



BOARD OF DIRECTORS REGULAR MEETING

Thursday, March 19, 2026 at 5:00 pm
Room 225, Behavioral Health Center, 201 Mulholland Street, Bay City, MI 48708

AGENDA

Page

1. CALL TO ORDER & ROLL CALL
2. PUBLIC INPUT (5 Minute Maximum Per Person)
3. REGULAR BOARD MEETING, 02/19/2026 – Distributed – Pawlak, Ch/ McFarland, V Ch
3.1 Motion on minutes as distributed
4. SPECIAL NOMINATION COMMITTEE, 03/04/2026 – Distributed – Girard, Ch/ Niemiec, V Ch
There were no motions forwarded to the full Board
4.1 Motion on minutes as distributed
5. FACILITIES & SAFETY COMMITTEE, 03/05/2026 – Distributed – Crete, Ch/ Girard, V Ch
There were no motions forward to the full Board
5.1 Motion on minutes as distributed
6. RECIPIENT RIGHTS (RR) ADVISORY & APPEALS COMMITTEE, 03/09/2026 – Distributed – McFarland, Ch/
Mrozinski, V Ch
5 6.1 Consideration of a motion to receive the annual Recipient Rights training information – *See page 5*
6.2 Motion on minutes as distributed
7. FINANCE COMMITTEE, 03/11/2026 – Distributed – Banaszak, Ch/ Mrozinski, V Ch
6-7 7.1 Motion to accept investment earnings balances for period ending February 28, 2026 – *See pages 6-7*
4, 8 7.2 Res# 2603001 Approve the Finance March 2026 contract list – *See page 4 resolution sheet & page 8*
4, 9-10 7.3 Res# 2601002: Approve the Flagstar Treasury Management Pricing – *See page 4 resolution sheet & pages 9-10*
4 7.4 Res# 2603003: Approve purchasing one replacement vehicle for an amount not to exceed \$40,000 –
See page 4 resolution sheet
7.5 Motion on minutes as distributed



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- 8. SPECIAL BOARD MEETING, 03/11/2026 – Distributed – Pawlak, Ch/ McFarland, V Ch
 - 8.1 Motion on minutes as distributed
- 9. PROGRAM COMMITTEE, 03/12/2026 – Distributed – Girard, Ch/ Schumacher, V Ch
 - 4 9.1 Res# 2603004: Approve the requests for clinical privileges for Roderick Smith, MD, and Autumn Dittenber, PA-C – *See page 4 resolution sheet*
 - 4, 11-12 9.2 Res# 2603005: Approve the policy, Artificial Intelligence (AI) Generative AI, 09-05-11, to begin 30-day review – *See page 4 resolution sheet & pages 11-12*
 - 9.3 Motion on minutes as distributed
- 10. AUDIT COMMITTEE, 03/16/2026 – In packet – McFarland, Ch/ Banaszak, V Ch
 - 4, 13-19 10.1 Res# 2603006: Accept financial statements – *See page 4 resolution sheet & pages 13-19*
 - 4, 20-23 10.2 Res# 2603007: Accept electronic fund transfers – *See page 4 resolution sheet & pages 20-23*
 - 4, 24 10.3 Res# 2603008: Approve disbursement & health care claims payments – *See page 4 resolution sheet & page 24*
 - 25-26 10.4 Motion on minutes as presented – *See pages 25-26*
- 11. BOARD MEETING CONTRACT LIST, March 19, 2026
 - 27 11.1 Consideration of a motion to approve the Board meeting March 2026 contract list – *See page 27*
- 12. REPORT FROM ADMINISTRATION
 - 28-33 12.1 Federal & State Health Policy Update – *See pages 28-33*
 - 34-35 12.2 MidState Health Network Court of Claims Lawsuit – *See pages 34-35*
- 13. UNFINISHED BUSINESS
 - 13.1 None



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14. NEW BUSINESS

14.1 Financial Statement Audit for Fiscal Year (FY) 2025

36-78 Consideration of a motion to adopt the financial statement audit report for FY ending September 30, 2025 – *See pages 36-78*

79 14.2 Compensation Proposal Update – *See page 79*

14.3 Appointment of Midstate Health Network (MSHN) Regional Board of Directors

Board Chair appointment of Pam Schumacher to fill a partial 3-year term commencing February 23, 2026 and expiring April 30, 2026.

14.4 Holiday Schedule

80 BABHA Offices will be closed on Friday, April 3, 2026 for Good Friday – *See page 80*

14.5 Special Nomination Committee Meeting

A special Nomination Committee meeting is scheduled for Wednesday, April 8, 2026 immediately after Finance Committee for purposes of the 2026 slate of officer recommendations.

14.6 Community Mental Health Association (CMHA) 2026 Summer Conference

The CMHA Summer Conference is scheduled for Monday through Wednesday, June 8 – 10, 2026 at the Grand Traverse Resort. Please contact S. McRae if you are interested in attending.

15. ADJOURNMENT



BOARD OF DIRECTORS
REGULAR MEETING

Thursday, March 19, 2026 at 5:00 pm
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RESOLUTIONS

Finance Committee, March 11, 2026

Res# 2603001: Resolved by Bay Arenac Behavioral Health Authority to approve the Finance March 2026 contract list.

Res# 2603002: Resolved by Bay Arenac Behavioral Health Authority to approve the Flagstar Treasury Management Pricing.

Res# 2603003: Resolved by Bay Arenac Behavioral Health Authority to approve purchasing one replacement vehicle for an amount up to \$40,000.

Program Committee, March 12, 2026

Res# 2603004: Resolved by Bay Arenac Behavioral Health Authority to approve the following requests for clinical privileges:

- 1) Roderick Smith, MD, for a three-year renewal term expiring March 31, 2029.
- 2) Autumn Dittenber, PA-C, for a three-year renewal term expiring March 31, 2029.

Res# 2603005: Resolved by Bay Arenac Behavioral Health Authority to approve the policy, Artificial Intelligence (AI) Generative AI, 09-05-11, to begin 30-day review.

Audit Committee, March 16, 2026

Res# 2603006: Resolved by Bay Arenac Behavioral Health Authority to approve the Financial Statements for period ending February 28, 2026.

Res# 2603007: Resolved by Bay Arenac Behavioral Health Authority to approve the electronic fund transfer (EFTs) for period ending February 28, 2026.

Res# 2603008: Resolved by Bay Arenac Behavioral Health Authority to approve the disbursements and health care payments from February 14, 2026 through March 13, 2026.

Subject: 2026 Recipient Rights Training

It's that time of year again for the **annual Recipient Rights (RR) training**. This **training is only offered online**. You can access the training in Relias, which is located on the Board of Directors webpage located here <http://babha.org/about/board-of-directors/>. If you scroll toward the bottom of the page, you will see a link to "Relias Training Sign On". Your user name and password are listed below. There are **three training modules named Part 1, 2, and 3**. All three modules need to be completed **no later than March 31, 2026**. Once in Relias these modules can be found by clicking on "Assignments" on the left hand side of your screen.

Bay-Arenac Behavioral Health Authority
Estimated Cash and Investment Balances Feb 28, 2026

Balance Feb 1, 2026	5,863,500.84
Balance Feb 28, 2026	5,221,123.09
Average Daily Balance	4,458,594.97
Estimated Actual/Accrued Interest Feb 2026	10,309.52
Effective Rate of Interest Earning Feb 2026	2.77%
Estimated Actual/Accrued Interest Fiscal Year to Date	69,608.32
Effective Rate of Interest Earning Fiscal Year to Date	3.08%

Note: The Cash and Investment Balances exclude Payroll and AP related Cash Accounts.

Cash Available - Operating Fund

	Rate	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26
Beg. Balance Operating Funds - Cash,													
Cash equivalents, Investments		5,192,261	4,585,448	7,971,323	6,179,005	4,597,768	6,261,517	6,775,688	5,966,633	5,274,202	8,431,919	6,776,354	5,376,236
Cash in		12,246,135	20,379,721	12,205,772	12,225,824	20,990,024	16,234,403	12,208,234	13,636,279	21,097,480	13,203,400	12,594,625	12,095,878
Cash out		(12,852,949)	(16,993,846)	(13,998,090)	(13,807,060)	(19,326,275)	(15,720,233)	(13,017,289)	(14,328,710)	(17,939,763)	(14,858,965)	(13,994,743)	(12,739,564)
Ending Balance Operating Fund		4,585,448	7,971,323	6,179,005	4,597,768	6,261,517	6,775,688	5,966,633	5,274,202	8,431,919	6,776,354	5,376,236	4,732,550
Investments													
Money Markets		4,585,448	7,971,323	6,179,005	4,597,768	6,261,517	6,775,688	5,966,633	5,274,202	8,431,919	6,776,354	5,376,236	4,732,550
90.00													
180.00													
180.00													
270.00													
270.00													
Total Operating Cash, Cash equivalents, Invested		4,585,448	7,971,323	6,179,005	4,597,768	6,261,517	6,775,688	5,966,633	5,274,202	8,431,919	6,776,354	5,376,236	4,732,550
Average Rate of Return General Funds		3.45%	3.43%	3.42%	3.40%	3.37%	3.36%	3.34%	3.06%	2.94%	3.14%	3.00%	2.91%
		3.30%	3.32%	3.32%		3.26%	3.13%	3.28%	3.06%	2.81%	3.56%	2.56%	2.56%
Average		6,208,338	6,460,193	6,425,045	6,222,014	6,225,964	6,275,939	6,295,231	5,274,202	6,853,061	6,698,662	6,464,678	6,118,252

Cash Available - Other Restricted Funds

	Rate	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26
Beg. Balance-Other Restricted Funds -													
Cash, Cash equivalents, Investments		469,711	471,366	472,974	474,641	476,260	477,939	479,623	481,232	482,860	484,348	485,821	487,265
Cash in		1,656	1,608	1,667	1,619	1,679	1,684	1,608	1,628	1,488	1,473	1,444	1,308
Cash out													
Ending Balance Other Restricted Funds		471,366	472,974	474,641	476,260	477,939	479,623	481,232	482,860	484,348	485,821	487,265	488,574
Investments													
Money Market		471,366	472,974	474,641	476,620	477,939	479,623	481,232	482,860	484,348	485,821	487,265	488,574
91.00	0.70%												
91.00	1.10%												
91.00	1.15%												
91.00	1.35%												
90.00	1.70%												
91.00	2.05%												
90.00	2.15%	-	-	-	-	-	-	-	-	-	-	-	-
365.00	80.00%												
Total Other Restricted Funds		471,366	472,974	474,641	476,620	477,939	479,623	481,232	482,860	484,348	485,821	487,265	488,574
Average Rate of Return Other Restricted Funds		4.84%	4.84%	4.84%	4.75%	4.68%	4.63%	4.58%	4.11%	4.11%	3.93%	3.85%	3.78%
		4.84%	4.84%	4.84%	4.02%	4.02%	4.15%	4.00%	4.11%	4.11%	3.58%	3.58%	3.50%
Average		467,330	468,136	468,942	469,762	470,615	471,434	472,251	482,860	483,604	484,343	485,074	485,774
Total - Bal excludes payroll related cash accounts		5,056,814	8,444,297	6,653,646	5,074,388	6,739,456	7,255,311	6,447,865	5,757,062	8,916,267	7,262,175	5,863,501	5,221,123
Total Average Rate of Return		3.51%	3.49%	3.49%	3.47%	3.44%	3.38%	3.39%	3.55%	3.33%	3.53%	3.15%	3.08%

**Bay-Arenac Behavioral Health
Finance Council Board Meeting
Summary of Proposed Contracts
March 11, 2026**

			Old Rate	New Rate	Term	Out Clause?	Performance Issues? (Y/N) Risk Assessment Rating (Poor/Fair/Good/Excellent)
SECTION I. SERVICES PROVIDED BY OUTSIDE AGENCIES							
Clinical Services							
1	M	Saginaw Psychological Services, Inc. Amendment to outline that BABHA will serve as medication administration back-up in emergent situations for SPSI	N/A	N/A	2/16/26 - 9/30/26	Y	N
2	M	*ABA Providers (11 Total) 6-month contract extension Autism Systems, BHS Bay City and Saginaw Plus, Centria, Encompass Therapy, Flourish Therapy, GameChanger, Mercy Plus, Noble Pathway, Paramount Children's Therapy Center, Positive Behavior Supports Corporation, Spectrum Autism Center	State rates per the current ABA fee schedule except for the following: 97153 - \$16.50/unit 97154 - \$4.89/unit 0373T - \$28.46/unit	Same	4/1/26 - 9/30/26	Y	N
Admin/Other Services							
3	R	DocuSign eSignature module <i>Business Pro Addition - up to 5 users</i> <i>Premier support</i>	\$2,400/year \$360/year	Same Same	4/20/26 - 4/19/27	Y	N
4	R	BlueHost Upgrade to website hosting plan to 20 GB	\$119.88/year	\$131.40/year	3/9/26 - 5/8/28	N/A	N/A
5	T	Thryv/Dex YP Termination of the Bay City - Saginaw Area Phonebook Ad	\$80.60	\$0	Terminated eff. 6/1/26	Y	N/A
SECTION II. SERVICES PROVIDED BY THE BOARD (REVENUE CONTRACTS)							
6	M	Tuscola Behavioral Health Systems Second Opinion - Autism Developmental Testing	\$0	Test Administration (first hour) - \$931.25 Test Administration (each addl. 30 mins) - \$465.63	2/18/26 - 2/28/26	Y	N/A
SECTION III. STATE OF MICHIGAN GRANT CONTRACTS							
SECTION IV. MISC PURCHASES REQUIRING BOARD APPROVAL							

R = Renewal with rate increase since previous contract
D = Renewal with rate decrease since previous contract
S = Renewal with same rate as previous contract
ES = Extension

M = Modification
N = New Contract/Provider
NC = New Consumer
T = Termination

Footnotes:

* MDHHS has not updated the ABA fee schedule since the directive to pay increased rates for 97153, 97154 and 0373T

Bay Arenac Behavioral Health Authority
Treasury Management Pricing Agreement
Effective Dates: February 1, 2026 - January 31, 2028



Service Description	Unit	Current Unit Price	Proposed Unit Price
GENERAL ACCOUNT SERVICES			
Acct Maint Fee	Per Month	\$ 12.00	\$ 12.00
Deposit Balance Management Fee	Per 1,000 of Avg Ledger	Included	Included
Deposit Ticket	Per Deposit	\$ 0.30	\$ 0.30
Items in Deposit	Per Item	\$ 0.13	\$ 0.13
Checks Paid	Per Item	\$ 0.12	\$ 0.12
ACH Credits-Incoming	Per Item	\$ 0.10	\$ 0.10
ACH Debits-Incoming	Per Item	\$ 0.10	\$ 0.10
Cash Deposit Processing Charge	Per \$100 Deposited	\$ 0.11	\$ 0.11
Cash Management 1*	Per Month	\$ 40.00	\$ 50.00
AUTOMATED CLEARING HOUSE (ACH)			
Cml OLB-ACH Module Maint	Per Customer ID/Month	\$ 20.00	\$ 20.00
ACH Item Originated	Per Item	\$ 0.10	\$ 0.10
Same Day ACH Item Originated	Per Item	\$ 0.79	\$ 0.85
ACH Deletion/Reversal	Per Item	\$ 25.00	\$ 25.00
CHECK SERVICES			
Remote Deposit Mthly Maint	Per Month	\$ 35.00	\$ 35.00
Remote Deposit per Deposit	Per Transaction	\$ 0.25	\$ 0.25
Remote Deposit Check Item	Per Item	\$ 0.10	\$ 0.10
DIGITAL SERVICES			
Cml OLB-Mthly Maint	Per First Acct/Month	Included	Included
Cml OLB-Addtl Acct	Per Addtl Account/Month	Included	Included
FRAUD PREVENTION SERVICES			
PAYEE POSITIVE PAY			
Payee Pospay Maint	Per Account	\$ 50.00	\$ 50.00
Payee Pospay Addtl Accts	Per Account	\$ 5.00	\$ 5.00
Payee Pospay per Issued Item	Per Item	Included	Included
Payee Pospay per Exception Item	Per Exception	Included	Included
LIQUIDITY SERVICES			
ICS Sweep Mthly Maint	Per Month	\$ 35.00	\$ 35.00
WIRE SERVICES			
Cml OLB-Wire Module Maint	Per Customer ID/Month	\$ 20.00	\$ 20.00
OTHER FEES (PER OCCURRENCE) - May also be listed above under service description			
NOTE: Items listed below are not included in the contract pricing and may change at the bank's discretion.			
Real Time Stop Pymt - Branch	Per Stop	\$ 36.00	\$ 36.00
Cml OLB-Real Time Stop Pymt	Per Stop	\$ 25.20	\$ 26.00
Overdraft*	Per Item	\$ 36.00	\$ 10.00
NSF	Per Item	\$ 36.00	No Charge
Returned Deposit Items	Per Item	\$ 10.00	\$ 10.00
Incoming Domestic Wire	Per Transfer	\$ 15.00	\$ 15.00
Cml OLB-Outgoing Domestic Wire	Per Transfer	\$ 15.75	\$ 16.00
Outgoing Domestic Wire (Phone)	Per Transfer	\$ 30.00	\$ 30.00

*Overdraft charges will be limited to three per day; Overdraft charges will not be assessed on any transaction \$10 or less; Overdraft charges will not be assessed when the end of day negative balance is \$10 or less

Bay Arenac Behavioral Health Authority
Treasury Management Pricing Agreement
Effective Dates: February 1, 2026 - January 31, 2028



Service Description	Unit	Current Unit Price	Proposed Unit Price
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Notes

Utilization of the above services qualifies you for MAX savings and checking account rates. Any change in services may result in loss of MAX qualification.

Pricing for additional products and services not included in the above pricing will be addressed individually.

Pricing above will be applicable to additional accounts opened within the contract period.

This pricing agreement supersedes any pricing listed in the account disclosure.

If a signed copy of the proposed Treasury Management Pricing Agreement is not returned to the Government Banking Department, newly proposed fees will go into effect on the effective date on this agreement.

Acknowledgement and Acceptance:

 Marci Rozek
 CFO

 Date

 Lisa Brownfield
 VP, Relationship Manager

 Date

BAY-ARENAC BEHAVIORAL HEALTH AUTHORITY

POLICIES AND PROCEDURES MANUAL

Chapter: 9	Information Management		
Section: 5	Technology SafeGuards		
Topic: 11	Use of AI and Generative AI		
Page: 1 of 2	Supersedes Date: Pol: Proc:	Approval Date: Pol:	
			<i>Board Chairperson Signature</i>
			<i>Chief Executive Officer Signature</i>
Note: Unless this document has an original signature, this copy is uncontrolled and valid on this date only: 3/10/2026. For controlled copy, view Agency Manuals - Medworxx on the BABHA Intranet site.			

DO NOT WRITE IN SHADED AREA ABOVE

Policy

Bay-Arenac Behavioral Health Authority (BABHA) recognizes that Artificial Intelligence (AI) tools hold great potential to enhance access, efficiency, and quality of behavioral health care. At the same time, AI raises serious ethical, legal, clinical, and privacy risks - especially when used in vulnerable populations. This policy establishes guiding principles and requirements to ensure that AI is used in ways that respect clients' rights, protect privacy and safety, maintain professional accountability, and ensure clinical appropriateness. Additionally, it is the policy of BABHA to have processes in place for directing and safeguarding the creation, use, movement, reuse, storage, data backup, and/or disposal of data created with the assistance of artificial intelligence (AI), generative AI, or generative AI technology. ****This policy outlines how artificial intelligence (AI) tools may be used within BABHA. It applies to all employees, contractors, and third-party vendors who use AI tools in the course of their work with or for the company/agency. The goal is to support responsible, secure, and ethical use of AI while minimizing risks.**

Purpose

To ensure the safe, ethical, equitable, and legally compliant use of Artificial Intelligence (AI) tools and systems in providing mental health services, support, and administration, in order to protect clients, staff, data, and community trust.

