37,262	-	559,101	17,738
Transportation equipment	659,917	25,889	215,130	470,676	57,874
Total	$2,968,813	$199,174	$ 215,130	$2,952,857	$3,724,803

NOTE 5 – DUE TO OTHER GOVERNMENTAL UNITS:

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

	2025
State of Michigan	$ 21,372
Mid-State Health Network	29,721
Total	$ 51,093

NOTE 6 – ACCRUED PAYROLL:

This liability represents amounts paid to employees during October that were earned during September. Also included are recurring payroll liabilities that are incurred on a monthly basis.

NOTE 7 – LONG-TERM OBLIGATIONS:

The following is a summary of the changes in the long-term obligations:

	2024	Additions	Reductions	2025	Due within one year
Accrued compensated absences	$ 552,111**	$ -	$ 114,366*	$ 437,745	$ -
Mortgage payable - Northstar Bank	1,217,267	-	99,623	1,117,644	98,866
Totals	$1,769,378	$ -	$ 213,989	$1,555,389	$ 98,866

*The change in the compensated absences liability is presented as a net change

**Beginning balance, as restated

Accrued Compensated Absences

Authority policy allows full time employees to accumulate annual leave time at various rates, depending on the employee's length of service with Huron Behavioral Health. Amounts accumulated up to a maximum of 30 days are to be paid to the employee and recognized as an expense either when annual leave time is used, or at the discretion of Huron Behavioral Health, upon termination of employment.

Employees also accumulate sick leave time at various rates, depending on the date of hire. Amounts accumulated up to a maximum of 100 days are to be paid to the employee and recognized as an expense either when sick leave time is used, or at the discretion of Huron Behavioral Health, upon termination of employment up to fifty percent of the employees outstanding balance.

Mortgage Payable

The Authority has a mortgage payable with Northstar Bank with an original balance of $1,217,267. The terms of the note call for monthly payments of $13,499 including interest at an annual rate of 5.89%, with a final balloon payment to be made on the maturity date of August 29, 2029. The note is collateralized by the office buildings owned by the Authority.

Interest expense on the mortgage payable for the year ended September 30, 2025 amounted to $77,050.

The annual requirements to amortize the mortgage payable outstanding are:

Years Ending September 30,	Principal	Interest	Total
2026	$ 98,866	$ 63,122	$ 161,988
2027	104,849	57,139	161,988
2028	111,194	50,794	161,988
2029	802,735	44,065	846,800
Totals	$1,117,644	$ 215,120	$1,332,764

NOTE 8 – UNEMPLOYMENT COMPENSATION:

Huron Behavioral Health is a reimbursing employer for purposes of unemployment insurance claims against the employer. Huron Behavioral Health reimburses the State of Michigan for all benefits charged against it in the event of termination of employment and subsequent claims of its employees. Because an estimate cannot be made, the contingent liability for unemployment insurance claims is not recognized in the accompanying financial statements. This expense is recognized as incurred. There was unemployment expense of $13,913 for the year ended September 30, 2025.

NOTE 9 – OPERATING LEASES:

The Authority entered into a short-term lease arrangement for a residential housing facility. The terms of the lease require monthly payments amounting to $1,236. The Authority is responsible for all expenses of operation including utilities and maintenance.

The lease also provides for an optional renewal term with monthly lease payments to be determined based on an agreed upon formula. The lease further provides for cancellation by the Authority in the event funding is terminated, reduced or licensing is withheld. Lease expense for the residential housing facility amounted to $14,833 for the year ended September 30, 2025.

NOTE 10 – PENSION BENEFITS:

Plan Description:

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

Plan Benefits:

The plan benefits that the employees will receive at their date of retirement are determined based on the factors in the following table:

	2024 Valuation
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 years
Early Retirement (Unreduced):	55/15
Early Retirement (Reduced):	50/25
Final Average Compensation:	3 years
COLA for Future Retirees:	2.50% (Non-Compound)
COLA for Current Retirees:	2.50% (Non-Compound)
Employee Contributions:	5%
DC Plan for New Hires	12/31/2019
Act 88:	Yes-Adopted 10/1/12

NOTE 10 – PENSION BENEFITS: (CONTINUED)

Employees Covered by Benefit Terms:

At the December 31, 2024 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	70
Inactive employees entitled to but not yet receiving benefits	50
Active employees	23
Total	143

Contributions:

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees. Employer contributions were 30.7% based on annual payroll for open divisions.

