Detroit Wayne Mental Health Authority

DWMHA

Your Link to Integrated Healthcare

Year Ended
September 30, 2015

Financial Statements and Other Supplementary Information

Rehmann

Business wisdom delivered.

This page intentionally left blank.

DETROIT WAYNE MENTAL HEALTH AUTHORITY

Table of Contents

This page intentionally left blank.

Transmittal Letter

March 30, 2016

Board of Directors
Detroit Wayne Mental Health Authority
Detroit, Michigan

Ladies and Gentlemen:

I am pleased to present the financial statements for the Detroit Wayne Mental Health Authority (the "Authority") for the fiscal year ended September 30, 2015 submitted in compliance with the laws and regulations of the State of Michigan. The State law requires that every general purpose local government publish a complete set of audited financial statements within six months of the close of each fiscal year.

Management assumes full responsibility for the completeness, accuracy and fairness of the information contained in the report. Rehmann Robson, LLC has issued an unmodified ("clean") opinion on the Authority's financial statements. The Independent Auditor's Report is located at the front of the financial section of this report. Management believes the information presented is materially accurate and that its presentation fairly shows the financial position and results of operations of the Authority and that the disclosures will provide the reader with an understanding of the Authority's affairs.

The Authority has prepared its financial reporting requirements as prescribed by the GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis- for State and Local Governments (GASB 34). This GASB Statement requires that management provide a narrative introduction, overview, and analysis that accompany the Basic Financial Statements in the form of a Management Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction. The MD&A can be found immediately following the report of the independent auditors.

Profile and Demographics of the Authority

The Authority serves over 70,000 consumers located within the County of Wayne Michigan with an approximate population of 1.8 million. Wayne County, Michigan encompasses approximately 600 square miles and is made up of thirty four (34) cities, including the City of Detroit, nine (9) townships and forty-one (41) school districts.

By Disability Population

	Population	Percentage
· Children with SED	13,769	20%
· Adults with MI	44,437	65%
· Individuals with an I/DD	10,120	15%
· SUD-Served (co-occurring with other populations	11,234	

Population by Service Area

	Population	Percentage
· Living in Detroit	41,643	56%
· Out-County	32,359	44%

Population by Race

	Population	Percentage
· Black/African American	37,524	50%
· White	20,855	30%
· Unreported	10,952	15%
· Other Race	4,671	5%

Population by Age

	Population	Percentage
· Children (under 18)	14,937	20%
· Adults (18-50)	36,070	49%
· Adults (51-64)	19,177	26%
· Adults (over 64)	3,818	5%

The Mental Health Code: Public Act 258 of 1974 (as amended)

Michigan's Mental Health Code is the compilation of state laws governing the management and delivery of mental health services. The law was first established in 1974 and has since been amended, most significantly in 1996. There are currently forty six (46) community mental health service programs (CMHSP). The law required the board consist of twelve (12) members appointed by county commissioners for three-year staggering terms. The law also requires the CMH board approve an annual budget after holding a public meeting to obtain community input.

The Reporting Entity and Its Services

In December of 2012, Governor Rick Snyder signed Public Acts 375 and 376 of 2012 that required the Charter County of Wayne (the County) to establish its community mental health services program as an independent governmental entity, separate and distinct from Wayne County functions. These acts mandated a change in governance from a Mental Health Agency to a Mental Health Authority. On June 6, 2013, Wayne County Commission approved the Enabling Resolution 2013-392 which created the new Authority. During this same period, the Application for Participation (AFP), which enabled the Authority to maintain its designation as a Prepaid Inpatient Health Plan (PIHP) as well as its eligibility to contract for Medicaid funds, was successfully completed and approved by the Michigan Department of Health and Human Services (MDHHS).

In addition, effective October 1, 2014, House Bills 4862 and 4863 signed December 28, 2012, transferred the duties of the Coordinating Agencies (CA) to the Prepaid Inpatient Health Plan (PIHP). CA's were responsible for the administration of substance use disorders (SUD) to Detroit and Wayne County residents; the prior Wayne County CA's were the City of Detroit (via Institute for Population Health) and SEMCA.

Adult Mental Health Services Program

The purpose of the Adult Mental Health Program is to provide individualized psychiatric outpatient, residential, hospital, and emergency treatment and supportive services to adults and families at risk of or experiencing a mental illness so they can achieve psychiatric stability and/or a stable living environment.