Education Applies to:

- ☒ All BABHA Staff
- ☐ Selected BABHA Staff, as follows:
- ☒ ☐ All Contracted Providers: ☐ Policy Only ☒ Policy and Procedure
- ☐ Selected Contracted Providers, as follows:
 - ☐ Policy Only ☐ Policy and Procedure
- ☐ Other:

BAY-ARENAC BEHAVIORAL HEALTH AUTHORITY POLICIES AND PROCEDURES MANUAL

Chapter: 9	Information Management		
Section: 5	<u>Technology SafeGuards</u>		
Topic: 11	Use of AI and Generative AI		
Page: 2 of 2	Supersedes Date: Pol: Proc:	Approval Date: Pol:	<i>Board Chairperson Signature</i>
	<i>Chief Executive Officer Signature</i>		
	Note: Unless this document has an original signature, this copy is uncontrolled and valid on this date only: 3/10/2026. For controlled copy, view Agency Manuals - Medworxx on the BABHA Intranet site.		

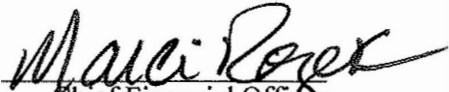
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SUBMISSION FORM				
AUTHOR/ REVIEWER	APPROVING BODY/ COMMITTEE/ SUPERVISOR	APPROVAL/ REVIEW DATE	ACTION (Deletion, New, No Changes, Replacement or Revision)	REASON FOR ACTION If replacement, list policy to be replaced
M. Prusi	C. Pinter		New	New policy that addresses the use of AI and Generative AI

**Bay-Arenac Behavioral Health
Financial Statements
For Period Ending 2/28/2026**

Certified for Accuracy


Accounting Manager


Chief Financial Officer

Bay-Arenac Behavioral Health Statement of Net Assets

Bay-Arenac Behavioral Health Consolidated Income Statement:

By Month to Date

By Year to Date

Bay-Arenac Behavioral Health Reconciliation of Fund Balance:

Bay-Arenac Behavioral Health Reconciliation of Unreserved Fund Balance:

Bay-Arenac Behavioral Health Fund Balance Summary:

Bay-Arenac Behavioral Health Cash Flow Statement

Bay-Arenac Behavioral Health Projected Cash Flows

**Bay Arenac Behavioral Health
Statement of Net Assets**

Column Identifiers			
	A	B	C
1	ASSETS	Feb 28, 2026	Sept 30, 2025
2	<u>Current Assets</u>		
3	Cash and cash equivalents	\$3,755,381.95	\$4,977,204.09
4	Consumer and insurance receivables	262,781.88	222,608.46
5	Due from other governmental units	6,723,766.60	7,373,116.91
6	Contract and other receivables	202,669.77	204,672.26
7	Interest receivable	0.00	0.00
8	Prepaid items	756,835.70	550,641.43
9	Total Current Assets	11,701,435.90	13,328,243.15 (3+4+5+6+7+8)
10	Noncurrent Assets		
11	<u>Cash and cash Equivalents - restricted</u>		
12	Restricted for compensated absences	1,541,936.69	1,534,594.77
13	Restricted temporarily - other	88,682.57	96,790.49
14	Cash and Cash Equivalents - restricted	1,630,619.26	1,631,385.26 (12+13)
15	<u>Capital Assets</u>		
16	Capital assets - land	424,500.00	424,500.00
17	Capital assets - depreciable, net	6,301,492.75	6,176,859.27
18	Capital assets - construction in progress	-	-
19	GASB 87 Right to Use Bldg	2,065,688.58	2,065,688.58
20	GASB 87 Accum Depr, Lease Amortization	(723,744.92)	(723,744.92)
21	Accumulated depreciation	(4,104,671.72)	(4,067,067.78)
22	Capital Asset, net	3,963,264.69	3,876,235.15 (16+17+18+19+20+21)
23	Total Noncurrent Assets	5,593,883.95	5,507,620.41 (14+22)
24	TOTAL ASSETS	17,295,319.85	18,835,863.56 (9+23)
25	LIABILITIES		
26	<u>Current Liabilities</u>		
27	Accounts payable	0.00	4,328,966.97
28	Accrued wages and payroll related liabilities	371,161.40	512,532.84
29	Other accrued liabilities	4,289,918.28	837,694.56
30	Due to other governmental units	216,392.52	185,683.11
31	Deferred Revenue	2,431.44	3,948.13
32	Current portion of long term debt	17,280.78	17,280.78
33	Other current liabilities	-	-
34	Total Current Liabilities	4,897,184.42	5,886,106.39 (27+28+29+30+31+32+33)
35	<u>Noncurrent Liabilities</u>		
36	Long term debt, net of current portion	205,663.68	212,854.20
37	GASB 87 Noncurrent Lease Liability	1,209,473.08	1,209,473.08
38	Compensated absences	1,253,657.76	1,587,891.24
39	Total Noncurrent Liabilities	2,668,794.52	3,010,218.52 (36+37+38)
40	TOTAL LIABILITIES	7,565,978.94	8,896,324.91 (34+39)
41	NET ASSETS		
42	<u>Fund Balance</u>		
43	Restricted for capital purposes	3,966,653.00	3,966,653.00
44	Unrestricted fund balance - PBIP	3,258,465.99	3,258,465.99
45	Unrestricted fund balance	2,504,221.92	2,714,419.66
46	Total Net Assets	\$9,729,340.91	\$9,939,538.65 (43+44+45) and (24-40)

Bay Arenac Behavioral Health
For the Month Ending February 28, 2026
Summary of All Units

Column Identifiers						
A	B	C	D	E	F	G
	February Actual	2026 YTD Actual	2026 YTD Budget	(C-D) Variance	(C / D) % to Budget	2026 Monthly Budget
Income Statement						
1 REVENUE						
2 Risk Contract Revenue						
3 Medicaid Specialty Supports & Services	5,196,126.15	24,068,721.08	23,949,840.00	118,881.08	100%	4,789,968.00
4 Medicaid Autism	1,071,055.00	6,037,284.71	4,836,203.75	1,201,080.96	125%	967,240.75
5 State Geni Fund Priority Population	135,505.00	677,523.00	677,522.50	0.50	100%	135,504.50
6 GF Shared Savings Lapse	0.00	0.00	0.00	0.00	0%	0.00
7 Total Risk Contract Revenue	6,402,686.15	30,783,528.79	29,463,566.25	1,319,962.54	104%	5,892,713.25 (3+4+5+6)
8 Program Service Revenue						
9 Medicaid, CWP FFS	0.00	0.00	0.00	0.00	0%	0.00
10 Other Fee For Service	33,747.67	169,943.44	162,555.83	7,387.61	105%	32,511.17
11 Total Program Service Revenue	33,747.67	169,943.44	162,555.83	7,387.61	105%	32,511.17 (9+10)
12 Other Revenue						
13 Grants and Earned Contracts	136,437.73	690,209.16	765,408.33	(75,199.17)	90%	153,081.67
14 SSI Reimbursements, 1st/3rd Party	5,564.50	31,780.50	30,760.00	1,020.50	103%	6,152.00
15 County Appropriation	65,587.83	327,939.15	327,939.37	(0.22)	100%	65,587.87
16 Interest Income - Working Capital	10,309.52	69,608.32	109,915.42	(40,307.10)	63%	21,983.08
17 Other Local Income	1,969.43	7,932.03	187,506.67	(179,574.64)	4%	37,501.33
18 Total Other Revenue	219,869.01	1,127,469.16	1,421,529.79	(294,060.63)	79%	284,305.96 (13+14+15+16+17)
19 TOTAL REVENUE	6,656,302.83	32,080,941.39	31,047,651.87	1,033,289.52	103%	6,209,530.37 (7+11+18)
20 EXPENSE						
21 SUPPORTS & SERVICES						
22 Provider Claims						
23 State Facility - Local portion	18,732.00	67,862.00	64,385.00	(3,477.00)	105%	12,877.00
24 Community Hospital	495,497.69	2,837,976.59	3,193,888.33	355,911.74	89%	638,777.67
25 Residential Services	1,482,496.84	7,121,161.93	6,135,037.08	(986,124.85)	116%	1,227,007.42
26 Community Supports	2,909,041.56	12,436,602.98	11,316,976.67	(1,119,626.31)	110%	2,263,395.33
27 Total Provider Claims	4,905,768.09	22,463,603.50	20,710,287.08	(1,753,316.42)	108%	4,142,057.42 (23+24+25+26)
28 Operating Expenses						
29 Salaries	1,118,322.99	6,036,785.55	6,174,090.00	137,304.45	98%	1,234,818.00
30 Fringe Benefits	390,012.33	1,995,307.03	2,029,552.08	34,245.05	98%	405,910.42
31 Consumer Related	4,856.67	19,015.03	10,313.33	(8,701.70)	184%	2,062.67
32 Program Operations	86,337.66	690,591.68	689,313.93	(1,277.75)	100%	137,862.79
33 Facility Cost	47,495.71	311,943.98	216,609.17	(95,334.81)	144%	43,321.83
34 Purchased Services	687.50	4,658.69	9,324.17	4,665.48	50%	1,864.83
35 Other Operating Expense	115,771.81	620,103.08	771,843.77	151,740.69	80%	154,368.75
36 Local Funds Contribution	17,906.00	89,530.00	89,527.92	(2.08)	100%	17,905.58
37 Interest Expense	586.20	2,969.28	3,204.17	234.89	93%	640.83
38 Depreciation	11,903.01	56,631.31	66,801.67	10,170.36	85%	13,360.33
39 Total Operating Expenses	1,793,879.88	9,827,535.63	10,060,580.20	233,044.57	98%	2,012,116.04 (29+30+31+32+33+34+35+36+37+38)
40 TOTAL EXPENSES	6,699,647.97	32,291,139.13	30,770,867.29	(1,520,271.84)	105%	6,154,173.46 (27+39)
41 NET SURPLUS/(DEFICIT)	(43,345.14)	(210,197.74)	276,784.58	(486,982.32)	-76%	55,356.92 (19-40)
42 Notes:						
43 Medicaid Revenue includes an accrual for additional funds if a (shortage) exists/reduction of funds if a surplus exists from/(to) Mid-State Health Network as follows:						
44 BASED ON PEPM FUNDING:						
45 Net Medicaid (shortage): (\$4,488,040)						
46 Medicaid (shortage): (\$1,366,011)						
47 Healthy Michigan (shortage): (\$899,064)						
Autism (shortage): (\$2,222,965)						
48 BASED ON APPROVED BUDGET:						
49 Net Medicaid shortage: (\$1,530,910)						
50 Medicaid shortage: (\$582,541)						
51 Healthy Michigan surplus: \$163,320						
52 Autism (shortage): (\$1,111,669)						

**BAY-ARENAC BEHAVIORAL HEALTH
RECONCILIATION OF FUND BALANCE
AS OF FEBRUARY 28, 2026**

	TOTALS
Fund Balance 09/30/2025	9,939,538.65
Net (loss)/income February 2026	(210,197.74)
Net Increase/(Decrease) Funds Restricted for Capital Purposes	<u>-</u>
Calculated Fund Balance 2/28/2026	9,729,340.91
Statement of Net Assets Fund Balance 2/28/2026	9,729,340.91
Difference	-

**BAY-ARENAC BEHAVIORAL HEALTH
RECONCILIATION OF UNRESTRICTED FUND BALANCE
AS OF FEBRUARY 28, 2026**

	<u>TOTALS</u>
Unrestricted Fund Balance 9/30/2025	5,972,885.65
Net (loss)/income February 2026	(210,197.74)
Increase/Decrease in net assets	<u>-</u>
Calculated Unrestricted Fund Balance 2/28/2026	5,762,687.91
Statement of Net Assets Unrestricted Fund Balance 2/28/2026	5,762,687.91
Difference	-

Bay-Arenac Behavioral Health
Fund Balance Summary

	Sept. 30, 2025 Unrestricted <u>Fund Balance</u>	Feb 28, 2026 Permanently <u>Restricted</u>	Feb 28, 2026 Temporarily <u>Restricted</u>	Feb 28, 2026 Unrestricted/ <u>Reserved</u>	Feb 28, 2026 Total <u>Fund Balance</u>
Unrestricted	2,714,420	-	-	2,504,222	2,504,222
Capital Purposes	844,325	-	-	844,325	844,325
Invested in Capital Assets	3,122,328	-	-	3,122,328	3,122,328
Performance Incentive Pool	<u>3,258,466</u>	<u>-</u>	<u>-</u>	<u>3,258,466</u>	<u>3,258,466</u>
Balances	9,939,539	-	-	9,729,341	9,729,341

BAY-ARENAC BEHAVIORAL HEALTH
Cash Flow

	Feb 26	Mar 26	Apr 26	May 26	Jun 26	Jul 26	Aug 26	Sep 26	Oct 26	Nov 26	Dec 26	Jan 27	Feb 27
Estimated Funds:													
Beginning Inv. Balance	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment	-	-	-	-	-	-	-	-	-	-	-	-	-
Additions/(Subtractions)	-	-	-	-	-	-	-	-	-	-	-	-	-
Month End Inv. Balance	-	-	-	-	-	-	-	-	-	-	-	-	-
Beginning Cash Balance	5,378,919	4,732,560	8,506,994	7,662,339	6,266,915	5,438,402	4,096,694	2,548,323	1,722,757	378,103	2,882,679	2,054,166	712,458
Total Medicaid	5,236,351	5,067,767	5,067,767	5,067,767	5,067,767	5,067,767	5,067,767	5,067,767	5,067,767	5,067,767	5,067,767	5,067,767	5,067,767
Total General Fund	135,506	135,505	135,504	135,506	135,505	135,504	135,505	135,505	135,504	135,505	135,505	135,504	135,505
Estimated Misc. Receipts	221,765	205,900	89,759	89,759	205,900	89,759	89,759	205,900	89,759	89,759	205,900	89,759	89,759
Client Receipts	28,969	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000
Interest	7,801	10,748	7,801	10,748	7,801	10,748	7,801	10,748	7,801	10,748	7,801	10,748	7,801
Total Estimated Cash	11,009,310	10,207,480	13,862,825	13,021,118	11,738,888	10,797,180	9,452,526	8,023,243	7,078,589	5,736,882	8,354,652	7,412,944	6,068,290
Total Estimated Available Funds	11,009,310	10,207,480	13,862,825	13,021,118	11,738,888	10,797,180	9,452,526	8,023,243	7,078,589	5,736,882	8,354,652	7,412,944	6,068,290
Estimated Expenditures:													
1st Payroll	554,000	550,000	550,000	550,000	550,000	550,000	550,000	550,000	550,000	550,000	550,000	550,000	550,000
Special Pay													
ETO Buyouts													
2nd Payroll	470,000	550,000	550,000	550,000	550,000	550,000	550,000	550,000	550,000	550,000	550,000	550,000	550,000
Board Per Diem	1,889	3,343	3,343	3,343	3,343	3,343	3,343	3,343	3,343	3,343	3,343	3,343	3,343
3rd Payroll							550,000						
1st Friday Claims	787,381	787,381	787,381	787,381	787,381	787,381	787,381	787,381	787,381	787,381	787,381	787,381	787,381
Mortgage Pmt	2,032	2,032	2,032	2,032	2,032	2,032	2,032	2,032	2,032	2,032	2,032	2,032	2,032
2nd Friday Claims	1,362,266	1,362,266	1,362,266	1,362,266	1,362,266	1,362,266	1,362,266	1,362,266	1,362,266	1,362,266	1,362,266	1,362,266	1,362,266
Board Week Bay Batch	923,989	923,989	923,989	1,023,989	1,023,989	1,023,989	1,023,989	1,023,989	1,023,989	1,023,989	1,023,989	1,023,989	1,023,989
Board Week Claims	1,075,001	975,000	975,000	975,000	975,000	975,000	975,000	975,000	975,000	975,000	975,000	975,000	975,000
Credit Card	-	-	-	-	-	-	-	-	-	-	-	-	-
4th Friday Claims	1,046,475	1,046,475	1,046,475	1,046,475	1,046,475	1,046,475	1,046,475	1,046,475	1,046,475	1,046,475	1,046,475	1,046,475	1,046,475
5th Friday Claims				400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000
Local FFP payment to MSHN	53,717			53,717			53,717			53,717			53,717
Transfer to State of MI													
Transfer from/(to) Reserve Account													
Settlement with MSHN													
Funds from MSHN		(4,500,000)								(3,500,000)			
Transfer to (from) HRA													
Transfer to (from) Investment													
Transfer to (from) Capital Acct													
Total Estimated Expenditures	6,276,750	1,700,486	6,200,486	6,754,203	6,300,486	6,700,486	6,904,203	6,300,486	6,700,486	2,854,203	6,300,486	6,700,486	6,354,203
Estimated Month End Cash Balance	4,732,560	8,506,994	7,662,339	6,266,915	5,438,402	4,096,694	2,548,323	1,722,757	378,103	2,882,679	2,054,166	712,458	(285,913)

Bay-Arenac Behavioral Health

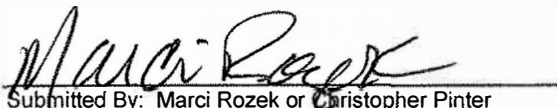
Cash Flow Forecasting For the Month of March

	<u>Bank Balance</u>	<u>Investment Balance</u>
Estimated Cash Balance March 1, 2026	4,732,560	-
Investment Purchased/Interest	-	-
Investments coming due during month	-	-
Estimated Cash Balance March 31, 2026	4,732,560	-
 Estimated Cash Inflow:		
Medicaid Funds:	5,067,767	
General Fund Dollars:	135,505	
Board Receipts:	205,900	
Client Receipts:	55,000	
Funds from Investment:	-	
Interest:	10,748	
Total Estimated Cash Inflow:	5,474,920	
 Estimated Cash Outflow:		
Payroll Dated: 03/13/26	(550,000)	
Payroll Dated: 03/27/26	(550,000)	
Board Per Diem Payroll: 03/20/26	(3,343)	
Payroll Dated:	-	
 Claims Disbursements: 03/06/26	(787,381)	
Claims Disbursements: 03/13/26	(1,362,266)	
Claims Disbursements: 03/20/26	(975,000)	
A/P Disbursements: 03/20/26	(923,989)	
Mortgage Payment: 03/23/26	(2,032)	
Claims Disbursements: 03/27/26	(1,046,475)	
Claims Disbursements:	-	
Local FFP Payment:	-	
Transfer to Reserve Acct:	-	
HRA transfer:	-	
Transfer to(from) MSHN:	4,500,000	
Transfer to State of MI	-	
Purchased Investment	-	
Total Estimated Cash Outflow:	(1,700,486)	
 Estimated Cash Balance on March 31, 2026	8,506,994	-

Bay Arenac Behavioral Health
201 Mulholland, Bay City, MI 48708
Electronic Funds Transfers including Cash Transfers/Wires/ACHs
February 2026