Net Pension Liability:

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

Actuarial Assumptions:

The total pension liability in the December 31, 2024 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 2.50%
- Salary Increases: 3.00% in the long-term
- Investment rate of return: 6.93%, net of investment and administrative expense including inflation

Although no specific price inflation assumptions are needed for the valuation, the 3.00% long-term wage inflation assumption would be consistent with a price inflation of 3.00 – 4.00%.

Mortality rates used were based on a version of Pub-2010.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2014-2018.

NOTE 10 – PENSION BENEFITS: (CONTINUED)

Actuarial Assumptions: (Continued)

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

Asset Class	Target Allocation	Target Allocation Gross Rate of Return	Long-Term Expected Gross Rate of Return	Inflation Assumption	Long-Term Expected Real Rate of Return
Global Equity	60.00%	7.00%	4.20%	2.50%	2.70%
Global Fixed Income	20.00%	4.66%	93.00%	2.50%	0.43%
Private Investments	20.00%	9.00%	1.80%	2.50%	1.30%

Discount Rate:

The discount rate used to measure the total pension liability is 7.18% for 2024. The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because, for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 10 – PENSION BENEFITS: (CONTINUED)
Changes in Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2023	$ 28,723,987	$ 22,049,489	$ 6,674,498
Change for the year			
Service cost	282,826	-	282,826
Interest on Total Pension Liability	2,017,150	-	2,017,150
Employer contributions	-	776,915	(776,915)
Employee contributions	-	99,917	(99,917)
Net investment income (loss)	-	1,642,537	(1,642,537)
Benefit payments	(1,542,783)	(1,542,783)	-
Difference between expected and actual experience	(149,484)	-	(149,484)
Changes in assumptions	(84,203)	-	(84,203)
Administrative expense	-	(48,691)	48,691
Net change	523,506	927,895	(404,389)
Balance at December 31, 2024	$ 29,247,493	$ 22,977,384	$ 6,270,109

Sensitivity of the Net Pension Liability to Changes in the Discount Rate:

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

	1% Decrease (6.18%)	Current Discount Rate (7.18%)	1% Increase (8.18%)
Net Pension Liability at 12/31/2024	$ 9,737,905	$ 6,270,109	$ 3,385,645

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

NOTE 10 – PENSION BENEFITS: (CONTINUED)

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

For the year ended December 31, 2024, the employer recognized pension expense (income) of $788,597 due to the decrease in the net pension liability and the related deferred outflows and inflows.

The employer reported deferred outflows of resources related to pensions are from the following sources:

	Deferred Outflows of Resources	
Contributions subsequent to the measurement date	$ 538,254	*
Net difference between projected and actual earnings on pension plan investment	801,596	
Total	$1,339,850	

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending December 31, 2025.

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

Years ending December 31,	
2025	$ 363,387
2026	628,365
2027	(173,149)
2028	(17,007)
	$ 801,596

Required Supplementary Information:

Required supplementary information schedules are required with GASB 68. The Schedule of Employer Contributions shows the employer's required annual contributions from the annual actuarial valuation, compared with the actual contributions remitted over the past ten years. This schedule can be filled out prospectively but many employers will have the information from prior years. The Schedule of Changes in Employer's Net Pension Liability and Related Ratios shows the changes in total pension liability less the statement of changes in fiduciary net position resulting in the Net Pension Liability calculation for the employer. There are ratios calculated, as well, involving covered employee payrolls. Note that this is a 10 year schedule prospectively.

- Schedule of Changes in Employer's Net Pension Liability and Related Ratios
- Schedule of Employer Contributions

NOTE 10 – PENSION BENEFITS: (CONTINUED)
Defined Contribution Retirement Plan

The Authority closed the defined benefit pension plan to all employees hired after December 31, 2019. Employees hired after that date will be covered by a defined contribution pension plan that defines the contributions that will be made by the employee and employer. Effective January 1, 2020, the Authority set up a defined contribution plan that will be offered to all new employees through MERS.

Employee contribution rates can range from 0% to 15% of eligible wages and are elected by the employee. The Authority's employer contribution rate was established at 6% of the employees' eligible wages with an additional 3% match of the employees' voluntary election. Contributions made to the plan by an employee remain 100% vested in their interest. Employees who achieve 3 years of service are 50% vested in employer contributions. Employees who achieve 5 years of service are 100% vested in employer contributions. Should they terminate prior to this 5-year period, unvested employer contributions are forfeited to the plan. Amounts forfeited are held in a separate plan forfeiture account and can be used to pay the administrative expenses of the plan. Total pension expense related to the defined contribution retirement plan for the year ended September 30, 2025 was $188,368.