Transmittal Letter

Developmental Disability Services Program

The purpose of the Developmental Disability Services Program is to provide screening/referral, specialized support skill building, and community living services to children, adolescents and adults with developmental disabilities so they can obtain their personal optimal level of independence.

Children's Mental Health Services Program

The purpose of the Children's Mental Health Services Program, in collaboration with community partners, is to provide individualized and family-centered psychiatric outpatient, home-based, crisis intervention and prevention services to children, adolescents, and their families at risk of experiencing a serious emotional disturbance so they can live within the community.

Substance Abuse Services Program

The purpose of the Substance Use Disorder Program is to provide assessment/eligibility determination, outpatient treatment, residential, referral and medication management services to children, adolescents and adults with substance use disorders so they can obtain and sustain individual recovery and participate fully in the community.

Mental Health Access Center Program

The purpose of the Mental Health Access Center Program is to provide screening, eligibility, enrollment information, emergency telephone referral and counseling services to service providers and individual callers with mental health concerns so they can receive an eligibility determination, choice of provider, program enrollment or requested/needed services or information within a timely manner.

Rights and Customer Supports Program

The purpose of the Rights and Customer Supports program is to provide the legally mandated rights protection and consumer affairs (investigation of complaints and grievances; monitoring sites of service; training system staff and consumers; family subsidy; information; referrals), so consumers and their families can receive appropriate mental health services in accordance with the Federal, State and Local laws, rules, guidelines and policies.

Mental Health Oversight/Monitoring Program

The program purpose of the Mental Health Oversight program is to provide oversight and management of services that assure access, adequacy and appropriateness of services, efficiency and outcomes for individuals with mental illness, serious emotional disturbance, developmental disability and substance use disorders so they can obtain recovery and self-determination. As the public mental health system, the Authority offers a culturally diverse network of community mental health programs, clinics, private therapists, psychologists and psychiatrists to provide mental health services. We do our best to match consumers with the services needed at a location that is close to them.

Transmittal Letter

The Authority provides services in coordination and collaboration with over eighty (80) contractors, including five (5) Managers of Comprehensive Provider Networks (MCPNs). The MCPNs are Care Link Network and Gateway Community Health for individuals with mental illness and Community Living Services (CLS), Consumer Link Network, and Integrated Care Alliance (formerly Synergy Partners LLC) for individuals with developmental disabilities.

Direct Providers	Number of Providers
ACT	17
Home-Based	20
Intensive Crisis Stabilization	2
Clubhouse/PSR (DCI requesting enrollment)	17
Crisis Residential (2 children/1 adult)	3
Drop-in Centers	4
Crisis Center for Children & Adults	11
Children's Waiver	3
Habilitative Support Waiver	8
SED Waiver	3
Autism Providers	8
SUD Treatment	51
SUD Prevention	34
MI Health Link	20
Outpatient MI	30

Major Initiatives and Achievements

The Authority was charged with several monumental tasks this year – (1) Transition from County services and past obligations; (2) Continue to hire key staff; (3) Renovate and relocate into a building; (4) Implement the Duals Eligible Pilot Project (aka MI Health Link); and (5) Integrate Substance Use Disorders and Autism Services.

On August 28, 2014, the Authority purchased a new home with three (3) parking lots for its administrative team at a cost of $2.8 million; the site is located at 707 Milwaukee in the City of Detroit in the New Center area just a few blocks from the new M-1 Rail system. The building is expected to be completed by May 1, 2016; currently the Authority rents space from the County. Also, the Authority assumed all the legacy costs of the former County/Agency employees. The Authority was successful in negotiating termination liability amounts with the County related to the defined benefit plans and other post- employment benefits (OPEB) and paying off these legacy costs.

Another significant charge of the newly created Authority involved our selection as one (1) of four (4) PIHPs to participate in the Dual-Eligible demonstration pilot project that began in May 2015. The pilot was designed to integrate primary care with mental health and substance use disorder treatment to improve overall health care outcomes, create greater efficiencies in the delivery of services, and reduce costs. The integrated care model organizes the coordination of the Medicare and Medicaid benefits, and requires collaboration between the Integrated Care Organizations (ICOs), the Authority, and its privileged provider network. The project requires the reconfiguration of several operational areas at the Authority. It also involved developing and negotiating six (6) contracts with ICO’s within a short time frame.