Funds Paid from/ Transferred from:	Funds Paid to/ Transferred to:	Amount	Date of Payment	Description	Authorized By
Flagstar Bank	Flagstar Bank	40,000.00	2/2/2026	Transfer from General Account to MMKT Account	Marci Rozek
Flagstar Bank	Flagstar Bank	20,000.00	2/3/2026	Transfer from MMKT Account to General Account	Marci Rozek
Flagstar Bank	Flagstar Bank	7,209.78	2/4/2026	Credit Card Payment	Marci Rozek
Flagstar Bank	Flagstar Bank	20,000.00	2/4/2026	Transfer from General Account to MMKT Account	Marci Rozek
Flagstar Bank	Flagstar Bank	135,000.00	2/5/2026	Transfer from General Account to MMKT Account	Marci Rozek
Flagstar Bank	Flagstar Bank	640,580.03	2/5/2026	Transfer Gross Amt of Accts Payable to Payable Acct	Marci Rozek
Flagstar Bank	Flagstar Bank	620,000.00	2/6/2026	Transfer from General Account to MMKT Account	Marci Rozek
Flagstar Bank	Flagstar Bank	550,000.00	2/11/2026	Transfer from MMKT Account to General Account	Marci Rozek
Flagstar Bank	Huntington Nat'l Bank	4,620.25	2/12/2026	Transfer from General Account to Flex Spending Account	Marci Rozek
Flagstar Bank	Huntington Nat'l Bank	554,000.00	2/12/2026	Transfer from General Account to Payroll Account	Marci Rozek
Flagstar Bank	Flagstar Bank	2,149,432.43	2/12/2026	Transfer Gross Amt of Accts Payable to Payable Acct	Marci Rozek
Flagstar Bank	Flagstar Bank	905,000.00	2/13/2026	Transfer from General Account to MMKT Account	Marci Rozek
Flagstar Bank	Flagstar Bank	10,000.00	2/19/2026	Transfer from General Account to MMKT Account	Marci Rozek
Flagstar Bank	Huntington Nat'l Bank	1,889.27	2/19/2026	Transfer from General Account to Payroll Account	Marci Rozek
Flagstar Bank	Flagstar Bank	1,486,323.36	2/19/2026	Transfer Gross Amt of Accts Payable to Payable Acct	Marci Rozek
Flagstar Bank	Flagstar Bank	140,000.00	2/20/2026	Transfer from General Account to MMKT Account	Marci Rozek
Flagstar Bank	Huntington Nat'l Bank	2,031.96	2/24/2026	Transfer from General Acct for Mortgage payment	Marci Rozek
Flagstar Bank	Flagstar Bank	480,000.00	2/25/2026	Transfer from MMKT Account to General Account	Marci Rozek
Flagstar Bank	Huntington Nat'l Bank	4,620.25	2/26/2026	Transfer from General Account to Flex Spending Account	Marci Rozek
Flagstar Bank	Huntington Nat'l Bank	470,000.00	2/26/2026	Transfer from General Account to Payroll Account	Marci Rozek
Flagstar Bank	Flagstar Bank	823,499.08	2/26/2026	Transfer Gross Amt of Accts Payable to Payable Acct	Marci Rozek
Flagstar Bank	Flagstar Bank	3,670,000.00	2/27/2026	Transfer from General Account to MMKT Account	Marci Rozek

Total Transfers: 12,734,206.41



Submitted By: Marci Rozek or Christopher Pinter
Chief Financial Officer or Chief Executive Officer

Bay Arenac Behavioral Health
201 Mulholland, Bay City, MI 48708
Electronic Funds Transfers for Vendor ACH Payments
February 2026

<u>Funds Paid from:</u>	<u>EFT #</u>	<u>Funds Paid to:</u>	<u>Amount</u>	<u>Date of Pmt</u>	<u>Authorized By</u>
Flagstar Bank	E9640	HAVENWYCK HOSPITAL	7,521.68	2/6/2026	Marci Rozek
Flagstar Bank	E9641	MICHIGAN COMMUNITY SERVICES IN	71,094.33	2/6/2026	Marci Rozek
Flagstar Bank	E9642	LIBERTY LIVING, INC.	33,142.03	2/6/2026	Marci Rozek
Flagstar Bank	E9643	HEALTHSOURCE	24,942.80	2/6/2026	Marci Rozek
Flagstar Bank	E9644	MPA GROUP NFP, Ltd.	26,342.56	2/6/2026	Marci Rozek
Flagstar Bank	E9645	LIST PSYCHOLOGICAL SERVICES	931.39	2/6/2026	Marci Rozek
Flagstar Bank	E9646	SAGINAW PSYCHOLOGICAL SERVICES	24,547.09	2/6/2026	Marci Rozek
Flagstar Bank	E9647	PARAMOUNT REHABILITATION	5,845.64	2/6/2026	Marci Rozek
Flagstar Bank	E9648	ARENAC OPPORTUNITIES, INC	5,665.62	2/6/2026	Marci Rozek
Flagstar Bank	E9649	DO-ALL, INC.	1,884.68	2/6/2026	Marci Rozek
Flagstar Bank	E9650	New Dimensions	2,175.92	2/6/2026	Marci Rozek
Flagstar Bank	E9651	TOUCHSTONE SERVICES, INC	18,758.25	2/6/2026	Marci Rozek
Flagstar Bank	E9652	Winningham, Linda Jo	720.00	2/6/2026	Marci Rozek
Flagstar Bank	E9653	WILSON, STUART T. CPA, P.C.	128,905.33	2/6/2026	Marci Rozek
Flagstar Bank	E9654	CAREBUILDERS AT HOME, LLC	27,930.31	2/6/2026	Marci Rozek
Flagstar Bank	E9655	AUTISM SYSTEMS LLC	4,353.00	2/6/2026	Marci Rozek
Flagstar Bank	E9656	CENTRIA HEALTHCARE LLC	1,890.00	2/6/2026	Marci Rozek
Flagstar Bank	E9657	Flourish Services, LLL	38,920.00	2/6/2026	Marci Rozek
Flagstar Bank	E9658	GAME CHANGER PEDIATRIC THERAPY	46,035.00	2/6/2026	Marci Rozek
Flagstar Bank	E9659	Spectrum Autism Center	24,394.50	2/6/2026	Marci Rozek
Flagstar Bank	E9660	ENCOMPASS THERAPY CENTER LLC	74,224.16	2/6/2026	Marci Rozek
Flagstar Bank	E9661	HEALING WITH HEART	100.00	2/6/2026	Marci Rozek
Flagstar Bank	E9662	MAXIM HEALTHCARE SEVICES, INC.	343.68	2/6/2026	Marci Rozek
Flagstar Bank	E9663	APS EMPLOYMENT SERVICES, INC	4,755.96	2/6/2026	Marci Rozek
Flagstar Bank	E9664	ARENAC OPPORTUNITIES, INC	1,616.60	2/6/2026	Marci Rozek
Flagstar Bank	E9665	DO-ALL, INC.	5,572.64	2/6/2026	Marci Rozek
Flagstar Bank	E9666	New Dimensions	5,936.60	2/6/2026	Marci Rozek
Flagstar Bank	E9667	NETSOURCE ONE, INC.	80.00	2/6/2026	Marci Rozek
Flagstar Bank	E9668	AUGRES CARE CENTER, INC	3,842.14	2/13/2026	Marci Rozek
Flagstar Bank	E9669	HAVENWYCK HOSPITAL	6,581.47	2/13/2026	Marci Rozek
Flagstar Bank	E9670	HOPE NETWORK BEHAVIORAL HEALTH	39,595.45	2/13/2026	Marci Rozek
Flagstar Bank	E9671	Hope Network Southeast	132,813.97	2/13/2026	Marci Rozek
Flagstar Bank	E9672	BEACON SPECIALIZED LIVING SVS	9,610.00	2/13/2026	Marci Rozek
Flagstar Bank	E9673	Fitzhugh House, LLC	14,660.80	2/13/2026	Marci Rozek
Flagstar Bank	E9674	Bay Human Services, Inc.	242,061.95	2/13/2026	Marci Rozek
Flagstar Bank	E9675	Mid Michigan Specialized Residential, LLC	32,713.68	2/13/2026	Marci Rozek
Flagstar Bank	E9676	MICHIGAN COMMUNITY SERVICES IN	220,535.30	2/13/2026	Marci Rozek
Flagstar Bank	E9677	CENTRAL STATE COMM. SERVICES	28,647.41	2/13/2026	Marci Rozek
Flagstar Bank	E9678	VALLEY RESIDENTIAL SERVICES	112,958.62	2/13/2026	Marci Rozek
Flagstar Bank	E9679	LIBERTY LIVING, INC.	33,467.98	2/13/2026	Marci Rozek
Flagstar Bank	E9680	Closer to Home, LLC	19,315.79	2/13/2026	Marci Rozek
Flagstar Bank	E9681	HEALTHSOURCE	25,077.60	2/13/2026	Marci Rozek
Flagstar Bank	E9682	CEDAR CREEK HOSPITAL	9,579.00	2/13/2026	Marci Rozek
Flagstar Bank	E9683	MPA GROUP NFP, Ltd.	31,373.54	2/13/2026	Marci Rozek
Flagstar Bank	E9684	LIST PSYCHOLOGICAL SERVICES	1,930.44	2/13/2026	Marci Rozek
Flagstar Bank	E9685	SAGINAW PSYCHOLOGICAL SERVICES	35,231.25	2/13/2026	Marci Rozek
Flagstar Bank	E9686	PARAMOUNT REHABILITATION	6,954.00	2/13/2026	Marci Rozek
Flagstar Bank	E9687	ARENAC OPPORTUNITIES, INC	6,918.00	2/13/2026	Marci Rozek
Flagstar Bank	E9688	DO-ALL, INC.	105.84	2/13/2026	Marci Rozek
Flagstar Bank	E9689	New Dimensions	11,064.00	2/13/2026	Marci Rozek
Flagstar Bank	E9690	Winningham, Linda Jo	321.00	2/13/2026	Marci Rozek
Flagstar Bank	E9691	Nutrition for Wellness	1,067.80	2/13/2026	Marci Rozek
Flagstar Bank	E9692	WILSON, STUART T. CPA, P.C.	87,887.05	2/13/2026	Marci Rozek
Flagstar Bank	E9693	CAREBUILDERS AT HOME, LLC	2,273.55	2/13/2026	Marci Rozek
Flagstar Bank	E9694	CENTRIA HEALTHCARE LLC	49,569.00	2/13/2026	Marci Rozek
Flagstar Bank	E9695	Flourish Services, LLL	41,098.16	2/13/2026	Marci Rozek
Flagstar Bank	E9696	GAME CHANGER PEDIATRIC THERAPY	48,945.00	2/13/2026	Marci Rozek
Flagstar Bank	E9697	Spectrum Autism Center	30,411.00	2/13/2026	Marci Rozek
Flagstar Bank	E9698	ENCOMPASS THERAPY CENTER LLC	70,786.16	2/13/2026	Marci Rozek
Flagstar Bank	E9699	MERCY PLUS HEALTHCARE SERVICES LLC	56,022.02	2/13/2026	Marci Rozek
Flagstar Bank	E9700	Positive Behavior Supports Corporation	4,158.49	2/13/2026	Marci Rozek
Flagstar Bank	E9701	AUTISM AND NEURODIVERSITY SERVICES LLC	720.00	2/13/2026	Marci Rozek
Flagstar Bank	E9702	HEALING WITH HEART	200.00	2/13/2026	Marci Rozek
Flagstar Bank	E9703	BAY CITY CRU	27,500.00	2/13/2026	Marci Rozek
Flagstar Bank	E9704	MAXIM HEALTHCARE SEVICES, INC.	13,427.20	2/13/2026	Marci Rozek
Flagstar Bank	E9705	APS EMPLOYMENT SERVICES, INC	5,386.18	2/13/2026	Marci Rozek

Flagstar Bank	E9706	MONTCLAIR SPECIALIZED RESIDENTIAL LLC	35,890.56	2/13/2026	Marci Rozek
Flagstar Bank	E9707	KEITH SPECIALIZED RESIDENTIAL SERVICES LL	71,107.56	2/13/2026	Marci Rozek
Flagstar Bank	E9708	MID-STATE HEALTH NETWORK	53,717.00	2/13/2026	Marci Rozek
Flagstar Bank	E9709	ENTERPRISE FM TRUST	7,312.76	2/13/2026	Marci Rozek
Flagstar Bank	E9710	ADLER, THERESA	59.50	2/20/2026	Marci Rozek
Flagstar Bank	E9711	ARQUETTE, LORI	328.30	2/20/2026	Marci Rozek
Flagstar Bank	E9712	BICKEL, MEREDITH	108.75	2/20/2026	Marci Rozek
Flagstar Bank	E9713	BRUNO, AMBER	136.30	2/20/2026	Marci Rozek
Flagstar Bank	E9714	BYRNE, RICHARD	159.50	2/20/2026	Marci Rozek
Flagstar Bank	E9715	CERESKE, KIM	121.78	2/20/2026	Marci Rozek
Flagstar Bank	E9716	Cook, Jordyn	88.45	2/20/2026	Marci Rozek
Flagstar Bank	E9717	Deshano, Jennifer	166.03	2/20/2026	Marci Rozek
Flagstar Bank	E9718	DODGE, JENNIFER	261.94	2/20/2026	Marci Rozek
Flagstar Bank	E9719	FRIEBE, HEATHER	74.38	2/20/2026	Marci Rozek
Flagstar Bank	E9720	Gonzalez, Minverva	465.87	2/20/2026	Marci Rozek
Flagstar Bank	E9721	GRUSNICK, ASHLEE	138.19	2/20/2026	Marci Rozek
Flagstar Bank	E9722	VIAN, SUSAN	523.82	2/20/2026	Marci Rozek
Flagstar Bank	E9723	HECHT, KERENSA	63.80	2/20/2026	Marci Rozek
Flagstar Bank	E9724	HEWTTY, MARIA	225.33	2/20/2026	Marci Rozek
Flagstar Bank	E9725	HEWTTY, EDDIE	56.55	2/20/2026	Marci Rozek
Flagstar Bank	E9726	JINKS, KIM	301.80	2/20/2026	Marci Rozek
Flagstar Bank	E9727	Kohn, Jessica	229.83	2/20/2026	Marci Rozek
Flagstar Bank	E9728	KRASINSKI, STACY	51.33	2/20/2026	Marci Rozek
Flagstar Bank	E9729	KRUZELL, BRIAN	238.00	2/20/2026	Marci Rozek
Flagstar Bank	E9730	Lagalo, Lori	329.38	2/20/2026	Marci Rozek
Flagstar Bank	E9731	Lemiesz, Rachel	485.46	2/20/2026	Marci Rozek
Flagstar Bank	E9732	LUPCKE, TRACI	53.65	2/20/2026	Marci Rozek
Flagstar Bank	E9733	BEYER, NICOLE	142.54	2/20/2026	Marci Rozek
Flagstar Bank	E9734	Niemiec, Kathleen	97.88	2/20/2026	Marci Rozek
Flagstar Bank	E9735	NIX, HEATHER	31.18	2/20/2026	Marci Rozek
Flagstar Bank	E9736	Nixon, Heidi	191.52	2/20/2026	Marci Rozek
Flagstar Bank	E9737	O'BRIEN, CAROLE	91.35	2/20/2026	Marci Rozek
Flagstar Bank	E9738	Rechsteiner, Elise	106.58	2/20/2026	Marci Rozek
Flagstar Bank	E9739	ROSE, KEVIN	62.98	2/20/2026	Marci Rozek
Flagstar Bank	E9740	Roznowski, Donna	47.32	2/20/2026	Marci Rozek
Flagstar Bank	E9741	Schumacher, Pamela	40.02	2/20/2026	Marci Rozek
Flagstar Bank	E9742	STONE, JENNIFER	200.10	2/20/2026	Marci Rozek
Flagstar Bank	E9743	Tenney, Ben	82.51	2/20/2026	Marci Rozek
Flagstar Bank	E9744	VanWert, Laurie	50.80	2/20/2026	Marci Rozek
Flagstar Bank	E9745	VASCONCELOS, FLAVIA	408.61	2/20/2026	Marci Rozek
Flagstar Bank	E9746	WATSON, MELODY	245.78	2/20/2026	Marci Rozek
Flagstar Bank	E9747	WELLS, JORDAN	545.93	2/20/2026	Marci Rozek
Flagstar Bank	E9748	CMH FOR CENTRAL MICHIGAN	389.88	2/20/2026	Marci Rozek
Flagstar Bank	E9749	HAVENWYCK HOSPITAL	21,624.83	2/20/2026	Marci Rozek
Flagstar Bank	E9750	Bay Human Services, Inc.	242,674.29	2/20/2026	Marci Rozek
Flagstar Bank	E9751	MICHIGAN COMMUNITY SERVICES IN	68,288.91	2/20/2026	Marci Rozek
Flagstar Bank	E9752	VALLEY RESIDENTIAL SERVICES	1,108.34	2/20/2026	Marci Rozek
Flagstar Bank	E9753	LIBERTY LIVING, INC.	33,332.31	2/20/2026	Marci Rozek
Flagstar Bank	E9754	HEALTHSOURCE	74,717.60	2/20/2026	Marci Rozek
Flagstar Bank	E9755	MPA GROUP NFP, Ltd.	32,966.16	2/20/2026	Marci Rozek
Flagstar Bank	E9756	LIST PSYCHOLOGICAL SERVICES	2,405.49	2/20/2026	Marci Rozek
Flagstar Bank	E9757	SAGINAW PSYCHOLOGICAL SERVICES	29,615.08	2/20/2026	Marci Rozek
Flagstar Bank	E9758	PARAMOUNT REHABILITATION	7,526.72	2/20/2026	Marci Rozek
Flagstar Bank	E9759	DO-ALL, INC.	5,840.09	2/20/2026	Marci Rozek
Flagstar Bank	E9760	New Dimensions	10,473.86	2/20/2026	Marci Rozek
Flagstar Bank	E9761	TOUCHSTONE SERVICES, INC	12,628.25	2/20/2026	Marci Rozek
Flagstar Bank	E9762	Nutrition for Wellness	874.20	2/20/2026	Marci Rozek
Flagstar Bank	E9763	WILSON, STUART T. CPA, P.C.	90,448.34	2/20/2026	Marci Rozek
Flagstar Bank	E9764	CAREBUILDERS AT HOME, LLC	14,127.16	2/20/2026	Marci Rozek
Flagstar Bank	E9765	AUTISM SYSTEMS LLC	4,129.50	2/20/2026	Marci Rozek
Flagstar Bank	E9766	CENTRIA HEALTHCARE LLC	49,097.51	2/20/2026	Marci Rozek
Flagstar Bank	E9767	Flourish Services, LLL	40,630.44	2/20/2026	Marci Rozek
Flagstar Bank	E9768	GAME CHANGER PEDIATRIC THERAPY	47,555.50	2/20/2026	Marci Rozek
Flagstar Bank	E9769	Spectrum Autism Center	31,836.00	2/20/2026	Marci Rozek
Flagstar Bank	E9770	ENCOMPASS THERAPY CENTER LLC	57,972.50	2/20/2026	Marci Rozek
Flagstar Bank	E9771	MERCY PLUS HEALTHCARE SERVICES LLC	25,240.80	2/20/2026	Marci Rozek
Flagstar Bank	E9772	NOBLE PATHWAY PEDIATRIC THERAPY	26,475.00	2/20/2026	Marci Rozek
Flagstar Bank	E9773	HEALING WITH HEART	100.00	2/20/2026	Marci Rozek
Flagstar Bank	E9774	BAY CITY CRU	13,750.00	2/20/2026	Marci Rozek
Flagstar Bank	E9775	APS EMPLOYMENT SERVICES, INC	5,026.74	2/20/2026	Marci Rozek
Flagstar Bank	E9776	PARAMOUNT CHILDRENS THERAPY CENTER IN	39,795.00	2/20/2026	Marci Rozek
Flagstar Bank	E9777	BETTER LIVING AFC LLC	24,107.43	2/20/2026	Marci Rozek
Flagstar Bank	E9778	APS EMPLOYMENT SERVICES, INC	131.80	2/20/2026	Marci Rozek
Flagstar Bank	E9779	A2Z CLEANING & RESTORATION INC.	3,092.00	2/20/2026	Marci Rozek
Flagstar Bank	E9780	Applied Innovation	216.78	2/20/2026	Marci Rozek
Flagstar Bank	E9781	Clean Team, Inc.	1,950.00	2/20/2026	Marci Rozek