NOTE 11 – DEFERRED COMPENSATION:

Employees of Huron Behavioral Health may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments).

The deferred compensation plan is available to all employees of the Authority. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency.

The deferred compensation plan is administered by Empower Retirement. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the Administration, until paid or made available to the employees or beneficiaries, are the property of the Authority subject only to the claims of the Authority's general creditors. In addition, the participants in the plan have rights equal to those of the general creditors of the Authority and each participant's rights are equal to his or her share of the fair market value of the plan assets. The Authority believes that it is unlikely that plan assets will be needed to satisfy claims of general creditors that might arise.

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS:
Plan Description:

The Authority's defined benefit post-employment healthcare plan, Huron Behavioral Health Post-employment Healthcare Plan (HBHPHP), provides medical benefits to eligible retired employees and their beneficiaries. HBHPHP is affiliated with the Michigan Municipal Employees' Retirement System Retiree Health Funding Vehicle (RHFV), a single employer post-employment healthcare plan administered by the MMERS Retirement System. The Statutes of the State of Michigan assigns the authority to establish and amend the benefit provisions of the plan that participates in an RHFV to the respective employer entities; for HBHPHP, that authority rests with the Huron Behavioral Health Board. The MMERS Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the RHFV. That report may be obtained by writing to MMERS Retirement System, 1134 Municipal Way, Lansing, MI 48917, or by calling 1-517-703-9030.

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS: (CONTINUED)

Benefits Provided:

The Authority does not offer or pay for post-retirement group health insurance benefits for any full-time employee hired on or after January 1, 1999. The Board of Directors reviews the premium sharing plan on an annual basis and establishes the method to be used for the next plan year. Upon an employee's retirement from active service, provided the employee was hired and worked as a full time employee before January 1, 1999 and has had no breaks in service, the Authority will pay the premium for the core plan group health insurance as described below, less the employee cost share per PA 152 election by the Authority. (Eligible premium means the amount of premium paid by the Authority based upon the years of uninterrupted service and upon the age of the individual at retirement.)

All retirees taking the Huron Behavioral Health group health insurance are subject to paying the same premium sharing as levied to the active staff. The Authority will pay for:

- 75% of the eligible premium for employees having at least 15 years of service with the Authority at the time of retirement and being of age 55 or older. The retired employee is responsible for the remaining 25% of the eligible premium, in addition to payment of the established premium sharing rate. The individual retired from the Authority is also responsible for any plan deductibles, co-insurance and co-pays.
- 100% of the eligible premium, subject to the requirements noted herein for the retiree contribution, for employees having at least 20 years of service with the agency at the time of retirement and being of age 55 or older, or for such employee having at least 10 years of service and being at the age of 60 or older. In addition to payment of the established premium sharing rate, the individual retired from the Authority is also responsible for any plan deductibles, co-insurance and co-pays.

All required premium sharing must be paid by the first of the coverage month.

If, at the time of retirement an employee, who meets all of the above criteria, is receiving the annual amount in lieu of group health insurance, assurances are given they will be eligible for group coverage at the next open enrollment period (open enrollment is in December with an effective date of January 1st).

Employees Covered by Benefit Terms:

At the December 31, 2024 valuation date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	23
Inactive employees entitled to but not yet receiving benefits	1
Active plan members	2
Total plan members	26

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS: (CONTINUED)

Contributions:

The employees are required to contribute amounts as described in the benefits provided section. The employer has fully funded the liability for other post-employment benefits in prior years and, as long as the plan remains fully funded, is no longer required to make annual contributions to the plan.

Net OPEB Liability (Asset):

The Authority's net OPEB liability (asset) was measured as of December 31, 2024, and was determined by an actuarial valuation as of that date.

Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total OPEB liability in the December 31, 2023 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 2.50%
- Salary Increases: 3.00% (for purpose of allocating liability)
- Investment Rate of Return: 6.93% (including inflation)
- 20-year Aa Municipal Bond Rate: 4.28%
- Mortality: Public General 2010 Employee and Healthy Retiree, Headcount weighted
- Improvement Scare: IRS 2024 Adjusted Scale MP-2021

Single Discount Rate:

A single discount rate of 6.93% was used to measure the total OPEB liability. The single discount rate was based on the expected rate of return on OPEB plan investments of 6.93%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS: (CONTINUED)

Changes in Net OPEB Liability (Asset):

	Increase (Decrease)		
	TOTAL OPEB LIABILITY (a)	PLAN FIDUCIARY NET POSITION (b)	NET OPEB LIABILITY (ASSET) (a) - (b)
Balance at December 31, 2023	$ 2,425,699	$ 5,579,804	$ (3,154,105)
Change for the year			
Service cost	3,582	-	3,582
Interest on total OPEB liability	159,146	-	159,146
Contributions/benefit from general operating funds	-	70,729	(70,729)
Difference between expected and actual experience	649,633	-	649,633
Net investment income (loss)	-	419,586	(419,586)
Change in actuarial assumptions	15,542	-	15,542
Benefit payments	(311,540)	(311,540)	-
Administrative expense	-	(12,058)	12,058
Net change	516,363	166,717	349,646
Balance at December 31, 2024	$ 2,942,062	$ 5,746,521	$ (2,804,459)

Sensitivity of the Net OPEB Liability (Asset) to the Single Discount Rate Assumption:

The following presents the Net OPEB Liability (Asset) of the employer, calculated using a single discount rate of 6.93%, as well as what the employer's Net OPEB Liability (Asset) would be using a single discount rate that is 1 percent lower (5.93%) or 1 percent higher (7.93%) than the current rate.

	1% Decrease (5.93%)	Current Discount Rate (6.93%)	1% Increase (7.93%)
Net OPEB Liability (Asset)	$ (2,551,039)	$ (2,804,459)	$ (3,031,494)

Sensitivity of the Net OPEB Liability (Asset) to the Healthcare Cost Trend Rate Assumption:

The following presents the Net OPEB Liability (Asset) of the employer, calculated using the assumed healthcare cost trend rates, as well as what the employer's Net OPEB Liability (Asset) would be using a trend rate that is 1 percent lower or 1 percent higher than the current rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability (Asset)	$ (3,039,674)	$ (2,804,459)	$ (2,544,849)

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS: (CONTINUED)

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

For the fiscal year ended September 30, 2025, the employer recognized OPEB expense (income) of $415,569. The employer reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	$ 183,219
Total	$ 183,219

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

Years ending December 31,	
2025	$ 85,351
2026	158,667
2027	(53,229)
2028	(7,570)
	$ 183,219

Required Supplementary Information:

Required supplementary information schedules are required with GASB 75. The Schedule of Changes in the Employer's Net OPEB Liability (Asset) and Related Ratios shows the changes in total OPEB liability less the statement of changes in fiduciary net position resulting in the Net OPEB Liability (Asset) calculation for the employer. There are ratios calculated, as well, involving covered employee payrolls. Note that this is a 10 year schedule prospectively.

- Schedule of Changes in Employer's Net OPEB Liability (Asset) and Related Ratios

NOTE 13 – RISK MANAGEMENT:

General Liability:

Huron Behavioral Health participates in the Michigan Municipal Risk Management Authority, which is a public entity risk pool, for the coverage of significant losses due to its general liability. The participation in the pool constitutes transfer of the risk for significant losses to the pool with a liability limit of $10 million. The Authority is required to pay annual premiums to the Michigan Municipal Risk Management Authority for the liability coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years. The Authority also purchased commercial insurance coverage for losses related to their property, automobiles and commercial general liability.

Workers' Compensation:

Huron Behavioral Health purchased commercial insurance to provide coverage of losses related to workers' compensation claims. The workers' compensation insurance provides coverage for up to a maximum of $1,000,000 for each workers' compensation claim.

NOTE 13 – RISK MANAGEMENT: (CONTINUED)

Employee Health Care:

The Authority provides health care benefits to its employees and their dependents using a partially self-funded plan. For the year ended September 30, 2025, the cost of the employee's health care benefits totaled $831,891. The employees pay 20% of their health insurance premiums in accordance with state statutes.

Managed Care Risk Contracts:

The Authority has a managed care risk contract with the State of Michigan for State General Fund Formula Funding for priority populations. The State General Fund risk contract and reserve covers only the Authority's specific service area. The Authority is at risk for any State General Fund service costs that exceed the revenue provided by the State of Michigan for these services. The Authority is required to cover any excess costs with local funds. In the event of incurring excess service costs, the Authority will use its available unrestricted fund balance to cover those costs.