Transmittal Letter

Another significant legislative action, House Bill 4862, amended the Mental Health Code to effectively bring the SUD responsibilities previously held by the coordinating agencies under the administration of the Authority on October 1, 2014. In the ensuing months following initiation of this public act, the Authority collaborated with SUD networks to develop the Substance Use Disorder Implementation Plan. Throughout the year, relationships with SUD providers became a critical area of focus and as a result the Authority successfully transitioned all SUD services and had contracts in place with over one hundred (100) SUD providers. The integration of SUD saved over $1.5 million in administrative costs this fiscal year and is expected to save over $2.5 million next year to redirect to the providers for service delivery.

Finally, with the implementation of MI Health Link and assuming the responsibility of all SUD services in Wayne County, this required the hiring of key operational staff with expertise and experiences in areas that the Authority had not previously retained. The Authority was able to effectively recruit the staff in the areas of Autism, SUD and MI Health Link.

The Authority also has a website to create transparency in government. The website gives viewers 24/7 online access to a wide array of important and useful information and documents about our provider network and contracts held with the State of Michigan. The Authority plans to further expand its website to promote more transparency.

The preparation of the basic financial statements was made possible by the dedicated service of the entire staff in the Finance Department. Each member of the Department has our sincere appreciation for the contributions made in the preparation of this report. We would also like to express our appreciation to other Authority staff for their continued support of the policies of this Department.

Respectfully submitted,

Stacie L. Durant
Chief Financial Officer

This page intentionally left blank.

Rehmann

Rehmann Robson

675 Robinson Rd.
Jackson, MI 49203
Ph: 517.787.6503
Fx: 517.788.8111
rehmann.com

INDEPENDENT AUDITORS' REPORT

March 30, 2016

Board of Directors
Detroit Wayne Mental Health Authority
Detroit, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the of the *Detroit Wayne Mental Health Authority* (the "Authority") as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Detroit Wayne Mental Health Authority as of September 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The transmittal letter and budgetary comparison schedule listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The transmittal letter and the budgetary comparison schedule have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated March 30, 2016, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Rehmann Robson LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Detroit Wayne Mental Health Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended September 30, 2015. We encourage readers to consider the information presented here in conjunction with the auditors' report and with the financial statements, notes to financial statements, and required supplementary information taken as a whole.

Creation of the Authority

On December 14, 2012, the Michigan Legislature approved and the Governor signed Public Acts 375 and 376 of 2012, a Mental Health Authority bill. Effective October 1, 2013, the new law transferred management and control to a separate legal entity (the "Authority"). The new Authority is comprised of twelve (12) board members; the County Executive and the Mayor of the City of Detroit each recommended six (6) members. The appointments of the twelve (12) board members are subject to confirmation by the Wayne County Commission. Prior to the Public Acts, the Authority, previously the Detroit Wayne County Community Mental Health Agency (the "Agency"), was reported in the Charter County of Wayne (the "County") Comprehensive Annual Financial Report (CAFR) as a special revenue fund.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements Nos. 14 and 34*, the Authority is not a discretely presented component unit of the County.

On June 6, 2013, the Wayne County Commission approved Enabling Resolution 2013-392 (the "Resolution") creating the Authority assuming all assets and liabilities of the Agency. In addition, the Resolution allowed the County to retain a portion of the Authority's cash and investments. On October 1, 2014, the County would retain 50% of the Authority's cash balance ($31.7 million) decreasing each October 1 by 25% ($16 million) until October 1, 2016; if needed, the Authority has full access to the funds to meet its obligations.

The Authority does not provide direct services to the community, but rather contracts with the Managers of Comprehensive Provider Network (MCPN) and an array of providers to administer the system. The MCPNs were created in 2002 in response to the State of Michigan's Application of Participation (AFP) which at the time mandated the MCPN model. Further discussion of this model is included in the notes to the financial statements.

Legislative Changes

Effective October 1, 2014, House Bills 4862 and 4863 signed December 28, 2012, transferred the duties of the Coordinating Agencies (CA) to the Prepaid Inpatient Health Plan (PIHP). CA's were responsible for the administration of substance use disorders (SUD) to Detroit and Wayne County residents; the prior Wayne County CA's were the City of Detroit (via Institute for Population Health) and SEMCA. The impact of the transfer of duties is an increase in revenues of approximately $17.5 million and $3.9 million in federal and state block grants and Public Act 2 (PA2) funds, respectively. SEMCA was also required to transfer any unspent PA2 dollars at September 30, 2014, to the Authority which was approximately $4.4 million. The City of Detroit does not receive PA2 dollars; their PA2 funds are designated to pay debt service for the COBO Hall Arena.