Flagstar Bank	E9782	HAMPTON AUTO REPAIR	3,987.76	2/20/2026	Marci Rozek
Flagstar Bank	E9783	HOSPITAL PSYCHIATRY PLLC	50,916.67	2/20/2026	Marci Rozek
Flagstar Bank	E9784	Insight	4,247.08	2/20/2026	Marci Rozek
Flagstar Bank	E9785	Iris Telehealth Medical Group, PA	76,197.00	2/20/2026	Marci Rozek
Flagstar Bank	E9786	BEYER, NICOLE	365.96	2/20/2026	Marci Rozek
Flagstar Bank	E9787	McCoy Heating and Cooling	200.00	2/20/2026	Marci Rozek
Flagstar Bank	E9788	MICHIGAN MEDICAL AND REHABILITATION SUPP	2,686.00	2/20/2026	Marci Rozek
Flagstar Bank	E9789	MILLARS APPLIANCE	784.00	2/20/2026	Marci Rozek
Flagstar Bank	E9790	MOVVA, USHA	13,200.00	2/20/2026	Marci Rozek
Flagstar Bank	E9791	NETSOURCE ONE, INC.	1,567.00	2/20/2026	Marci Rozek
Flagstar Bank	E9792	New Dimensions, Inc.	2,795.00	2/20/2026	Marci Rozek
Flagstar Bank	E9793	RINGCENTRAL INC	76.75	2/20/2026	Marci Rozek
Flagstar Bank	E9794	Staples	6,227.79	2/20/2026	Marci Rozek
Flagstar Bank	E9795	STATE OF MICHIGAN DEPT OF COMM HEALTH A	9,676.83	2/20/2026	Marci Rozek
Flagstar Bank	E9796	V.O.I.C.E., INC.	300.00	2/20/2026	Marci Rozek
Flagstar Bank	E9797	Waystar Health - ZirMed, Inc.	256.21	2/20/2026	Marci Rozek
Flagstar Bank	E9798	Yeo & Yeo Technology	690.17	2/20/2026	Marci Rozek
Flagstar Bank	E9799	ZOOM VIDEO COMMUNICATIONS INC	734.16	2/20/2026	Marci Rozek
Flagstar Bank	E9800	Fitzhugh House, LLC	13,735.50	2/27/2026	Marci Rozek
Flagstar Bank	E9801	MICHIGAN COMMUNITY SERVICES IN	1,430.99	2/27/2026	Marci Rozek
Flagstar Bank	E9802	LIBERTY LIVING, INC.	33,468.19	2/27/2026	Marci Rozek
Flagstar Bank	E9803	HEALTHSOURCE	61,084.80	2/27/2026	Marci Rozek
Flagstar Bank	E9804	MPA GROUP NFP, Ltd.	35,397.34	2/27/2026	Marci Rozek
Flagstar Bank	E9805	LIST PSYCHOLOGICAL SERVICES	1,626.86	2/27/2026	Marci Rozek
Flagstar Bank	E9806	SAGINAW PSYCHOLOGICAL SERVICES	29,368.82	2/27/2026	Marci Rozek
Flagstar Bank	E9807	PARAMOUNT REHABILITATION	4,352.52	2/27/2026	Marci Rozek
Flagstar Bank	E9808	ARENAC OPPORTUNITIES, INC	6,642.00	2/27/2026	Marci Rozek
Flagstar Bank	E9809	DO-ALL, INC.	5,897.94	2/27/2026	Marci Rozek
Flagstar Bank	E9810	TOUCHSTONE SERVICES, INC	12,251.25	2/27/2026	Marci Rozek
Flagstar Bank	E9811	Winningham, Linda Jo	953.00	2/27/2026	Marci Rozek
Flagstar Bank	E9812	Nutrition for Wellness	595.00	2/27/2026	Marci Rozek
Flagstar Bank	E9813	WILSON, STUART T. CPA, P.C.	53,734.03	2/27/2026	Marci Rozek
Flagstar Bank	E9814	CAREBUILDERS AT HOME, LLC	16,441.35	2/27/2026	Marci Rozek
Flagstar Bank	E9815	CENTRIA HEALTHCARE LLC	43,129.50	2/27/2026	Marci Rozek
Flagstar Bank	E9816	Flourish Services, LLL	40,283.88	2/27/2026	Marci Rozek
Flagstar Bank	E9817	GAME CHANGER PEDIATRIC THERAPY	47,265.50	2/27/2026	Marci Rozek
Flagstar Bank	E9818	Spectrum Autism Center	33,973.50	2/27/2026	Marci Rozek
Flagstar Bank	E9819	ENCOMPASS THERAPY CENTER LLC	80,093.82	2/27/2026	Marci Rozek
Flagstar Bank	E9820	MERCY PLUS HEALTHCARE SERVICES LLC	1,597.44	2/27/2026	Marci Rozek
Flagstar Bank	E9821	Positive Behavior Supports Corporation	7,891.50	2/27/2026	Marci Rozek
Flagstar Bank	E9822	HEALING WITH HEART	200.00	2/27/2026	Marci Rozek
Flagstar Bank	E9823	BAY CITY CRU	11,250.00	2/27/2026	Marci Rozek
Flagstar Bank	E9824	APS EMPLOYMENT SERVICES, INC	5,082.97	2/27/2026	Marci Rozek
Flagstar Bank	E9825	DO-ALL, INC.	4,175.53	2/27/2026	Marci Rozek
Flagstar Bank	E9826	New Dimensions	4,024.45	2/27/2026	Marci Rozek
Flagstar Bank	E9827	Aho, Ashley	291.34	2/27/2026	Marci Rozek
Flagstar Bank	E9828	Bromberg & Associates, LLC	50.00	2/27/2026	Marci Rozek
Flagstar Bank	E9829	FLEX ADMINISTRATORS INC	442.25	2/27/2026	Marci Rozek
Flagstar Bank	E9830	NETSOURCE ONE, INC.	27,917.89	2/27/2026	Marci Rozek
Flagstar Bank	E9831	PETER CHANG ENTERPRISES, INC.	23,337.65	2/27/2026	Marci Rozek
Flagstar Bank	E9832	TELNET WORLDWIDE, INC.	201.53	2/27/2026	Marci Rozek
Flagstar Bank	E9833	WEX BANK	3,835.97	2/27/2026	Marci Rozek

Total Withdrawals:

4,035,562.73



Submitted By: Marci Rozek or Christopher Pinter
Chief Financial Officer or Chief Executive Officer

March 16, 2026

To: Sara McRae, Executive Assistant to the CEO
 From: Karl White, Accounting Manager
 Michele Perry, Finance Manager
 Re: Disbursement Audit Information for Audit Committee

The following is a summary of disbursements as presented

Administration and Services for Behavioral Health

2/19/26 Checks Sequence: #102414-102523, ACH E9710-E9799

Employee travel, conference	\$ 9,159.98
Purchase Order Invoices	\$ 11,599.87
Invoices for Routine Maintenance, purchase requisitions, & recurring	\$ 208,888.63

SUBTOTAL - Monthly Batch **\$ 229,648.48**

ITEMS FOR REVIEW:

EFT transfer - Credit Card 3/06/2026 **\$ 20,891.69**

Weekly Special Checks:

02/27/2026 Checks 102484-102497, E9825-E9833	\$ 109,247.65
03/06/2026 Checks 102504-102511, E9859-E9865	\$ 22,917.99
03/13/2026 Checks 102520-102526, E9905-E9907	\$ 21,381.74

SUBTOTAL - Special Checks **\$ 153,547.38**

Health Care payments

02/20/26 Checks 102425-102429, ACH Pmts E9748-E9777	\$ 1,257,578.45
02/27/26 Checks 102479-102483, ACH Pmts E9800-E9824	\$ 630,652.78
03/06/26 Checks 102498-102503, ACH Pmts E9834-E9857	\$ 783,622.70
03/13/26 Checks 102512-102519, ACH Pmts E9866-E9904	\$ 1,965,986.56

SUBTOTAL - Health Care Payments **\$ 4,637,840.49**

TOTAL DISBURSEMENTS **\$ 5,041,928.04**

Prepared by:

Karl White

Reviewed by:

MS

MINUTES

BAY ARENAC BEHAVIORAL HEALTH BOARD OF DIRECTORS AUDIT COMMITTEE MEETING

Monday, March 16, 2026 at 5:00 pm

Room 225, Behavioral Health Center, 201Mulholland Street, Bay City, MI 48708

Committee Members:	Present	Excused	Absent	Committee Members:	Present	Excused	Absent	Others Present:
Pat McFarland, Ex Off, Ch	X			Jerome Crete	X			BABH: Marci Rozek, Michele Perry,
Tim Banaszak, V Ch	X			Sally Mrozinski	X			and Eric Strode
Richard Byrne	X			Christopher Girard, Ex Off	X			
Patrick Conley	X			Robert Pawlak, Ex Off	X			Legend: M-Motion; S-Support; MA-
								Motion Adopted; AB-Abstained

	Agenda Item	Discussion	Motion/Action
1.	Call To Order & Roll Call	Committee Chair, P. McFarland, called the meeting to order at 5:00 pm.	
2.	Public Input (Maximum of 5 Minutes)	There were not any members of the public present.	
3.	Unfinished Business	There was not any unfinished business.	
4.	New Business 4.1) Selection of Disbursements & Health Care Claims from Summary Report 4.2) Financial Statements for the Period Ending February 28, 2026 4.3) Electronic Fund Transfers (EFTs) for the Period Ending February 28, 2026	4.1) Administration found the source information for the claims selected for review. 4.2) M. Rozek reported the figures for due from other governmental units and unrestricted fund balance. As of February 2026 approximately \$200,000 of fund balance is needed to cover general fund services. M Rozek reviewed the reports noting FY 2026 per member per month funding is trending similar to the prior year. 4.3) M. Rozek reviewed the EFTs.	4.1) No action necessary 4.2) On motion of C. Girard and support by J. Crete, the Financial Statements for the period ending February 28, 2026 were referred to the full Board for approval. The motion was adopted unanimously. 4.3) On motion of R. Pawlak and support by J. Crete, the EFTs for the period ending February 28, 2026 were referred to the full Board for approval. The motion was adopted unanimously.

4.4) Review of Selected Disbursements & Health Care Claims Chosen from Summary Report by CFO 4.5) Consideration of Approval of Disbursements & Health Care Claims Totals	4.4) Administration reviewed the disbursements and health care claim invoices selected for further review. These included 102326 Hampton Township Treasurer for a trash assessment for horizon home; 102324 Great Lakes Hydroseeding for lawn maintenance and snow plow services; 102328 Hugo's Locksmithing & Keys for a bathroom lock; 102493 Hugo's Locksmithing & Keys for an electric strike and transmitter on a door; 102347 Smart Source for envelopes; 102349 Ulliance for the employee assistance program; E09561 VOICE for interpreter services; 102362 Doctors Company for the agency's medical director's professional liability insurance; E09483 Rachel Lemiesz for travel reimbursement; 09556 Netsource One for cloud computing services; 102473 Rural Wisconsin for credentialing services; E09785 IRIS Telehealth for psychiatry and therapy services; E09790 Usha Movva for psychiatry services; 102525 Progress Software for maintenance renewal for a developer license; E09676 Michigan Community Services for residential services for January; 102366 Lighthouse Inc for out of county residential services; 102371 McLaren Health Management Group for pharmacy charges; E09761 Touchstone Services for clubhouse services for February. There were general discussions regarding usage of Ulliance, the employee assistance program, which staff the agency covers professional liability insurance for, and the amount of groceries purchased for horizon home. 4.5) The Committee reviewed the disbursement and claim totals.	4.4) No action necessary 4.5) On motion of P. Conley and support by T. Banaszak, the disbursements and health care payments from February 14, 2026 through March 13, 2026 were referred to the full Board for approval. The motion was adopted unanimously.
5. Adjournment	On motion of P. Conley and support by T. Banaszak, the meeting adjourned at 5:35 pm. The motion passed unanimously.	

Bay-Arenac Behavioral Health
Board of Directors Meeting
Summary of Proposed Contracts (Not Approved at Finance Committee Meeting)
3/19/2026

			Old Rate	New Rate	Term	Out Clause?	Performance Issues? (Y/N) Risk Assessment Rating (Low/Mod/High)
SECTION I. SERVICES PROVIDED BY OUTSIDE AGENCIES							
Clinical Services							
1	N	A Global Homecare* (Portage) Residential Type A Services for one BABHA individual	\$0	\$300/day	TBD - 9/30/26	Y	New Provider
2	M	Iris Telehealth - Dr. Yasmin Jilla* Child & Adolescent Psychiatrist - 16 hours/week (Madison & Arenac Center)	\$0	\$268/hour	TBD - ongoing	Y	N
Admin/Other Services							
SECTION II. SERVICES PROVIDED BY THE BOARD (REVENUE CONTRACTS)							
SECTION III. STATE OF MICHIGAN OR MSHN GRANT CONTRACTS							
SECTION IV. MISC PURCHASES REQUIRING BOARD APPROVAL							

R = Renewal with rate increase since previous contract
D = Renewal with rate decrease since previous contract
S = Renewal with same rate as previous contract
ES = Extension

M = Modification
N = New Contract/Provider
NC = New Consumer
T = Termination

Footnotes:

- 1 This setting has received MSHN HCBS provisional approval.
- 2 Dr. Yasmin Jilla's official start date is dependent upon credentialing. The target start date is 6/30/26. The agreement is ongoing as it auto-renews.



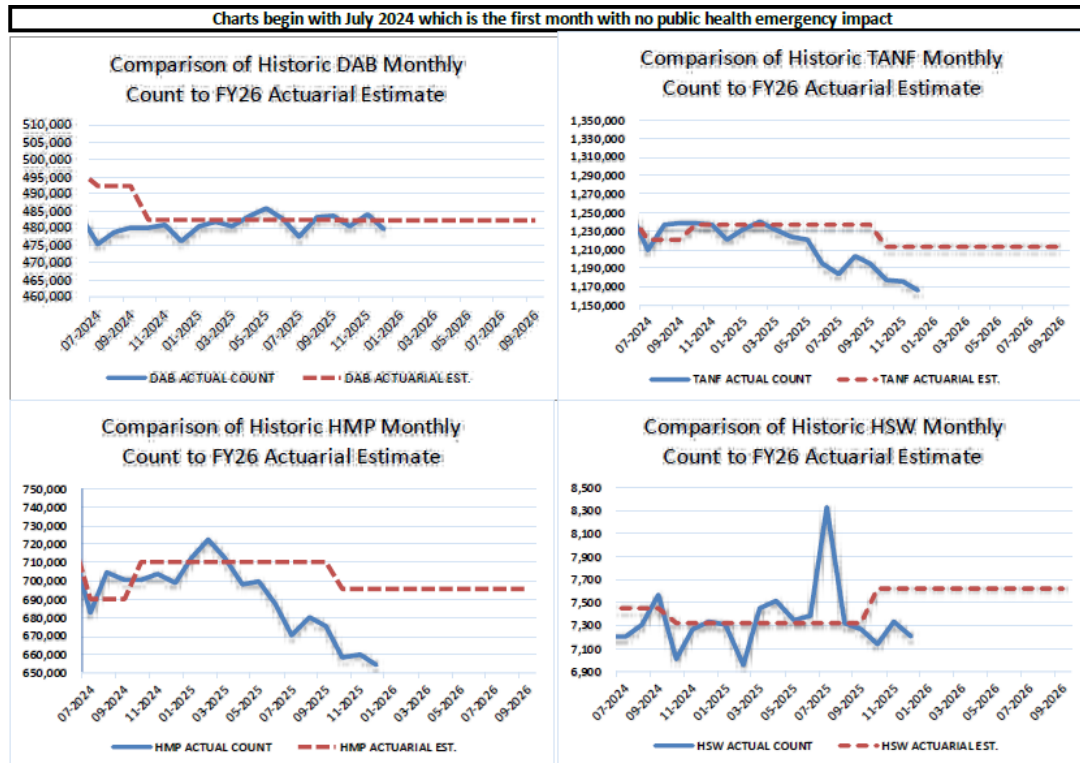
CMHA FY27 Appropriations Key Issues

FY26 MEDICAID RATES MUST BE ADJUSTED

- **CMHA members face over a \$100 million Medicaid shortfall for FY26 due to a drop in Medicaid enrollment.** Rate adjustments from MDHHS throughout FY25 and FY26 were not able to keep up with the dramatic drop in Medicaid enrollment.
 - **HOW OUR MEMBERS GET PAID:** Our members receive a payment for every person enrolled in Medicaid regardless if we see them or not. The more people the more payments (and the smaller the payment would be), but as people starting losing their coverage during redeterminations our members lost those payments, when that occurs the payments we receive must grow in order for the system to have adequate funding to provide the services and supports required. In FY25 and again in FY26 those payments did not grow fast enough which is causing a Medicaid shortfall.
 - **NO NEW MONEY IS NEEDED FOR A FY26 rate adjustment – if revenue projections remain there will be over \$250 million leftover in the Mental Health Medicaid line items.**
 - If Medicaid rates are not adjusted in a timely manner, declining enrollment will continue to widen the funding gap. The longer MDHHS waits to respond, the more severe the financial impact becomes.

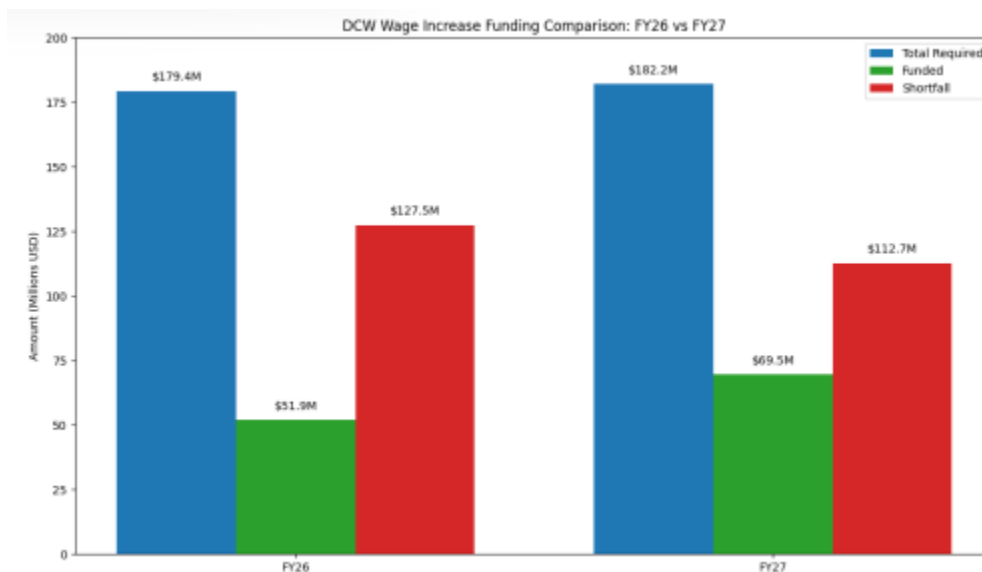
Area of Capitation Funding Projection	FY25 Full Year	FY26 Initial	Difference	% Difference
DAB Funding per Certification Documents + FY25 Adjustments:	\$ 2,502,500,000	\$ 2,436,200,000	\$ (66,300,000)	-2.6%
TANF Funding per Certification Documents + FY25 Adjustments:	\$ 662,600,000	\$ 600,200,000	\$ (62,400,000)	-9.4%
HMP Funding per Certification Documents + FY25 Adjustments	\$ 484,600,000	\$ 440,000,000	\$ (44,600,000)	-9.2%
HSW, CWP, & SED funding per Certification Documents + FY25 Adjustments:	\$ 709,800,000	\$ 774,600,000	\$ 64,800,000	9.1%
Capitation funding totals per Certification Documents + FY25 Adjustments:	\$ 4,359,500,000	\$ 4,251,000,000	\$ (108,500,000)	-2.5%

- **FY26 Medicaid Enrollment declines below those projected by Milliman**



INADEQUATE FUNDING OF DCW WAGE REQUIREMENTS ARE CREATING STRUCTURAL DEFICITS

- MDHHS has provided the PIHP system with only 29% (\$51.9 million) of the necessary funding to support the FY26 DCW costs to cover the required \$17.13/hour wage (\$13.73 minimum wage as of 01/01/26 + \$3.40 DCW pass through) - \$179.4 million is needed to meet requirement.