Contingent Liabilities:

Amounts received or receivable from federal, state and other grantor agencies are subject to audit and adjustment by the grantor. Any disallowed amounts, including amounts already collected, may constitute a liability. The amount, if any, of costs that may be disallowed cannot be determined at this time.

NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLE:

For the year ended September 30, 2025, the Authority implemented the following new pronouncement:

GASB Statement No. 101, *Compensated Absences*:

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements.

NOTE 15 – CORRECTION OF AN ERROR IN PREVIOUSLY ISSUED FINANCIAL STATEMENTS:

The Authority has made an adjustment for the correction of an error related to the State General Fund Carryforward Liability. Subsequent to the issuance of the financial statement for the year ended September 30, 2024, it was discovered that the liability was overstated by $4,749 compared to the balance on the Financial Status Report (FSR). This resulted in an understatement of state grant revenue. Beginning net position has been restated on the Statement of Activities.

NOTE 16 – UPCOMING ACCOUNTING PRONOUNCEMENTS:

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement establishes new accounting and financial reporting requirements - or modifies existing requirements - related to the following:

a. Management's discussion and analysis (MD&A);
    i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
        1) Overview of the Financial Statements,
        2) Financial Summary,
        3) Detailed Analyses,
        4) Significant Capital Asset and Long-Term Financing Activity,
        5) Currently Known Facts, Decisions, or Conditions;
    ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
    iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
b. Unusual or infrequent items;
c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
    i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
    ii. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;
d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

The Authority is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

HURON BEHAVIORAL HEALTH
HURON COUNTY, MICHIGAN

SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS

	December 31,									
	2015	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Total pension liability										
Service cost	$ 380,571	$ 410,110	$ 429,525	$ 436,534	$ 463,142	$ 451,763	$ 421,648	$ 367,069	$ 340,334	$ 282,826
Interest	1,184,580	1,340,706	1,399,470	1,487,682	1,548,380	1,633,524	1,792,278	1,867,761	1,954,033	2,017,150
Difference between expected and actual experience	117,223	(376,436)	(17,409)	(386,590)	347,023	(2,921)	156,864	266,145	98,455	(149,484)
Changes of assumptions	825,693	-	-	-	721,032	1,103,814	1,025,884	-	221,588	(84,203)
Benefit payments including employee refunds	(592,385)	(624,186)	(674,881)	(750,019)	(834,382)	(1,035,424)	(1,129,089)	(1,250,442)	(1,344,862)	(1,542,783)
Other	37,019	-	-	-	-	-	-	-	-	-
Net change in total pension liability	1,952,701	750,194	1,136,705	787,607	2,245,195	2,150,756	2,267,585	1,250,533	1,269,548	523,506
Total pension liability - beginning	14,913,163	16,865,864	17,616,058	18,752,763	19,540,370	21,785,565	23,936,321	26,203,906	27,454,439	28,723,987
Total pension liability - ending	$ 16,865,864	$ 17,616,058	$ 18,752,763	$ 19,540,370	$ 21,785,565	$ 23,936,321	$ 26,203,906	$ 27,454,439	$ 28,723,987	$ 29,247,493
Plan fiduciary net position										
Contributions-employer	$ 259,250	$ 250,582	$ 440,321	$ 419,481	$ 397,989	$ 468,598	$ 672,549	$ 882,820	$ 944,620	$ 776,915
Contributions-employee	151,788	148,022	158,030	166,043	171,225	169,469	158,863	130,519	115,508	99,917
Net investment income	(218,670)	1,601,485	2,042,556	(682,593)	2,237,129	2,341,224	2,853,094	(2,364,987)	2,229,678	1,642,537
Benefit payments including employee refunds	(592,385)	(624,186)	(674,881)	(750,019)	(834,382)	(1,035,424)	(1,129,089)	(1,250,442)	(1,344,862)	(1,542,783)
Administrative expense	(31,852)	(31,601)	(32,310)	(33,678)	(38,562)	(36,968)	(32,722)	(41,952)	(47,292)	(48,691)
Net change in plan fiduciary net position	(431,869)	1,344,302	1,933,716	(880,766)	1,933,399	1,906,899	2,522,695	(2,644,042)	1,897,652	927,895
Plan fiduciary net position - beginning	14,467,503	14,035,634	15,379,936	17,313,652	16,432,886	18,366,285	20,273,184	22,795,879	20,151,837	22,049,489
Plan fiduciary net position - ending	$ 14,035,634	$ 15,379,936	$ 17,313,652	$ 16,432,886	$ 18,366,285	$ 20,273,184	$ 22,795,879	$ 20,151,837	$ 22,049,489	$ 22,977,384
Employer net pension liability	$ 2,830,230	$ 2,236,122	$ 1,439,111	$ 3,107,483	$ 3,419,279	$ 3,663,137	$ 3,408,027	$ 7,302,602	$ 6,674,498	$ 6,270,109
Plan fiduciary net position as a percentage of the total pension liability	83.2%	87.3%	92.3%	84.1%	84.3%	84.7%	87.0%	73.4%	76.8%	78.6%
Covered employee payroll	$ 2,852,859	$ 3,011,086	$ 3,142,097	$ 3,198,053	$ 3,339,167	$ 3,163,607	$ 2,850,901	$ 2,278,515	$ 2,100,826	$ 1,678,490
Employer's net pension liability as a percentage of covered employee payroll	99.2%	74.3%	45.8%	97.2%	102.4%	115.8%	119.5%	320.5%	317.7%	373.6%