Dual Eligible Pilot Program (MI Health Link)

The State of Michigan selected the Authority as one (1) of four (4) PIHPs to participate in the Dual-Eligible demonstration pilot project (aka MI Health Link) that began in May 2015. The pilot was designed to integrate primary care with mental health and substance use disorder treatment to improve overall health care outcomes, create greater efficiencies in the delivery of services, and reduce costs. The integrated care model organizes the coordination of the Medicare and Medicaid benefits, and requires collaboration between the Integrated Care Organizations (ICOs), the Authority, and its privileged provider network. The project requires the reconfiguration of several operational areas at the Authority. It also involved developing and negotiating six (6) contracts with ICOs.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements which include the Statement of Net Position, Statement of Revenues, Expenses and Changes in Fund Net Position, Statement of Cash Flows, Notes to the Financial Statements, and Supplementary Information - Budgetary Comparison Schedule.

The Authority presents its operations as a propriety fund.

Financial Analysis

Net position may serve over time as a useful indicator of an organizations financial position. The following depicts the Authority net position at September 30, 2015 and 2014, respectively:

	Net Position	
	2015	2014
Current and other assets	$ 206,676,285	$ 138,188,097
Capital assets, net	9,060,254	4,765,576
Total assets	215,736,539	142,953,673
Current liabilities	120,011,247	70,436,874
Long-term liabilities	4,178,842	724,650
Total liabilities	124,190,089	71,161,524
Net position		
Investment in capital assets	6,025,005	4,765,576
Restricted	51,771,747	34,556,895
Unrestricted	33,749,698	32,469,678
Total net position	$ 91,546,450	$ 71,792,149

Current assets and other assets includes $31.7 million held in the County's pooled cash and investment account. In addition, $45.3 million is held in a separate bank account for the Medicaid Internal Service Fund (ISF) and reported as restricted net position. The ISF is established for risk funding for Medicaid cost over-runs. The Authority has $100.6 million held in a depository account with Flagstar Bank. The increase in current assets of $68.5 million is due primarily due to four separate items: (1) the increase in cash related to the unspent Medicaid and Healthy Michigan of $19.8 million and $19.1 million, respectively.; (2) the increase in accounts receivable of $5.0 million due from the MCPN's to cost settle the contract this fiscal year; (3) the increase in Due from other governmental units of $4.0 million for Public Act 2 funds due from Wayne County and $6.0 million due from the State of Michigan for Autism services, and (4) the increase in capital assets relate to the construction of the new Authority headquarters for $4.3 million.

Current liabilities consists of accounts payable of $36.7 million to various service providers. Due to Wayne County represents $7.3 million of pension and healthcare expenses incurred but unpaid at year end. The remaining $6.6 million represents amounts due to the Wayne County Jails and Third Circuit Court for services provided. Unearned revenue includes traditional Medicaid, Healthy Michigan savings and State general fund carryover of $9.3 million, $28.3 million and $3.2 million, respectively. The unearned revenue increased by $29.0 million as compared to prior year. Due to other governmental units increased by $18.7 million due to unspent Healthy Michigan and Substance Use Disorders owed to the State of Michigan of $7.3 million and $.9 million, respectively. The remaining balance of $10.5 million relates to unpaid state facility billings due to the State of Michigan.

Investments in capital assets consisted primarily of the purchase of the new Authority headquarters located in the historical New Center area in Detroit, Michigan. The Authority purchased the building and three parking lots for approximately $2.8 million with construction renovations estimated for completion by May 1, 2016. The notes payable of $3.0 million represents the amount of debt outstanding related to the construction of the building.