- FY27 Executive Budget recommendation continues to underfund DCW costs for the minimum wage increase that will occur January 1, 2027 - \$69.5 million is ONLY 38% if the necessary funding, \$182.2 million is needed to meet requirement.
 - **HOW THE MATH WORKS:** The legislative appropriation for a \$0.20 per hour DCW wage increase for behavioral health and aging services combined was \$28.7 million in FY25. The amount therefore required to cover a wage increase of \$1.25 for FY26 would be \$179.4M. The amount required to cover the wage increase of \$1.27 in 2027 would be \$182.2M
- FY27 Executive Budget recommends \$258.4 million to support 2025 and 2026 direct care worker minimum wage increases (\$87.3 million general fund), which preserves \$3.40 per hour in increased wages received by workers over the past two years.
 - \$476 million is needed to fully fund the \$3.40/per hour DCW wage passthrough

SUPPORT REVENUE INCREASES TO MAINTAIN MEDICAID FUNDING LEVELS

- Support the FY27 executive budget recommendations to increase revenue to ensure the Medicaid program is fully funded and supported.

CONTINUED PHASE OUT OF LOCAL MATCH DRAW DOWN – SECTION 928

- FY27 budget to include \$5 million GF/GP to offset local/county resources for Medicaid match purposes and continue the 5-year phase out of the use of local/county dollars for Medicaid match purposes.
- Include the following language (from FY23 budget):
 - (3) It is the intent of the legislature that the amount of local funds used in subsection (1) be phased out and offset with state general fund/general purpose revenue in equal amounts over a 5-year period.

CMHA OPPOSES ANY NEW LEGISLATIVE MANDATED RATE INCREASE FOR A SPECIFIC SERVICE THAT INTERFERES WITH PIHPS AND CMHSPS REQUIREMENT TO ESTABLISH FAIR MARKET RATES

- Recently, the legislature has increased rates for ABA autism services and methadone reimbursements. CMHA supports adjusting rates and increasing funding levels overall, which then give our members maximum flexibility on how best to use those funds within their communities and allows them to negotiate fair markets rates with their providers.

REDUCE ADMINISTRATIVE BURDENS

- Require MDHHS to comply with section 994 from the FY26 budget
 - **Sec. 994. National Accreditation Review Criteria for Behavioral Health Services – NEW** House requires DHHS to seek, if necessary, a federal waiver to allow a CMHSP, PIHP, or subcontracting provider agency that is reviewed and accredited by a national accrediting entity for behavioral health care services to be in compliance with state program review and audit requirements; requires a report that lists each CMHSP, PIHP, and subcontracting provider agency that is considered in compliance with state requirements; requires DHHS to continue to comply with state and federal law not initiate an action by negatively impacts beneficiary safety; defines "national accrediting entity."
- **Section 994 will reduce the number of non-value added audits and reports**
 - Tremendous amount of duplication and redundancy in state program/financial reviews and audits. There should be oversight of the system, but we want to eliminate the duplication and non-value added requirements.
 - Ohio and Illinois both have deemed status Illinois found there was 40% redundancy between state requirements and national accreditation requirements
 - CMHA members (PIHPs/CMHs/Providers) spend thousands of staff hours and resources complying with state reviews that do not provide value, are not used in a substantive manner or are duplicative.

BOILERPLATE SUGGESTIONS

PROHIBIT MDHHS FOR SPENDING ADDITIONAL DOLLARS ON PIHP RFP PROCESS

Include language in a FY26 supplemental budget and FY27 budget that blocks any further action of MDHHS regarding this RFP process:

Sec. _____. The department shall not issue, implement, or otherwise proceed with any request for proposals, rebid, or procurement process related to the delivery, financing, or administration of public behavioral health or mental health services, nor expend state or federal funds for such purposes, unless the request for proposals fully complies with the Michigan Mental Health Code and the statutory framework governing Michigan's public behavioral health system, has received approval through enactment of legislation or approval by the legislature as provided in law, and the department has returned to the legislature for approval of a plan for implementation prior to taking any further action.

- Bridge Magazine published an article that highlighted that **MDHHS paid consultants \$2.9M for failed mental health redesign** Request for Proposals (RFP) – the RFP that was

found to violate state law. This amount did NOT include all of the legal fees incurred by the state through the Attorney General's office.

REMOVE CCBHC LANGUAGE PROHIBITING EXPANSION

Remove section 1002 in FY27 Exec Rec Budget – The funds appropriated in part 1 must not be used by the department to expand the certified community behavioral health clinic demonstration.

- **CCBHC Expands access through a “no wrong door” approach**, ensuring children and adults can receive mental health, substance use, and physical health services regardless of insurance, ability to pay, location, or level of need.
- **CCBHC strengthens the public behavioral health system** by expanding the provider network and responding to local community needs (law enforcement, schools, crisis systems), integrating mental health, substance use, and physical health care in one plan of service, establishing national expectations for evidence-based care, and ensuring federal funding and accountability through state and federal quality outcome reporting.

PROHIBIT MDHHS FOR MOVING FORWARD WITH MENTAL HEALTH FRAMEWORK

(1) From the funds appropriated in this part, the department shall not expend state general fund/general purpose revenue, federal funds, or any other funds to develop, implement, administer, or advance the proposal commonly referred to as the “Mental Health Framework” or any similar policy initiative that alters the current responsibilities for behavioral health services between prepaid inpatient health plans, community mental health services programs, or Medicaid health plans.

(2) The department shall not take administrative, contractual, regulatory, or policy actions to transfer, delegate, or otherwise modify responsibility for psychiatric inpatient admissions or behavioral health service management in a manner inconsistent with the responsibilities established under the Michigan Mental Health Code, 1974 PA 258, MCL 330.1001 to 330.2106.

(3) The department shall not implement policies that shift management of psychiatric inpatient benefits or related behavioral health services to Medicaid health plans unless specifically authorized by a subsequent act of the legislature.

(4) The department shall maintain the current structure of responsibility for behavioral health services unless otherwise directed by law.

CREATE STANDARD DEFINITION OF RURAL

Develop boilerplate: To assist in providing policy-relevant information about conditions in sparsely-settled, remote areas of the Michigan, the following has been established to use a single definition of rural, partial rural, and frontier that is applied consistently across all department programs for the purposes of administering and implementing department programs, services, grants, and policies.

- A standardized definition ensures fairness, transparency, and predictable policy implementation for counties, CMHSPs, providers, and beneficiaries.
- Rural communities face unique workforce shortages, transportation barriers, and service gaps.
- Program rules that change rural definitions can undermine planning and service delivery for CMHSPs and PIHPs serving rural populations.
- The department should not apply different definitions of rural depending on the program, funding source, or policy objective.
 - MDHHS should be prohibited from narrowly defining rural for regulatory requirements (such as CFAP compliance) while expanding the definition for grant or demonstration programs (such as RHTP).

STATE OF MICHIGAN
COURT OF CLAIMS

REGION 10 PIHP, SOUTHWEST MICHIGAN
BEHAVIORAL HEALTH, MID-STATE
HEALTH NETWORK, ST. CLAIR COUNTY
COMMUNITY MENTAL HEALTH
AUTHORITY, INTEGRATED SERVICES OF
KALAMAZOO, and SAGINAW COUNTY
COMMUNITY MENTAL HEALTH
AUTHORITY,

Plaintiffs,

v

Case No. 25-000143-MB

STATE OF MICHIGAN, STATE OF MICHIGAN
DEPARTMENT OF HEALTH AND HUMAN
SERVICES, a Michigan State Agency, and STATE
OF MICHIGAN DEPARTMENT OF
TECHNOLOGY, MANAGEMENT, & BUDGET
a Michigan State Agency,

Hon. Christopher P. Yates

Defendants.

_____ /

CENTRA WELLNESS NETWORK,
NORTHEAST MICHIGAN COMMUNITY
MENTAL HEALTH AUTHORITY,
WELLVANCE, GOGEBIC COMMUNITY
MENTAL HEALTH AUTHORITY, NORTH
COUNTRY COMMUNITY MENTAL HEALTH
AUTHORITY, and MANISTEE COUNTY

Plaintiffs,

v

Case No. 25-000162-MB

STATE OF MICHIGAN, STATE OF MICHIGAN
DEPARTMENT OF HEALTH AND HUMAN
SERVICES, a Michigan State Agency, and
STATE OF MICHIGAN DEPARTMENT OF

TECHNOLOGY, MANAGEMENT & BUDGET,
a Michigan State Agency,

Defendants.

NOTICE OF HEARING

IT IS HEREBY ORDERED that a hearing on defendants' January 30, 2026 motion for summary disposition in Case Nos. 25-000143-MB and 25-000162-MB will be held on **Monday, April 13, 2026, at 1:00 p.m.** in the Michigan Court of Appeals courtroom located within the Hall of Justice at 925 West Ottawa Street, Lansing, MI 48915.

IT IS SO ORDERED.

Date: February 23, 2026



Hon. Christopher P. Yates (P41017)
Judge, Court of Claims

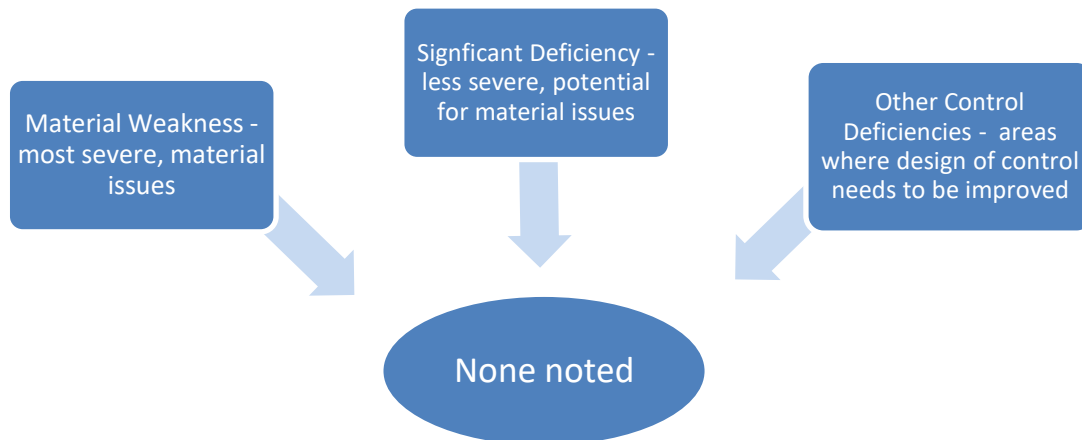


September 30, 2025 Audit Summary

Audit Reports

	Title	Description	Result
Financial Statement Audit	Independent Auditors' Report	Issued opinion as to whether financial statements materially accurate and presented in accordance with Generally Accepted Accounting Principles (GAAP)	Issued an Unmodified or "clean" opinion
Government Auditing Standards	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	Requires auditor to consider and report on internal controls over <u>financial reporting</u> and <u>compliance</u> that could have a <u>material effect</u> on financial statements	"Clean" Report

Consideration of Internal Controls over Financial Reporting



September 30, 2025 Audit Summary

Other Items

Governance Communications

New Accounting Standard Adopted

GASB 101, *Compensated Absences*

GASB 102, *Certain Risk Disclosures*

Upcoming Standards

GASB 103, *Financial Reporting Model Improvements* - effective September 30, 2026

GASB 104, *Disclosure of Certain Capital Assets* - effective September 30, 2026

GASB 105, *Subsequent Events* - effective September 30, 2027

Significant estimates
included in the
financial statements

Useful Lives

Right to Use Assets and Liabilities

Net Pension Asset

Net Other Post Employment Benefits Asset

Significant risks of
material
misstatement

Management override of controls

Improper revenue recognition

There were no known misstatements or material entries made over the course of the audit.

No difficulties encountered during the audit.

Pension & OPEB

Net pension asset of \$2,961,755 - 104.21% funded.

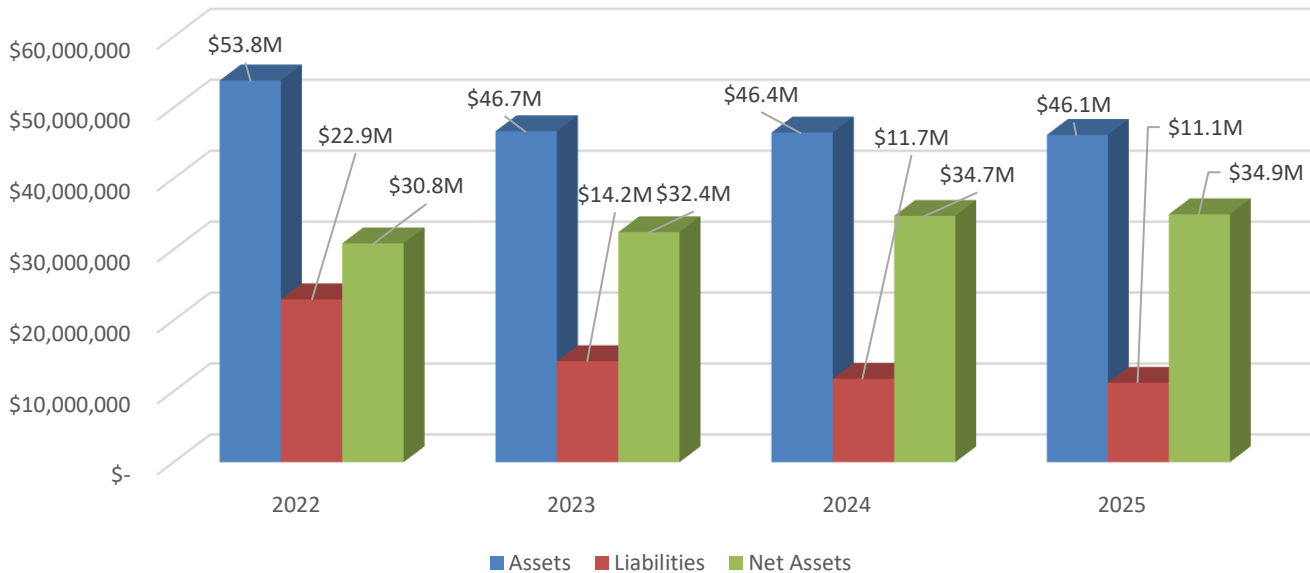
Net OPEB asset of - \$17,189,012 - 261.15% funded.

\$

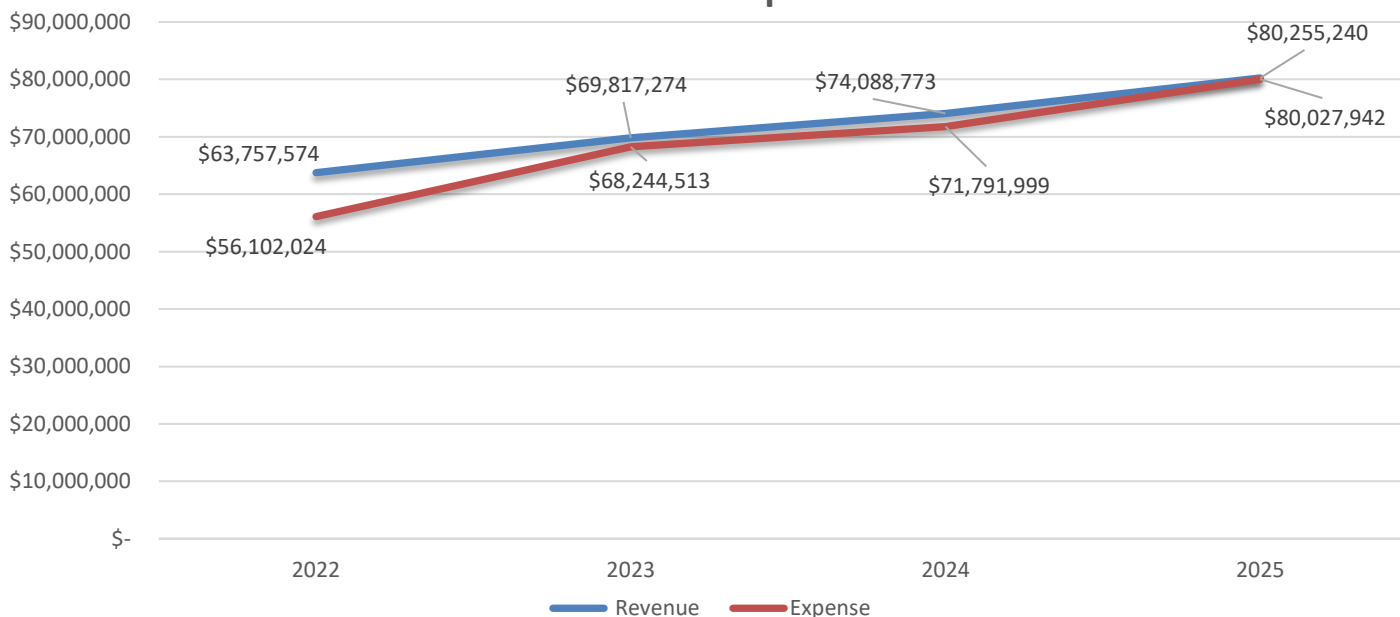
September 30, 2025 Audit Summary

Financial Statement Highlights

Statement of Financial Position Trends



Revenue and Expense Trends



March 12, 2026

Management and Board of Directors
Bay-Arenac Behavioral Health Authority
Bay City, Michigan

We have audited the financial statements of Bay-Arenac Behavioral Health Authority as of and for the year ended September 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *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 engagement letter to you dated November 13, 2025. Professional standards also require that we communicate to you the following information related to our audit.

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

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in the footnotes of the financial statements. The Authority has adopted the following Governmental Accounting Standards Board Statements effective October 1, 2024:

- Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.
- Statement No. 102, *Certain Risk Disclosures*, requires governments to provide users of the financial statements with essential information about risks related to the government's vulnerabilities due to certain concentrations or constraints.

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

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

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

- Net other postemployment benefits (OPEB) asset, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.

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

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

Auditors are required to use professional judgment to identify areas of the audit that have a significant risk of material misstatement and perform special audit consideration in those areas. Within our audit, we focused additional consideration on the following areas:

- Management override of controls
- Improper revenue recognition

Accounting Standards and Regulatory Updates

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

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 except as discussed below.

- During the current year, the Authority entered into multiple 60-month lease agreements for vehicles. The Authority passed on recording the adjustment for GASB 87, causing assets and liabilities to be understated by \$402,202.

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

Disagreements with Management

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

Management Representations

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

Management's Consultations with Other Accountants

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

Other Audit Findings or Issues

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

Other Reports

Other information that is required to be reported to you is included in the: Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Please read all information included in that report to ensure you are aware of relevant information.

Report on Required Supplementary Information

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

Restriction on Use

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

Yeo & Yeo, P.C.