Notes to schedule:

Above dates are based on measurement date of December 31, which may not necessarily tie to the fiscal year.

HURON BEHAVIORAL HEALTH
HURON COUNTY, MICHIGAN

SCHEDULE OF EMPLOYER'S CONTRIBUTIONS

	September 30,									
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Actuarial determined contributions	$ 207,996	$ 244,884	$ 344,616	$ 381,204	$ 434,616	$ 496,680	$ 600,012	$ 719,244	$ 662,796	$ 717,672
Contributions in relation to the actuarially determined contribution	239,523	421,361	408,372	385,380	458,845	645,550	853,012	959,158	662,370	717,672
Contribution deficiency (excess)	$ (31,527)	$ (176,477)	$ (63,756)	$ (4,176)	$ (24,229)	$ (148,870)	$ (253,000)	$ (239,914)	$ 426	$ -
Covered employee payroll	$ 2,852,859	$ 3,011,086	$ 3,142,097	$ 3,368,728	$ 3,411,300	$ 3,272,740	$ 2,852,340	$ 2,342,000	$ 2,073,690	$ 1,759,010
Contributions as a percentage of covered employee payroll	8.4%	14.0%	13.0%	11.4%	13.5%	19.7%	29.9%	41.0%	31.9%	40.8%

Notes to Schedule

Actuarial cost method	Entry age - Normal cost
Amortization method	Level percentage of payroll, open
Remaining amortization period	15 years
Asset valuation method	5 year smoothed
Inflation	2.5%
Salary increases	3.00%
Investment rate of return	7.00%
Retirement age	60
Mortality	106% of Pub-2010 Juvenile Mortality Tables for Ages 0-17, 106% of PubG-2010 Employee Mortality Tables for Ages 18-49, 106% of PubG-2010 Healthy Retiree Tables for Ages 50-120

Above dates are based on fiscal year of September 30, not necessarily the measurement date.
Note that these are employer contributions and not employee contributions.