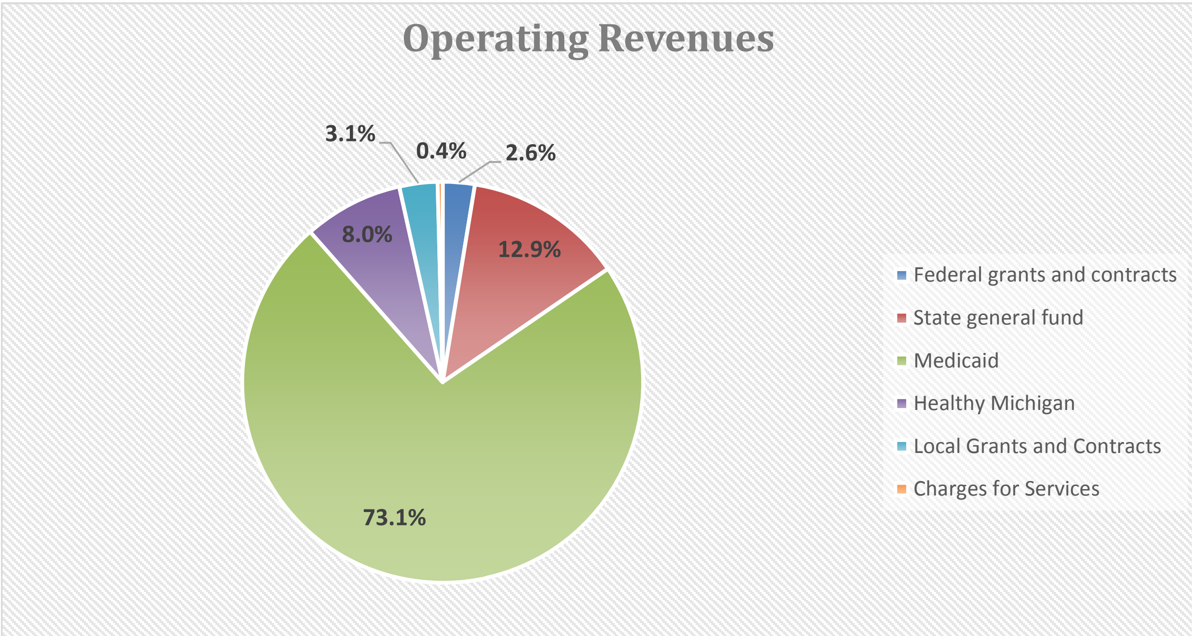
Management's Discussion and Analysis

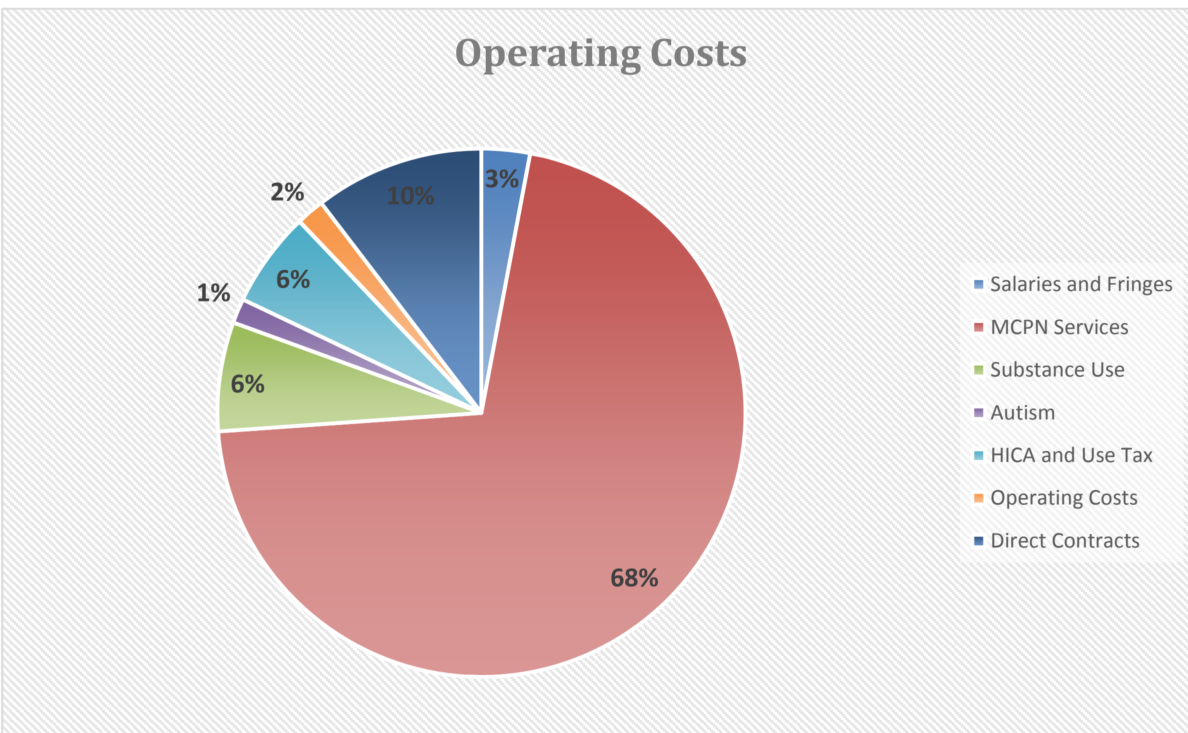
The increase in restricted net position of $17.2 million is due to a $10.5 million ISF contribution, and $6.5 million in PA2 funds restricted for SUD services.