Saginaw, Michigan

Bay-Arenac Behavioral Health Authority

Financial Statements

September 30, 2025

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Independent Auditors' Report

Management and the Board of Directors
Bay-Arenac Behavioral Health Authority
Bay City, Michigan

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Bay-Arenac Behavioral Health Authority as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our 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 Bay-Arenac Behavioral Health Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Bay-Arenac Behavioral Health Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2026, on our consideration of Bay-Arenac Behavioral Health Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Bay-Arenac Behavioral Health Authority's internal control over financial reporting or on

compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bay-Arenac Behavioral Health Authority's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Saginaw, Michigan
March 12, 2026

Bay-Arenac Behavioral Health Authority

Management's Discussion and Analysis

For the Year Ended September 30, 2025

This section of the Bay-Arenac Behavioral Health Authority (the "*Authority*") annual financial report presents management's discussion and analysis of financial performance for the year ended September 30, 2025. This discussion and analysis is designed to assist the reader in focusing on significant financial issues and activities, and to identify 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 financial statements and supplemental information taken as a whole.

During fiscal year 2014, the Authority became a member of Mid-State Health Network (MSHN), the newly formed, designated Prepaid Inpatient Health Plan (PIHP) for a twenty-one county region consisting of Arenac, Bay, Clare, Clinton, Eaton, Gladwin, Gratiot, Hillsdale, Huron, Ingham, Ionia, Isabella, Jackson, Mecosta, Midland, Montcalm, Newaygo, Osceola, Saginaw, Shiawassee and Tuscola counties. The Authority subcontracts for Medicaid services and supports through an agreement with MSHN while State General Fund revenue and other grants and earned contracts continue to be sourced directly from the State and are exclusively related to Arenac and Bay counties.

Effective October 1, 2015, MSHN no longer subcontracted with the Authority for the provision of substance use disorder services in a twelve county area which included, Arenac, Bay, Clare, Gladwin, Huron, Isabella, Mecosta, Midland, Montcalm, Osceola, Shiawassee and Tuscola counties. MSHN began contracting directly with substance use disorder providers for those services.

Overview of the Financial Statements

The Statement of Net Position presents information of all of the Authority's assets, liabilities, deferred outflows and inflows of resources, and net position. Changes in net position serve as a useful indicator in determining whether the financial position is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Fund Net Position presents operating and non-operating revenues, expenses and the change in net position.

The Statement of Cash Flows summarizes the incoming and outgoing cash outlay for operating activities. This report discloses the total cash and cash equivalents at fiscal year-end by determining the change in cash flow total during the year. This report shows summarized changes in cash flow, which reconciles to the net increase or decrease in cash and cash equivalents and is then added to or subtracted from cash and cash equivalents at the beginning of the year. The total of cash and cash equivalents at the end of the year is reported in the assets section of the Statement of Net Positions.

Bay-Arenac Behavioral Health Authority
Management's Discussion and Analysis
For the Year Ended September 30, 2025

SUMMARY OF NET POSITION

The following summarizes the assets, liabilities and net position on an authority-wide basis as of September 30, 2025:

Summary of Net Position
As of September 30, 2025
(In \$000s)

	<u>2025</u>	<u>2024</u>
<u>Assets</u>		
Current assets	\$ 14,844	\$ 14,542
Net pension asset	2,961	
Net OPEB asset	17,189	15,328
Capital assets	<u>3,876</u>	<u>4,348</u>
Total assets	38,870	34,218
Deferred outflows of resources	<u>7,267</u>	<u>12,257</u>
Total assets and deferred outflows of resources	<u>46,137</u>	<u>46,475</u>
<u>Liabilities</u>		
Current liabilities	\$ 6,896	\$ 6,751
Net pension liability	-	433
Noncurrent liabilities	<u>1,928</u>	<u>2,364</u>
Total liabilities	8,824	9,548
Deferred inflows of resources	<u>2,363</u>	<u>2,204</u>
Total liabilities and deferred inflows of resources	<u>11,187</u>	<u>11,752</u>
<u>Net Position</u>		
Investment in capital assets	2,260	2,402
Restricted for net pension asset	2,962	
Restricted for net OPEB asset	17,189	15,328
Unrestricted	<u>12,539</u>	<u>16,993</u>
Total net position	<u>\$ 34,950</u>	<u>\$ 34,723</u>

Total Net Position increased minimally from the prior year. GASB 68 and 75 reporting requirements which were implemented in fiscal years 2015 and 2018, respectively, tend to have an impact on net position .

Current financial position is defined as the excess of current assets over current liabilities. When current assets exceed current liabilities, this is an indicator of financial strength and an increase in current financial position is an indicator of improving financial position.

The current financial position (excess of current assets over current liabilities) was a positive \$7.9 million, an increase of \$.1 million 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 and deferred revenue.

Capital assets consist of property and equipment having an estimated useful life of more than one year. In fiscal 2025, the Authority did not have any capital acquisitions. Depreciation expense on previously existing and newly acquired capital assets was \$348 thousand. The net change in capital assets was a decrease of \$472 thousand for the year, which is primarily related to depreciation expense. When capital expenditures exceed

Bay-Arenac Behavioral Health Authority
Management's Discussion and Analysis
For the Year Ended September 30, 2025

depreciation expense, the net increase represents an investment or expansion of capital resources. Conversely, a net decrease represents a reduction in capital resources available for the future.

As of year-end, the net book value of capital assets was 44.8% of the original book value, as compared to 48.0% in the prior year. This percentage is a measure of the relative age of property and equipment. If property and equipment is relatively new, this percentage will be high. Conversely, if the percentage is low, it means that property and equipment is relatively old.

Noncurrent liabilities consist of the liability for compensated absences and long-term debt. Compensated absences include vested earned time off obligations. Long-term debt consists of a mortgage obtained to purchase and renovate property on Madison Avenue.

Unrestricted net position at the end of the year was \$12.5 million, as compared to \$17.0 million from the prior year. Unrestricted net position was 32% of total assets, 17.4% less than the prior year. GASB 68 and 75 reporting requirements have a large impact on unrestricted net position.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

The following summarizes the revenue, expenses and change in net position on a business-type basis for the years ended September 30, 2025.

Summary of Activities
For the years ended September 30, 2025
(In \$000s)

	<u>2025</u>	<u>2024</u>
<u>Revenue</u>		
Medicaid specialty supports and services		
Arenac & Bay counties	\$ 74,814	\$ 68,708
Program service revenue	448	474
Other earned contract revenue	1,185	1,130
Grants	2,299	2,154
County appropriation	787	787
Interest revenue	256	305
Other local income	465	530
Total revenue	<u>\$ 80,254</u>	<u>\$ 74,088</u>
<u>Expense</u>		
Personnel expense	19,864	17,800
Contractual services	57,523	51,290
Facilities operating expense	405	418
Vehicle operating expense	147	116
Conferences, trainings, and travel	226	279
Supplies and materials	177	208
Depreciation and amortization	347	412
Other expenses	1,338	1,269
Total expense	<u>80,027</u>	<u>71,792</u>
Change in fund balance	<u>\$ 227</u>	<u>\$ 2,296</u>

Excess of revenue over expenses from activities for the current year was \$2.1 million or .3% of revenue.

Bay-Arenac Behavioral Health Authority
Management's Discussion and Analysis
For the Year Ended September 30, 2025

Revenue for the year was \$80.3 million, an increase of \$6.2 million or 8.3% from the prior year.

Medicaid specialty supports and services revenue of \$74.8 million represents 93.2% of total revenue and increased \$6.1 million or 8.9% compared to the prior year.

Program service revenue of \$448 thousand includes charges for services for consumers not covered by Medicaid risk contracts or state general fund revenue sources. These represent .6% of total revenue and have decreased \$24 thousand or 5% from the prior year.

Grants of \$2.9 million include revenue sources for which the use of funds is restricted to a specific purpose. These represent 2.9% of total revenue and have increased \$146 thousand over the prior year.

County appropriation revenue, interest income and other local income of \$1.5 million are available to meet state matching fund requirements. These revenues have decreased \$114 thousand from the prior year

Total expense of \$80.0 million has increased \$8.2 million or 11.5% compared to the prior year.

Personnel expense of \$19.9 million is 24.8% of total expense and has increased \$2.0 million or 11.6%. GASB 75 reporting requirements positively impacted health insurance costs in 2024, representing approximately \$1.5 million of this variance.

Operating expense of \$59.8 million is 74.7% of total expense and has increased \$6.2 million or 11.6%.

FUTURE OUTLOOK

On August 4, 2025, MDHHS released a Request for Proposal (RFP) to competitively bid out management of the state's public mental health system, aiming to replace the 10 existing PIHPs. Several stakeholders including advocates, persons served, and public officials expressed concerns that the RFP violated state law and did not address gaps in our current system such as sufficient funding, workforce shortages, and access to unimpeded, quality behavioral health services. In fact, it appeared that the RFP was actually an effort to privatize the funding and management of public behavioral health services that have been the responsibility of the counties for several years. Advocacy ensued and several CMHSPs and PIHPs expressed concerns around the lawfulness of this procurement, which resulted in lawsuits against MDHHS. MSHN was a party to one such lawsuit along with 5 other CMHSPs and PIHPs. In early January 2026, the Court of Claims ruled in the favor of the PIHPs and CMHSPs, temporarily blocking the RFP. The Court cited many examples from state law of responsibilities that would be impossible for CMHSPs to perform under the RFP as written. These included comprehensive service array requirements, pre-release planning, coordination with the criminal justice system, hospitalization of persons requiring treatment, and implementation of a recipient rights protection system. BABHA is open to improvements to the public mental health system, particularly in relation to integrated care, and will engage in dialogue with MDHHS and other related parties for this shared goal.

* * * * *

As always, questions, comments and suggestions are welcomed from interested parties and the general public. These can be directed to Marci Rozek, Chief Financial Officer, at 201 Mulholland, Bay City, MI 48708. Marci Rozek can be reached at (989) 895-2228.

Bay-Arenac Behavioral Health Authority

Statement of Net Position

September 30, 2025

Assets

Current assets

Cash and cash equivalents	\$ 6,608,590
Receivables	437,521
Due from other governmental units	7,247,572
Prepaid items	550,642
Total current assets	<u>14,844,325</u>

Noncurrent assets

Net pension asset	2,961,775
Net OPEB asset	17,189,012
Capital assets not being depreciated	424,500
Capital assets, net of accumulated depreciation/amortization	<u>3,451,735</u>
Total noncurrent assets	<u>24,027,022</u>

Total assets	<u>38,871,347</u>
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Deferred Outflows of Resources

Deferred amount relating to net pension asset	4,741,739
Deferred amount relating to net OPEB asset	<u>2,525,376</u>
Total deferred outflows of resources	<u>7,267,115</u>

Liabilities

Current liabilities

Accounts payable	4,998,263
Accrued interest	2,010
Accrued wages and other payroll liabilities	512,534
Due to other units of government	185,683
Unearned revenue	3,948
Current portion of noncurrent liabilities	<u>1,193,911</u>
Total current liabilities	<u>6,896,349</u>

Noncurrent liabilities

Long-term debt, net of current portion	<u>1,928,138</u>
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Total liabilities	<u>8,824,487</u>
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Deferred Inflows of Resources

Deferred amount relating to net pension asset	811,514
Deferred amount relating to net OPEB asset	<u>1,552,163</u>
Total deferred inflows of resources	<u>2,363,677</u>

Net Position

Net investment in capital assets	2,259,997
Restricted for	
Net pension asset	2,961,775
Net OPEB asset	17,189,012
Unrestricted	<u>12,539,514</u>
Total net position	<u>\$ 34,950,298</u>

See Accompanying Notes to the Financial Statements

Bay-Arenac Behavioral Health Authority
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended September 30, 2025

Operating revenue	
Medicaid	\$ 74,814,318
State grants	1,626,054
Federal grants	673,150
County appropriations	787,054
Third party pay	448,415
Other earned contract revenue	1,184,954
Other revenue	<u>465,205</u>
 Total operating revenue	 <u>79,999,150</u>
Operating expenses	
Salaries and wages	15,014,002
Benefits	4,849,970
Contracted services	57,522,870
Facilities operating expense	405,144
Vehicle operating expense	146,929
Supplies and materials	177,237
Conferences, training, and travel	226,610
Depreciation and amortization	347,789
Local match drawdown	214,868
Other expenses	<u>967,701</u>
 Total operating expenses	 <u>79,873,120</u>
 Operating income (loss)	 <u>126,030</u>
Nonoperating revenue (expenses)	
Interest income	256,090
Loss (gain) on disposal of assets	(123,972)
Interest expense	<u>(30,850)</u>
 Total nonoperating revenues (expenses)	 <u>101,268</u>
 Change in net position	 227,298
 Net position - beginning of year	 <u>34,723,000</u>
 Net position - end of year	 <u><u>\$ 34,950,298</u></u>

See Accompanying Notes to the Financial Statements

Bay-Arenac Behavioral Health Authority

Statement of Cash Flows

For the Year Ended September 30, 2025

Cash flows from operating activities

Receipts from the state and other governments	\$ 77,747,672
Receipts from customers	1,747,768
Payments to suppliers	(64,163,549)
Payments to employees	<u>(15,139,549)</u>
Net cash provided (used) by operating activities	<u>192,342</u>

Cash flows from capital and related financing activities

Principal and interest paid on long-term debt	<u>(361,059)</u>
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Cash flows from investing activities

Interest received	<u>256,090</u>
Net increase (decrease) in cash and cash equivalents	87,373

Cash and cash equivalents - beginning of year	<u>6,521,217</u>
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Cash and cash equivalents - end of year	<u>\$ 6,608,590</u>
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Reconciliation of operating income (loss) to net cash provided (used) by operating activities

Operating income (loss)	\$ 126,030
Adjustments to reconcile operating income to net cash from operating activities	
Depreciation and amortization expense	347,789
Changes in assets and liabilities	
Accounts receivable, net	43,938
Due from other units of government	(152,904)
Prepaid items	(105,792)
Net OPEB asset	(1,861,412)
Net pension liability (asset)	(3,394,983)
Deferred outflow of resources - related to pension	3,821,784
Deferred outflow of resources - related to OPEB	1,169,021
Accounts payable	(15,123)
Accrued wages and other payroll liabilities	237,128
Due to other units of government	(57,900)
Unearned revenue	1,044
Compensated absences	(125,547)
Deferred inflow of resources - related to pension	555,057
Deferred inflow of resources - leases receivable	<u>(395,788)</u>

Net cash provided (used) by operating activities	<u>\$ 192,342</u>
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See Accompanying Notes to the Financial Statements

Bay-Arenac Behavioral Health Authority

Notes to the Financial Statements

September 30, 2025

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Bay-Arenac Behavioral Health Authority (the Authority) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the Authority.

Reporting Entity

The Authority operates under the provisions of Act 258 – Public Acts of 1974 (the Michigan Mental Health Code), as amended. The Authority arranges for and provides supports and services for persons with developmental disability, adults with severe mental illness, and children with serious emotional disturbance. These supports and services are made available to residents of Arenac and Bay counties who meet eligibility and other criteria. As the community mental health services program for Arenac and Bay counties, the Authority also serves to represent community members, assuring local access, organizing, and integrating the provision of services, coordinating care, implementing public policy, ensuring interagency collaboration, and preserving the public interest.

The Authority is a member of the Mid-State Health Network (MSHN). This affiliation is composed of the community mental health services programs serving Arenac, Bay, Clare, Clinton, Eaton, Gladwin, Gratiot, Hillsdale, Huron, Ingham, Ionia, Isabella, Jackson, Mecosta, Midland, Montcalm, Newaygo, Osceola, Saginaw, Shiawassee and Tuscola counties and was formed under the authority of the Intergovernmental Transfer of Functions and Responsibilities Act.

In accordance with U.S. GAAP these financial statements present all of the Authority's funds. 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. The Authority has no component units.

Measurement Focus, Basis of Accounting and Financial Statements Presentation

Basis of accounting refers to when revenue and expenses are recognized in the accounts and reported in the financial statements. The proprietary funds are accounted for using the full accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. The proprietary funds are accounted for on a cost of services or economic resources measurement focus. This means that all assets and all liabilities associated with their activity are included on the statement of net position.

Adoption of New Accounting Standards

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

Statement No. 102, *Certain Risk Disclosures*, requires organizations to provide users of the financial statements with essential information about risks related to the organization's vulnerabilities due to certain concentrations or constraints.

Upcoming Accounting and Reporting Changes

Statement No. 103, *Financial Reporting Model Improvements*, improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing an organization's accountability while also addressing certain application issues. This statement includes changes to management's discussion and analysis, unusual or infrequent items, presentation of the proprietary fund statements of revenues, expenses, and changes in fund net position, major component unit

Bay-Arenac Behavioral Health Authority
Notes to the Financial Statements
September 30, 2025

information, and budgetary comparison information. This statement is effective for the year ending September 30, 2026.

Statement No. 104, *Disclosure of Certain Capital Assets*, requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 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 as-sets 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. This statement is effective for the year ending September 30, 2026.

Statement No. 105, *Subsequent Events*, establishes accounting and financial reporting standards for events or transactions that occur after the measurement date of the financial statements but before the date the financial statements are available to be issued. This Statement distinguishes between events that provide additional evidence about conditions that existed at the date of the financial statements and events that provide evidence about conditions that did not exist at that date. Events that provide additional evidence about conditions existing at the financial statement date are recognized in the financial statements, whereas events that provide evidence about conditions arising after the financial statement date are not recognized but should be disclosed if they are essential for users' understanding of the financial statements. This Statement also clarifies the definition of the date the financial statements are available to be issued for disclosure purposes. This Statement is effective for the year ending September 30, 2027.

The Authority is evaluating the impact that the above GASB Statements will have on its financial reporting.

Use of Estimates

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

Deposits and Investments

The Authority's cash and cash equivalents are considered to be cash on hand, money market funds, demand deposits and/or certificates of deposit which mature within 90 days. The Authority considers all highly liquid investments with original maturities of 180 days or less to be cash equivalents.

Statutory Authority

Michigan law authorizes the Authority to deposit and invest in:

- a) Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b) Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified institution.
- c) Commercial paper rate at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d) Banker's acceptances of United States banks.

Bay-Arenac Behavioral Health Authority
Notes to the Financial Statements
September 30, 2025

- e) Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f) Mutual funds registered under the investments company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g) External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

The Authority's investment policy allows for all of these types of investments.

Receivables

Accounts receivable in all funds report amounts that have arisen in the ordinary course of business and are stated net of allowances for uncollectible amounts of \$0 as of September 30, 2025.

Due from other governmental entities consist primarily of amounts due from the Mid-State Health Network.

Inventories

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

Prepaid Items

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

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements. Capital assets are defined by the Authority as individual assets with an initial cost equal to or more than \$5,000 and leasehold improvements and building improvements equal to or more than \$10,000. These assets must also have an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

The Authority does not have infrastructure type assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction of capital assets is not capitalized.

Bay-Arenac Behavioral Health Authority
Notes to the Financial Statements
September 30, 2025

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

Category	Useful Lives
Equipment and furnishings	5 years
Computers	3 - 5 years
Vehicles	5 years
Leasehold improvements	7 - 30 years
Buildings	40 years
Software development	3 years

Deferred Outflows of Resources

A deferred outflow of resources is a consumption of net assets by the Authority that is applicable to a future reporting period. The Authority may report deferred outflows of resources as a result of pension and OPEB earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions and experience differences relating to the net pension liability (asset) and net OPEB asset are deferred and amortized over the expected remaining services lives of the employees and retirees in the plan. The Authority also reported deferred outflows of resources for pension contributions made after the measurement date. This amount will reduce net pension liability (asset) in subsequent years.

Incurred but Not Reported Claims Liability

The amounts recorded in current liabilities include amounts for incurred inpatient, residential and community provider claims liability based on management's estimate. The Authority may not be billed for these until several months after the date of service. Therefore, the liability is not liquidated within the normal 60-day period after year-end. Also, the actual cost may vary from the estimated amount for a variety of reasons that include, but are not limited to, retroactive consumer eligibility or cost recovery from other third-party payers.