HURON BEHAVIORAL HEALTH
HURON COUNTY, MICHIGAN

SCHEDULE OF CHANGES IN THE EMPLOYER'S NET OPEB LIABILITY (ASSET) AND RELATED RATIOS

	December 31, 2017	2018	2019	2020	2021	2022	2023	2024
Total OPEB liability								
Service cost	$ 25,485	$ 25,904	$ 13,524	$ 8,904	$ 6,150	$ 5,244	$ 4,137	$ 3,582
Interest	263,031	264,187	260,385	269,786	235,744	232,948	163,465	163,262
Difference between expected and actual experience	(8,861)	(63,699)	15,232	(200,187)	50,072	(855,615)	10,043	527,906
Changes of assumptions	-	(38,269)	(118,465)	(288,155)	(68,801)	(7,615)	17,766	15,542
Benefit payments including employee refunds	(232,687)	(225,017)	(235,139)	(195,410)	(306,103)	(214,465)	(201,571)	(193,929)
Other	-	(47,432)	-	-	-	-	-	-
Net change in total OPEB liability	46,968	(84,326)	(64,463)	(405,062)	(82,938)	(839,503)	(6,160)	516,363
Total OPEB liability - beginning	3,861,183	3,908,151	3,823,825	3,759,362	3,354,300	3,271,362	2,431,859	2,425,699
Total OPEB liability - ending	$ 3,908,151	$ 3,823,825	$ 3,759,362	$ 3,354,300	$ 3,271,362	$ 2,431,859	$ 2,425,699	$ 2,942,062
Plan fiduciary net position								
Contributions/benefit payments made from general operating funds	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (46,882)
Net investment income (loss)	263,173	(175,246)	624,597	657,431	766,822	(622,769)	585,330	419,586
Benefit payments including employee refunds	(232,687)	(225,017)	(178,828)	(195,410)	(306,103)	(214,465)	(201,571)	(193,929)
Administrative expense	(12,203)	(12,197)	(8,896)	(9,043)	(10,572)	(9,726)	(10,705)	(12,058)
Other	-	85,102	15,630	-	-	-	-	-
Net change in plan fiduciary net position	18,283	(327,358)	452,503	452,978	450,147	(846,960)	373,054	166,717
Plan fiduciary net position - beginning	5,007,157	5,025,440	4,698,082	5,150,585	5,603,563	6,053,710	5,206,750	5,579,804
Plan fiduciary net position - ending	$ 5,025,440	$ 4,698,082	$ 5,150,585	$ 5,603,563	$ 6,053,710	$ 5,206,750	$ 5,579,804	$ 5,746,521
Employer net OPEB liability (asset)	$ (1,117,289)	$ (874,257)	$ (1,391,223)	$ (2,249,263)	$ (2,782,348)	$ (2,774,891)	$ (3,154,105)	$ (2,804,459)
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	128.6%	122.9%	137.0%	167.1%	185.1%	214.1%	230.0%	195.3%
Covered employee payroll	$ 639,117	$ 611,417	$ 561,815	$ 399,712	$ 327,807	$ 344,340	$ 269,371	$ 192,302
Employer's net OPEB liability (asset) as a percentage of covered employee payroll	-174.8%	-143.0%	-247.6%	-562.7%	-848.8%	-805.9%	-1170.9%	-1458.4%

Notes to schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the Authority presents information for those years for which information is available.

Annual Required Contribution:

Since the OPEB Plan is fully funded as presented, the annual required contribution (ARC) is $0.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board
Huron Behavioral Health
Bad Axe, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Huron Behavioral Health, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise Huron Behavioral Health's basic financial statements, and have issued our report thereon dated February 19, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Huron Behavioral Health's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Huron Behavioral Health's internal control. Accordingly, we do not express an opinion on the effectiveness of Huron Behavioral Health'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 Huron Behavioral Health's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Nietzke + Faupel, P.C.

Nietzke & Faupel, PC
Pigeon, Michigan

February 19, 2026

February 19, 2026

To the Board
Huron Behavioral Health
Bad Axe, Michigan

We have audited the financial statements of the business-type activities of Huron Behavioral Health for the year ended September 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 23, 2025. Professional standards also require that we communicate to you the following information related to our audit.

<u>Significant Audit Matters</u>

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Huron Behavioral Health are described in Note 1 to the financial statements. A new accounting policy was adopted for GASB Statement No. 101 *Compensated Absences* and the application of existing policies was not changed during 2025. We noted no transactions entered into by Huron Behavioral Health during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

> Management's estimate of the liabilities for incurred but not reported claims in client inpatient services that have been provided but for which no bill has been received from the inpatient provider is based on management's experience and knowledge of past and current services provided. We evaluated the key factors and assumptions used to develop the liabilities for incurred but not reported claims in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

> The disclosure of the employee retirement system and related net pension liability in Note 10 to the financial statements provides detailed information of the employee retirement plan and information related to how the net pension liability was calculated.
>
> The disclosure of the employee post-employment benefits other than pensions and the related net OPEB asset in Note 12 to the financial statements provides detailed information of the employee other post-employment benefit plan and information related to how the net OPEB asset was calculated.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 19, 2026.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

<u>Restriction on Use</u>

This information is intended solely for the information and use of the Authority's Board and management of Huron Behavioral Health and is not intended to be, and should not be, used by anyone other than these specified parties.

Nietzke + Faupel, P.C.

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Pigeon, Michigan