Unearned Revenue

Unearned revenue arises when resources are received by the Authority before it has a legal claim to them. In subsequent periods, when the revenue recognition criterion is met, or when the Authority has a legal claim to the resources, the liability for unearned revenue is removed from the financial statements, and revenue is recognized.

Compensated Absences

The Authority's policy allows full time employees to accumulate earned time off at various rates, depending on the employees' length of service with the Authority. The Authority records a liability for compensated absences for amounts that are more likely than not to be used or paid out.

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position the Bay County Employees' Retirement System (BCERS) and additions to/deductions from BCERS' fiduciary net position have been determined on the same basis as they are reported to the plan. 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.

Bay-Arenac Behavioral Health Authority
Notes to the Financial Statements
September 30, 2025

Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Bay County Voluntary Employees' Beneficiary Association – Other Postemployment Benefits and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by Bay County Voluntary Employees' Beneficiary Association – Other Postemployment Benefits. For this purpose, Bay County Voluntary Employees' Beneficiary Association – Other Postemployment Benefits recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Deferred Inflows of Resources

A deferred inflow of resources is an acquisition of net assets by the Authority that is applicable to a future reporting period. The Authority reports deferred inflows of resources as a result of pension and OPEB earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions and experience differences relating to the net pension liability (asset) are deferred and amortized over the expected remaining services lives of the employees and retirees in the plan.

Note 2 – Deposits and Investments

The breakdown between deposits and investments for the Authority is as follows:

Deposits	\$ 6,606,395
Cash on hand	<u>2,195</u>
Total	<u>\$ 6,608,590</u>

Interest rate risk – State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note 1 of the summary of significant accounting policies. The Authority's investment policy does not have specific limits in excess of State law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk – State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers' acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in Note 1 of the summary of significant accounting policies. The Authority's investment policy does not have specific limits in excess of State law on investment credit.

Custodial credit risk – deposits – Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. State law does not require, and the Authority does not have a policy for deposit custodial credit risk. As of September 30, 2025, \$5,937,604 of the Authority's bank balance of \$7,357,048 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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. State law does not require, and the Authority does not have a policy for investment custodial credit risk. As of September 30, 2025, there were no amounts exposed to custodial credit risk because it was uninsured and uncollateralized.

Bay-Arenac Behavioral Health Authority
Notes to the Financial Statements
September 30, 2025

Concentration of credit risk – State law limits allowable investments but does not limit concentration of credit risk as identified in Note 1 of the summary of significant accounting policies. The Authority's investment policy requires diversification by security type and institution. With the exception of U.S. Treasury securities and authorized investment pools, no more than one-third of the total investment portfolio will be invested in a single security type or with a single financial institution.

Note 3 – Due from Other Governmental Units

As of September 30, 2025, this receivable consisted of the following:

Department of Community Health	
State of Michigan	\$ 40,495
Affiliates	62,816
Other governmental units	7,144,261
	<u>\$ 7,247,572</u>

Note 4 – Capital Assets

A summary of changes in capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 424,500	\$ -	\$ -	\$ 424,500
Capital assets being depreciated				
Equipment	182,842	-	-	182,842
Furniture and fixtures	16,566	-	-	16,566
Buildings	2,263,754	-	-	2,263,754
Building improvements	1,390,880	-	-	1,390,880
Vehicles	859,063	-	191,515	667,548
Leasehold improvements	606,495	-	-	606,495
Computers	1,048,774	-	-	1,048,774
Right to use asset - buildings	2,272,819	-	207,131	2,065,688
Total capital assets being depreciated	8,641,193	-	398,646	8,242,547
Less accumulated depreciation for				
Equipment	178,527	1,644	-	180,171
Furniture and fixtures	16,566	-	-	16,566
Buildings	995,502	62,240	-	1,057,742
Building improvements	518,708	40,813	-	559,521
Vehicles	802,653	21,383	191,515	632,521
Leasehold improvements	549,988	21,786	-	571,774
Computers	1,041,929	6,845	-	1,048,774
Right to use asset - buildings	613,824	193,078	83,159	723,743
Total accumulated depreciation	4,717,697	347,789	274,674	4,790,812
Net capital assets being depreciated	3,923,496	(347,789)	123,972	3,451,735
Net capital assets	\$ 4,347,996	\$ (347,789)	\$ 123,972	\$ 3,876,235

Bay-Arenac Behavioral Health Authority
Notes to the Financial Statements
September 30, 2025

Note 5 – Due to Other Governmental Units

As of September 30, 2025, this liability consists of the following:

State of Michigan	\$ <u>185,683</u>
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Note 6 – Leases

Lease Liability

The Authority has a significant agreement that consists of a building and building improvement lease between the Authority and lessor.

Annual requirements to amortize the lease liability and related interest are as follows:

Year Ending September 30,	Principal	Interest
2026	\$ 176,630	\$ 22,714
2027	179,728	19,616
2028	182,880	16,464
2029	186,088	13,256
2030	189,352	9,992
2031-2035	<u>471,425</u>	<u>10,323</u>
	<u>\$ 1,386,103</u>	<u>\$ 92,365</u>

Note 7 – Net Investment in Capital Assets

The composition of net investment in capital assets as of September 30, 2025 was as follows:

Capital assets	
Capital assets not being depreciated	\$ 424,500
Capital assets, net of accumulated depreciation	<u>3,451,735</u>
Total capital assets	<u>3,876,235</u>
Less:	
Notes from direct borrowing and direct placements	(230,135)
Leases	<u>(1,386,103)</u>
Total related debt	<u>(1,616,238)</u>
Net investment in capital assets	<u>\$ 2,259,997</u>

Bay-Arenac Behavioral Health Authority
Notes to the Financial Statements
September 30, 2025

Note 8 – Long Term Liabilities

The September 30, 2025 balance of long-term debt was comprised of leases, mortgages payable and compensated absences. The mortgages are secured by real property acquired with the proceeds of the mortgages. The obligations are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Leases	\$ 1,699,121	\$ -	\$ 313,018	\$ 1,386,103	\$ 176,630
Direct Borrowings					
Mortgages payable	246,873	-	16,738	230,135	17,281
Compensated absences	1,631,358	-	125,547	1,505,811	1,000,000
 Total long-term debt	 \$ 3,577,352	 \$ -	 \$ 455,303	 \$ 3,122,049	 \$ 1,193,911

Compensated absences additions and reductions are reported net.

Annual debt service requirements to maturity for the mortgages payable are as follows:

Year Ending September 30,	Notes from Direct Borrowings	
	Principal	Interest
2026	\$ 17,281	\$ 7,399
2027	17,841	6,539
2028	18,419	5,961
2029	19,016	5,364
2030	19,632	4,747
2031 - 2035	108,129	13,840
2036 - 2037	29,817	639
	<u>\$ 230,135</u>	<u>\$ 44,489</u>

The Authority is required to maintain debt coverage ratio of not less than 1.25 times. As of September 30, 2025, the Authority is in compliance with their debt covenant.

Note 9 – Risk Management

Michigan Municipal Risk Management Authority (MMRMA)

The Authority participates in the public entity risk pool – Michigan Municipal Risk Management Authority (MMRMA) for auto and general liability, property and vehicle physical damage coverage. MMRMA, a separate legal entity, is a self-insured association organized under the laws of the State of Michigan to provide self-insurance protection against loss and risk management services to various Michigan governmental entities.

As a member of this pool, the Authority is responsible for paying all losses, including damages, loss adjustment expenses and defense costs, for each occurrence that falls within the member's self-insured retention. If a covered loss exceeds MMRMA's limits, all further payments for such loss are the sole obligation of the Authority. If for any reason, the MMRMA's resources available to pay losses are depleted, the payment of all unpaid losses of the Authority is the sole obligation of the Authority.

Bay-Arenac Behavioral Health Authority
Notes to the Financial Statements
September 30, 2025

MMRMAs coverage limits are \$15,000,000 for liability, \$1,500,000 for vehicle physical damage, and \$17,500,000 for combined aggregate property coverage. There is a \$250 deductible per vehicle for vehicle physical damage and \$1,500 per occurrence for property and crime.

There have been no significant changes in insurance coverage in the past two years. There have been no claim settlements that have exceeded excess insurance limits.

Travelers Casualty and Surety Company of America

The Authority has crime coverage through Travelers Casualty and Surety Company of America. The coverage limit is \$4,000,000. If a covered loss exceeds the coverage limit, all further payments for such loss are the sole obligation of the Authority.

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 covers only the Authority's specific service area. The Authority is at risk if, in any one fiscal year, it finds it necessary to expend more than current resources to provide contractually obligated supports and services for eligible individuals. The Authority is required to cover these excess costs with unrestricted net position.

Note 10 – Employee Retirement and Benefit Systems

Defined Benefit Pension Plan

Plan description – The Authority participates in the Bay County Employees' Retirement System (the Plan), an agent multiple-employer defined benefit pension plan that covers substantially all of the employees of the Authority. The Plan provides retirement, disability, and death benefits to plan members and their beneficiaries. The Plan's financial statements may be obtained upon request of the County of Bay, Michigan.

Benefits provided – Benefits provided include plans with multipliers ranging from 1.60% to 2.25%. Normal retirement age is 55 to 62 with early retirement at 55 with 30 years of service. Final average compensation is calculated based on 5 years. Member contributions are 4.00%.

Employees covered by benefit terms – At the December 31, 2023 valuation date, the following employees were covered by benefit terms:

Retirees or beneficiaries currently receiving benefits	173
Inactive employees entitled to, but not yet receiving benefits	38
Active employees	<u>234</u>
	<u>445</u>

Contributions – The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the Bay County Retirement System Board of Trustees. 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 4.35% based on annual payroll for open divisions.

Net pension liability (asset) – The employer's net pension liability (asset) was measured as of December 31, 2024, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an annual actuarial valuation as of December 31, 2023.

Bay-Arenac Behavioral Health Authority
Notes to the Financial Statements
September 30, 2025

Actuarial assumptions – The total pension liability (asset) in the December 31, 2023 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement include: 1) Wage inflation 3.00%; 2) Price inflation 2.50%; 3) Salary increases 3.75% to 6.00% including inflation 4) Investment rate of return of 7.25%, net of investment expense, including inflation.

Mortality rates used were based on the following:

Healthy pre-retirement: Pub-2010 Employee Generational Mortality Tables, amount weighted and projected with mortality improvements using the fully generational MP-2021 projection scale from a base year of 2010.

Healthy post-retirement: Pub-2010 General Healthy Annuitant Mortality Tables, amount weighted and projected with mortality improvements using the fully generational MP-2021 projection scale from a base year of 2010.

Disability retirement: Pub-2010 General Disabled Retiree Mortality Tables, amount weighted and projected with mortality improvements using the fully generational MP-2021 projection scale from a base year of 2010.

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

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

Asset Class	Target Allocation	Allocation Range
Domestic equity	48.00%	7.50%
International equity	20.00%	8.50%
U.S. fixed income	25.00%	2.50%
Real estate	7.00%	4.50%
	<u>100.00%</u>	

Discount rate – The discount rate used to measure the total pension liability (asset) is 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plans fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Bay-Arenac Behavioral Health Authority
Notes to the Financial Statements
September 30, 2025

Total Pension Liability

Service cost	\$ 1,362,752
Interest on the total pension liability	4,900,245
Experience differences	(812,148)
Benefit payments and refunds	<u>(4,152,855)</u>
Net change in total pension liability	1,297,994
Total pension liability - beginning	<u>68,984,641</u>
Total pension liability - ending (a)	<u><u>\$ 70,282,635</u></u>

Plan Fiduciary Net Position

Employer contributions	\$ 815,302
Employee contributions	588,234
Pension plan net investment income (loss)	7,532,298
Benefit payments and refunds	(4,152,855)
Pension plan administrative expense	<u>(90,002)</u>
Net change in plan fiduciary net position	4,692,977
Plan fiduciary net position - beginning	<u>68,551,433</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 73,244,410</u></u>

Net pension asset (a-b)	<u><u>\$ (2,961,775)</u></u>
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Plan fiduciary net position as a percentage of total pension liability	104.21%
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Covered employee payroll	\$ 14,359,875
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Net pension asset as a percentage of covered employee payroll	(20.63%)
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Sensitivity of the net pension asset to changes in the discount rate – The following presents the net pension liability (asset) of the employer, calculated using the discount rate of 7.25%, as well as what the employer's net pension asset would be using a discount rate that is 1% point lower (6.25%) or 1% higher (8.25%) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net pension liability (asset)	<u>\$ 5,652,613</u>	<u>\$ (2,961,775)</u>	<u>\$ (10,155,886)</u>

Bay-Arenac Behavioral Health Authority
Notes to the Financial Statements
September 30, 2025

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions. For the year ended September 30, 2025, the employer recognized pension expense of \$1,572,571. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>	Total to <u>Amortize</u>
Differences in experience	\$ 1,180,259	\$ (811,514)	\$ 368,745
Differences in assumptions	1,195,286	-	1,195,286
Net difference between projected and actual earning on plan investments	1,997,907	-	1,997,907
Contributions subsequent to the measurement date*	<u>368,287</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,741,739</u>	<u>\$ (811,514)</u>	<u>\$ 3,561,938</u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a decrease in the net pension liability (asset) in the subsequent year.

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

<u>Year ended,</u>	
2026	\$ 1,747,525
2027	2,924,838
2028	(649,632)
2029	(333,910)
2030	<u>(126,883)</u>
	<u>\$ 3,561,938</u>

Other Post-Employment Benefits (OPEB)

Plan description – The Authority participates in the Bay County Voluntary Employees Beneficiary Association (VEBA) trust (the Plan). The Plan is an agent multiple employer defined benefit public retiree healthcare plan. The Authority provides retiree health care benefits to eligible employees and their spouses, as defined in the employee handbook. The benefits are provided under and may be amended by the Authority Board of Directors with the approval of the County Board of Commissioners. The Plan's financial statements may be obtained upon request of the County of Bay, Michigan.

Basis of accounting – The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized when due and the employer has made a formal commitment to provide contributions. Benefits and refunds are recognized when due and payable, in accordance with the terms of the Plan. Administrative costs are financed through investment earnings.

Plan membership – At December 31, 2023, the date of the most recent actuarial valuation, the plan membership consisted of the following:

Retirees or beneficiaries currently receiving benefits	88
Active plan members	<u>231</u>
	<u>319</u>

Bay-Arenac Behavioral Health Authority
Notes to the Financial Statements
September 30, 2025

Benefits provided – Upon retirement, an eligible retiree and his or her spouse may be provided with health insurance coverage based on credited years of service. Each credit year of service equates to a 5% employer paid health insurance premium with the employee being vested after 8 years of service. Health insurance benefits will not be provided to deferred retirees, but only to those who will be drawing retirement benefits immediately upon retirement from the Authority, according to the approved vesting schedule.

Contributions – the Plan requires the Authority to pay the insurance premium/claim costs of the retiree and spouse until death. Actively employed plan members and retirees are currently not obligated to make contributions to the Plan. The Authority obtains health care coverage for retirees through private insurers. Upon eligibility for Medicare, the Authority pays the difference between the Plan costs and the amount covered by Medicare. The Authority has no obligation to make contributions in advance of when the insurance premiums or claims are due for payment (in other words, this may be financed on a “pay-as-you-go” basis). The Authority, at its discretion, contributes amounts that are determined annually using the actuarially determined amount necessary to fund the Plan as a reference but not as a definitive requirement.

Net OPEB asset – The net OPEB asset was measured as of December 31, 2024, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2023.

Actuarial assumptions – The total OPEB liability was determined by an actuarial valuation as of December 31, 2023, using the following assumptions, applied to all periods included in the measurement.

Price inflation	2.50%
Wage inflation	3.25%
Salary increases	4.00% to 6.25%, including wage inflation
Investment rate of return	7.00%, net of OPEB plan investment expenses
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	Healthy Pre-Retirement: The RP-2014 Employee Generational Mortality Tables, with blue-collar adjustments and extended via cubic spline. Healthy Post-Retirement: The RP-2014 Healthy Annuitant Generational Mortality Tables, with blue-collar adjustments and extended via cubic spline. Disability Retirement: The RP-2014 Disabled Mortality Table, extended via cubic spline. These tables are adjusted backwards to 2006 with the MP-2014 scale, resulting in a base year of 2006 with future mortality improvements assumed each year using scale MP-2016.
Health care trend rates	7.50% trend, gradually decreasing to 3.50% in year 10

Bay-Arenac Behavioral Health Authority
Notes to the Financial Statements
September 30, 2025

Investment policy – The Plan’s policy in regard to the allocation of invested assets is established and may be amended by the County Board of Commissioners by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The policy requires that no manager hold more than 5% of its portion of the total fund in any single company and no more than 5% may be held in any single common stock. The Plan’s investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board’s adopted asset allocation policy as of September 30, 2025:

Asset Class	Target Allocation	Allocation Range
Domestic equity	49.00%	7.50%
International equity	21.00%	8.50%
U.S. fixed income	23.00%	2.50%
Real estate	7.00%	4.50%
	100.00%	

Discount rate – The discount rate used to measure the total OPEB liability (asset) was 7.00%. The projection of cash flows used to determine the discount rate assumed that Authority contributions will be made at rates equal to the actuarially determined contribution rates. Based on those 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.

Total OPEB Liability

Service cost	\$ 232,542
Interest	708,275
Differences between expected and actual experience	60,848
Changes in assumptions	-
Benefit payments	(673,712)
Net change in total OPEB liability	327,953
Total OPEB liability - beginning	10,338,798
Total OPEB liability - ending (a)	<u>\$ 10,666,751</u>

Plan Fiduciary Net Position

Employer contributions	\$ 241,205
Net investment income (loss)	2,653,660
Benefit payments	(673,712)
Administrative expense	(31,788)
Net change in plan fiduciary net position	2,189,365
Plan fiduciary net position - beginning	25,666,398
Plan fiduciary net position - ending (b)	<u>\$ 27,855,763</u>

Net OPEB asset (a-b)	<u>\$ (17,189,012)</u>
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Plan fiduciary net position as a percentage of total OPEB asset	261.15%
Covered payroll	\$ 14,518,017
Net OPEB asset as a percentage of covered payroll	(118.40%)

Bay-Arenac Behavioral Health Authority
Notes to the Financial Statements
September 30, 2025

Sensitivity of the net OPEB asset to changes in the discount rate – The following presents the net OPEB asset of the Authority, as well as what the Authority's net OPEB asset would be if it were calculated using a discount rate that is 1% lower (6.0%) or 1% higher (8.0%) than the current discount rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net OPEB asset	\$ (15,764,331)	\$ (17,189,012)	\$ (18,364,831)

Sensitivity of the net OPEB asset to changes in the healthcare cost trend rates – The following presents the net OPEB asset of the Authority, as well as what the Authority's net OPEB asset would be if were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Net OPEB asset	\$ (18,547,890)	\$ (17,189,012)	\$ (15,510,796)

OPEB expense and deferred inflows of resources related to OPEB – For the year ended September 30, 2025 the employer recognized OPEB expense of \$(846,974). The employer reported deferred inflows of resources related to OPEB from the following sources.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total</u>	<u>Total to Amortize</u>
Differences in experience	\$ 1,015,540	\$ (1,525,669)	\$ (510,129)	\$ (510,129)
Differences in assumptions	1,091,996	(26,494)	1,065,502	1,065,502
Net difference between projected and actual earnings on OPEB plan investments	<u>417,840</u>	<u>-</u>	<u>417,840</u>	<u>417,840</u>
Total	<u>\$ 2,525,376</u>	<u>\$ (1,552,163)</u>	<u>\$ 973,213</u>	<u>\$ 973,213</u>

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

<u>Year ended,</u>	
2026	\$ 370,036
2027	644,972
2028	(478,025)
2029	(130,993)
2030	242,658
Thereafter	<u>324,565</u>
	<u>\$ 973,213</u>

Bay-Arenac Behavioral Health Authority
Required Supplementary Information
Bay County Employees' Retirement System
Schedule of Employer Contributions

Fiscal Year Ending September 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2016	\$ 3,010,074	\$ 3,010,074	\$ -	\$ 10,577,562	28.46%
2017	1,243,668	1,243,668	-	10,692,948	11.63%
2018	990,600	990,600	-	10,953,344	9.04%
2019	1,048,380	1,048,380	-	11,157,196	9.40%
2020	867,444	867,444	-	11,591,724	7.48%
2021	917,988	917,988	-	11,550,549	7.95%
2022	797,844	797,844	-	12,045,965	6.62%
2023	672,876	672,876	-	13,718,572	4.90%
2024	592,092	592,092	-	13,624,021	4.35%
2025	815,302	815,302	-	14,359,875	5.68%

See Accompanying Notes to the Required Supplementary Information

Bay-Arenac Behavioral Health Authority
Required Supplementary Information
Bay County Employees' Retirement System
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios

Fiscal year ended September 30,	2025	2024	2023	2022	2021
Total Pension Liability					
Service cost	\$ 1,362,752	\$ 1,328,342	\$ 1,362,800	\$ 1,222,665	\$ 1,202,412
Interest on the total pension liability	4,900,245	4,734,605	4,345,897	4,160,009	4,063,605
Changes in benefit terms	-	-	-	-	-
Experience differences	(812,148)	257,460	1,295,830	782,577	(473,846)
Changes in assumptions	-	-	2,204,648	-	-
Benefit payments and refunds	(4,152,855)	(3,952,973)	(3,707,956)	(3,634,725)	(3,310,465)
Net change in total pension liability	1,297,994	2,367,434	5,501,219	2,530,526	1,481,706
Total pension liability - beginning	68,984,641	66,617,207	61,115,988	58,585,462	57,103,756
Total pension liability - ending (a)	<u>\$ 70,282,635</u>	<u>\$ 68,984,641</u>	<u>\$ 66,617,207</u>	<u>\$ 61,115,988</u>	<u>\$ 58,585,462</u>
Plan Fiduciary Net Position					
Employer contributions	\$ 815,302	\$ 592,092	\$ 672,876	\$ 797,844	\$ 917,988
Employee contributions	588,234	559,635	539,302	508,607	465,845
Pension plan net investment income (loss)	7,532,298	7,649,824	(12,240,885)	10,659,024	9,686,574
Benefit payments and refunds	(4,152,855)	(3,952,973)	(3,707,956)	(3,634,725)	(3,310,465)
Pension plan administrative expense	(90,002)	(80,505)	(53,650)	(32,375)	(38,810)
Other*	-	-	-	-	-
Net change in plan fiduciary net position	4,692,977	4,768,073	(14,790,313)	8,298,375	7,721,132
Plan fiduciary net position - beginning	68,551,433	63,783,360	78,573,673	70,275,298	62,554,166
Plan fiduciary net position - ending (b)	<u>\$ 73,244,410</u>	<u>\$ 68,551,433</u>	<u>\$ 63,783,360</u>	<u>\$ 78,573,673</u>	<u>\$ 70,275,298</u>
Net pension liability (asset) (a-b)	<u>\$ (2,961,775)</u>	<u>\$ 433,208</u>	<u>\$ 2,833,847</u>	<u>\$ (17,457,685)</u>	<u>\$ (11,689,836)</u>
Plan fiduciary net position as a percentage of total pension liability	104.21%	99.37%	95.75%	128.56%	119.95%
Covered payroll	\$ 14,359,875	\$ 13,624,021	\$ 13,718,472	\$ 12,045,965	\$ 11,550,549
Net pension liability (asset) as a percentage of covered payroll	(20.63%)	3.18%	20.66%	(144.93%)	(101.21%)

See Accompanying Notes to the Required Supplementary Information

Bay-Arenac Behavioral Health Authority
Required Supplementary Information
Bay County Employees' Retirement System
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios

Fiscal year ended September 30,	2020	2019	2018	2017	2016
Total Pension Liability					
Service cost	\$ 1,179,103	\$ 1,157,296	\$ 1,167,054	\$ 1,132,527	\$ 1,136,567
Interest on the total pension liability	3,938,726	3,819,676	3,732,959	3,579,804	3,454,353
Changes in benefit terms	34,350	-	-	-	-
Experience differences	(186,368)	(192,251)	(646,430)	(121,814)	-
Changes in assumptions	-	-	-	2,135,064	-
Benefit payments and refunds	(3,199,523)	(3,107,574)	(2,997,659)	(2,971,277)	(2,861,173)
Net change in total pension liability	1,766,288	1,677,147	1,255,924	3,754,304	1,729,747
Total pension liability - beginning	55,337,468	53,660,321	52,404,397	48,650,093	46,920,346
Total pension liability - ending (a)	<u>\$ 57,103,756</u>	<u>\$ 55,337,468</u>	<u>\$ 53,660,321</u>	<u>\$ 52,404,397</u>	<u>\$ 48,650,093</u>
Plan Fiduciary Net Position					
Employer contributions	\$ 867,444	\$ 1,048,380	\$ 990,600	\$ 1,243,668	\$ 3,010,074
Employee contributions	443,228	447,888	434,013	515,921	420,482
Pension plan net investment income (loss)	11,813,230	(3,469,686)	9,394,957	3,610,840	464,588
Benefit payments and refunds	(3,199,523)	(3,107,574)	(2,997,659)	(2,971,277)	(2,861,173)
Pension plan administrative expense	(37,576)	(31,604)	(55,748)	(54,536)	(55,795)
Other*	-	-	-	(8,556,709)	-
Net change in plan fiduciary net position	9,886,803	(5,112,596)	7,766,163	(6,212,093)	978,176
Plan fiduciary net position - beginning	52,667,363	57,779,959	50,013,796	56,225,889	55,247,713
Plan fiduciary net position - ending (b)	<u>\$ 62,554,166</u>	<u>\$ 52,667,363</u>	<u>\$ 57,779,959</u>	<u>\$ 50,013,796</u>	<u>\$ 56,225,889</u>
Net pension liability (asset) (a-b)	<u>\$ (5,450,410)</u>	<u>\$ 2,670,105</u>	<u>\$ (4,119,638)</u>	<u>\$ 2,390,601</u>	<u>\$ (7,575,796)</u>
Plan fiduciary net position as a percentage of total pension liability	109.54%	95.17%	107.68%	95.44%	115.57%
Covered payroll	\$ 11,591,724	\$ 11,157,196	\$ 10,953,344	\$ 10,692,948	\$ 10,577,562
Net pension liability (asset) as a percentage of covered payroll	(47.02%)	23.93%	(37.61%)	22.36%	(71.62%)

*2017 decrease due to correction of an error in the asset allocations among groups within the plan

See Accompanying Notes to the Required Supplementary Information

Bay-Arenac Behavioral Health Authority
Required Supplementary Information
Bay County Voluntary Employees' Beneficiary Association - Other Postemployment Benefits
Schedule of Employer Contributions

Fiscal Year Ending September 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2018	\$ -	\$ 411,769	\$ (411,769)	\$ 10,876,409	3.79%
2019	-	456,347	(456,347)	11,197,133	4.08%
2020	-	561,533	(561,533)	11,440,965	4.91%
2021	-	582,978	(582,978)	11,508,997	5.07%
2022	-	545,944	(545,944)	12,492,043	4.37%
2023	-	573,376	(573,376)	13,287,872	4.32%
2024	-	536,690	(536,690)	13,823,463	3.88%
2025	-	241,205	(241,205)	14,518,017	1.66%

See Accompanying Notes to the Required Supplementary Information

Bay-Arenac Behavioral Health Authority
Required Supplementary Information
Bay County Voluntary Employees' Beneficiary Association - Other Postemployment Benefits
Schedule of Changes in Net OPEB Asset and Related Ratios

Fiscal year ended September 30,	2025	2024	2023	2022
Total OPEB Liability				
Service cost	\$ 232,542	\$ 177,973	\$ 178,462	\$ 171,218
Interest	708,275	568,032	514,384	553,315
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	60,848	1,152,622	97,303	(859,101)
Changes in assumptions	-	682,759	531,523	134,450
Benefit payments and refunds	(673,712)	(536,690)	(573,376)	(545,944)
Net change in total OPEB liability	327,953	2,044,696	748,296	(546,062)
Total OPEB liability - beginning	10,338,798	8,294,102	7,545,806	8,091,868
Total OPEB liability - ending (a)	<u>\$ 10,666,751</u>	<u>\$ 10,338,798</u>	<u>\$ 8,294,102</u>	<u>\$ 7,545,806</u>
Plan Fiduciary Net Position				
Employer contributions	\$ 241,205	\$ 536,690	\$ 573,376	\$ 545,944
Net investment income (loss)	2,653,660	3,020,631	(3,765,082)	2,993,714
Benefit payments and refunds	(673,712)	(536,690)	(573,376)	(545,944)
Administrative expense	(31,788)	(40,113)	(13,729)	(23,111)
Other	-	-	-	-
Net change in plan fiduciary net position	2,189,365	2,980,518	(3,778,811)	2,970,603
Plan fiduciary net position - beginning	25,666,398	22,685,880	26,464,691	23,494,088
Plan fiduciary net position - ending (b)	<u>\$ 27,855,763</u>	<u>\$ 25,666,398</u>	<u>\$ 22,685,880</u>	<u>\$ 26,464,691</u>
Net OPEB asset (a-b)	<u>\$ (17,189,012)</u>	<u>\$ (15,327,600)</u>	<u>\$ (14,391,778)</u>	<u>\$ (18,918,885)</u>
Plan fiduciary net position as a percentage of total OPEB liability	261.15%	248.25%	273.52%	350.72%
Covered payroll	\$ 14,518,017	\$ 13,823,463	\$ 13,287,872	\$ 12,492,043
Net OPEB asset as a percentage of covered payroll	(118.40%)	(110.88%)	(108.31%)	(151.45%)

Note: GASB Statement No. 75 was implemented for the fiscal year ended September 30, 2018 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.

See Accompanying Notes to the Required Supplementary Information

Bay-Arenac Behavioral Health Authority
Required Supplementary Information
Bay County Voluntary Employees' Beneficiary Association - Other Postemployment Benefits
Schedule of Changes in Net OPEB Asset and Related Ratios

Fiscal year ended September 30,	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 168,443	\$ 236,071	\$ 207,144	\$ 210,192
Interest	680,126	659,272	631,430	608,543
Changes of benefit terms	-	-	60,545	-
Difference between expected and actual experience	(2,458,645)	90,957	(6,898)	(56,191)
Changes in assumptions	361,573	(82,324)	-	-
Benefit payments and refunds	<u>(582,978)</u>	<u>(561,533)</u>	<u>(456,347)</u>	<u>(411,769)</u>
Net change in total OPEB liability	(1,831,481)	342,443	435,874	350,775
Total OPEB liability - beginning	<u>9,923,349</u>	<u>9,580,906</u>	<u>9,145,032</u>	<u>8,794,257</u>
Total OPEB liability - ending (a)	<u>\$ 8,091,868</u>	<u>\$ 9,923,349</u>	<u>\$ 9,580,906</u>	<u>\$ 9,145,032</u>
Plan Fiduciary Net Position				
Employer contributions	\$ 582,978	\$ 561,533	\$ 456,347	\$ 411,769
Net investment income (loss)	3,442,337	3,408,665	(835,611)	1,979,860
Benefit payments and refunds	(582,978)	(561,533)	(456,347)	(411,769)
Administrative expense	(31,778)	(26,669)	(6,563)	(21,908)
Other	<u>-</u>	<u>-</u>	<u>962</u>	<u>-</u>
Net change in plan fiduciary net position	3,410,559	3,381,996	(841,212)	1,957,952
Plan fiduciary net position - beginning	<u>20,083,529</u>	<u>16,701,533</u>	<u>17,542,745</u>	<u>15,584,793</u>
Plan fiduciary net position - ending (b)	<u>\$ 23,494,088</u>	<u>\$ 20,083,529</u>	<u>\$ 16,701,533</u>	<u>\$ 17,542,745</u>
Net OPEB asset (a-b)	<u>\$ (15,402,220)</u>	<u>\$ (10,160,180)</u>	<u>\$ (7,120,627)</u>	<u>\$ (8,397,713)</u>
Plan fiduciary net position as a percentage of total OPEB liability	290.34%	202.39%	174.32%	191.83%
Covered payroll	\$ 11,508,997	\$ 11,440,965	\$ 11,197,133	\$ 10,876,409
Net OPEB asset as a percentage of covered payroll	(133.83%)	(88.81%)	(63.59%)	(77.21%)

Note: GASB Statement No. 75 was implemented for the fiscal year ended September 30, 2018 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.

See Accompanying Notes to the Required Supplementary Information

Bay-Arenac Behavioral Health Authority
Notes to the Required Supplementary Information
September 30, 2025

Pension Information

Notes to the Schedule of Changes in Net Pension Liability and Related Ratios – Bay County Employees' Retirement System

At September 30, 2025, there were no changes in assumptions.

Notes to the Schedule of Employer Contributions – Bay County Employees' Retirement System

- Valuation date: December 31, 2023
- Actuarially determined contribution rates are calculated as of December 31, that is 9 months prior to the beginning of the fiscal year for which the contributions are presented.

Methods and assumptions used to determine contribution rates:

- Actuarial cost method: Individual entry-age normal
- Amortization method: Level percent-of-payroll
- Remaining amortization period: 20 years open, 10 years closed for Early Retirement Incentive Program
- Asset valuation method: 5-Year smoothed market
- Inflation: 2.5%
- Salary increase: 3.75% to 6.00% including wage inflation
- Investment rate of return: 7.25% net of investment expenses
- Mortality rates: Healthy pre-retirement: Pub-2010 Employee Generational Mortality Tables, amount weighted and projected with mortality improvements using the fully generational MP-2021 projection scale from a base year of 2010. Healthy post-retirement: Pub-2010 General Healthy Annuitant Mortality Tables, amount weighted and projected with mortality improvements using the fully generational MP-2021 projection scale from a base year of 2010. Disability retirement: Pub-2010 General Disabled Retiree Mortality Tables, amount weighted and projected with mortality improvements using the fully generational MP-2021 projection scale from a base year of 2010.

OPEB Information

Notes to the Schedule of Changes in Net OPEB and Related Ratios – Bay County Voluntary Employees' Beneficiary Association

At September 30, 2025, there were no changes in assumptions.

Notes to the Schedule of Employer Contributions – Bay County Voluntary Employees' Beneficiary Association

- Valuation date: December 31, 2023
- Actuarially determined contribution rates are calculated as of December 31 that is 9 months prior to the beginning of the fiscal year for which the contributions are presented.

Methods and assumptions used to determine contribution rates:

- Actuarial cost method: Entry age normal
- Amortization method: Level percent of payroll
- Remaining amortization period: 14 years, closed
- Asset valuation method: Market value of assets
- Healthcare inflation rate: Pre-65: Initial trend of 7.50% gradually decreasing to 3.50% in year 12. Post-65: Initial trend of 6.25% gradually decreasing to 3.50% in year 12.

Bay-Arenac Behavioral Health Authority
Notes to the Required Supplementary Information
September 30, 2025

- Inflation: 2.5 percent
- Salary increase: 3.25 percent
- Investment rate of return: 7 percent net of pension plan investment expenses
- Mortality rates: Healthy Pre-Retirement: The RP-2014 Employee Generational Mortality Tables, with blue-collar adjustments and extended via cubic spline. Healthy Post-Retirement: The RP-2014 Healthy Annuitant Generational Mortality Tables, with blue-collar adjustments and extended via cubic spline. Disability Retirement: The RP-2014 Disabled Mortality Table, extended via cubic spline. These tables are adjusted backwards to 2006 with the MP-2014 scale, resulting in a base year of 2006 with future mortality improvements assumed each year using scale MP-2016.

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

Independent Auditors' Report

Management and the Board of Directors
Bay Arenac Behavioral Health Authority
Bay City, 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 Bay Arenac Behavioral Health Authority, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise Bay Arenac Behavioral Health Authority's basic financial statements, and have issued our report thereon dated March 12, 2026.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Yeo & Yeo, P.C.

Saginaw, MI
March 12, 2026

Report to BABH Board of Directors – March 11, 2026

Compensation Proposal:

- Last compensation adjustment was in June 2024 for all BABH staff except Residential Technicians and Direct Support Professionals. The adjustment was 2%. This adjustment did not bring BABH compensation to be near middle of the market.
- Residential Technicians received an increase in October 2023 that was a 13% adjustment to memorialize the MDHHS Direct Care Wage Mandate. Direct Support Professionals also received an increase of 11%.
- Direct Support Professionals received an increase retroactive to January 1, 2026 to bring compensation in line with the MDHHS requirement for minimum wage and the Direct Care Wage Mandate. This increase was approximately 8%.
- BABH utilized compensation information obtained through salary survey data and compensation information made available for five CMH's. Based on compensation data reviewed, BABH compensation variance, on average, was lagging behind by approximately 15.5%. (See data outlined below)

Financial:

- Total estimated cost to implement: \$117,000 per percent of increase annually – excludes Residential Technician and Direct Support Professionals
- Total estimated cost to implement for Residential Technician only: \$16,000 per percent of increase annually

BABH Title	BABH Minimum	BABH Maximum	Average 5 CMH's Maximum	% Variance in Maximum	Variance Average
Accountant	\$25.80	\$30.92	\$32.80	-6.08%	-15.47%
Accounting/Finance Managers	\$32.19	\$38.61	\$48.73	-26.21%	
Certified Peer Support Specialist	\$16.09	\$19.18	\$22.13	-15.38%	
Chief Financial Officer	\$46.23	\$57.11	\$72.82	-27.51%	
Client Services Specialist	\$22.13	\$27.84	\$32.37	-16.27%	
Clinical Services Prog Manager	\$35.03	\$42.02	\$45.14	-7.43%	
Clinical Specialist	\$26.77	\$33.05	\$39.63	-19.91%	
Director of HR	\$41.23	\$49.50	\$65.58	-32.48%	
Finance Assistant	\$20.45	\$24.53	\$25.15	-2.53%	
Home Based Clinical Specialist	\$26.77	\$33.05	\$38.25	-15.73%	
Mental Health Nurse	\$27.03	\$32.43	\$36.48	-12.49%	
Recipient Rights Manager/Officer	\$35.03	\$42.02	\$46.04	-9.57%	
Residential Technician	\$18.49	\$22.11	\$19.27	12.84%	
RR/Customer Service Spec	\$22.98	\$27.84	\$35.25	-26.62%	
Secretary (II, III)	\$16.09	\$19.18	\$23.71	-23.62%	
Infant Mental Health Specialist	\$26.77	\$33.05	\$38.34	-16.01%	

April 2026

BABHA Board of Directors

April 2026						
Su	Mo	Tu	We	Th	Fr	Sa
5	6	7	1	2	3	4
12	13	14	8	9	10	11
19	20	21	15	16	17	18
26	27	28	22	23	24	25
			29	30		

May 2026						
Su	Mo	Tu	We	Th	Fr	Sa
3	4	5	6	7	1	2
10	11	12	13	14	8	9
17	18	19	20	21	15	16
24	25	26	27	28	22	23
31					29	30

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
Mar 29	30	31	Apr 1	2 5:00pm Personnel & Compensation Committee	3 Good Friday/BABHA Offices Closed	4
5 Easter	6 5:00pm Recipient Rights Advisory & Appeals Committee	7	8 5:00pm Finance Committee 5:15pm Nomination Committee	9 5:00pm Program Committee	10	11
12	13 5:00pm Audit Committee	14	15	16 5:00pm REGULAR BOARD MEETING	17	18
19	20	21	22	23	24	25
26	27	28	29	30	May 1	2