The Statement of Revenues, Expenses and Changes in Fund Net Position serves to report the cumulative revenue and expenses received and/or incurred for the organization.

	Change in Net Position	
	2015	2014
Revenues		
Federal grants and contracts	$ 18,130,425	$ 8,167,566
State grants and contracts	658,812,985	636,153,200
Local grants and contracts	21,600,573	18,741,667
Charges for services	2,741,935	368,746
Interest revenue	532,642	410,046
Total revenues	701,818,560	663,841,225
Expenses		
Mental health operating	30,816,753	27,301,685
MCPN services	466,010,399	489,948,864
Direct contracts	78,141,903	51,803,411
State purchased services	29,187,689	32,655,326
HICA and use tax	38,406,290	19,128,742
Substance use disorder	43,932,424	26,356,216
Total expenses	686,495,458	647,194,244
Income (loss) before special item	15,323,102	16,646,981
Special item	4,431,199	55,145,168
Change in net position	19,754,301	71,792,149
Net position		
Beginning of year	71,792,149	-
End of year	$ 91,546,450	$ 71,792,149

During the current fiscal year, the Authority's net position increased by $19,754,301. This increase was primarily due to the transfer of operations and increase in federal & state grant revenue from the Authority becoming the coordinating agency for substance use disorder services (SUD).


Operating Revenues
3.1%
0.4%
2.6%
12.9%
8.0%
73.1%
Federal grants and contracts
State general fund
Medicaid
Healthy Michigan
Local Grants and Contracts
Charges for Services


Operating Costs
3%
10%
2%
6%
1%
6%
68%
Salaries and Fringes
MCPN Services
Substance Use
Autism
HICA and Use Tax
Operating Costs
Direct Contracts

	Final Amended Budget	Actual	Increase (Decrease)
Operating revenues			
Federal grants and contracts	$ 20,669,767	$ 18,130,425	$ (2,539,342)
State grants and contracts	678,071,901	658,812,985	(19,258,916)
Local grants and contracts	25,289,150	21,600,573	(3,688,577)
Charges for services	14,700,000	2,741,935	(11,958,065)
Total operating revenues	738,730,818	701,285,918	(37,444,900)
Operating expenses			
Personnel	12,148,468	10,991,983	(1,156,485)
Fringe benefits	9,425,771	8,528,475	(897,296)
MCPN services	484,928,678	466,010,399	(18,918,279)
Direct contracts	93,652,568	78,141,903	(15,510,665)
Substance disorder services	58,731,596	43,932,424	(14,799,172)
State purchased services	32,105,851	29,187,689	(2,918,162)
HICA and use tax	35,289,847	38,406,290	3,116,443
Operating costs	12,185,221	10,955,425	(1,229,796)
Depreciation	639,953	340,870	(299,083)
Total expenses	739,107,953	686,495,458	(52,612,495)
Operating income (loss)	(377,135)	14,790,460	15,167,595
Nonoperating revenues			
Interest revenue	377,135	532,642	155,507
Change in net position before special item	$ -	15,323,102	$ 15,323,102
Special Item		4,431,199	
Change in net position		$ 19,754,301	

State grants include $521.3 million, $56.2 million and $71.2 million in Medicaid, Healthy Michigan and State General Funds, respectively. Local grants primarily consist of $17.7 million in Wayne County local match. The match is used to support: (1) Medicaid drawdown to the State; (2) 10% of state facilities cost and (3) 10% of most uninsured costs to Wayne County consumers. Additionally, local grants include $3.9 million in PA2 funds received from Wayne County. As discussed previously, effective October 1, 2014, the Coordinating Agency functions are now the responsibility of the Authority; SEMCA transferred $4.4 million, the PA2 outstanding balance as of September 30, 2014, and is reported as a special item in the statement . Other operating revenue consist of the revenue received from MI Health Link program from the ICOs. The decrease in State grants of $19.3 million is related to the unearned revenue of a net $19.1 million in Healthy Michigan that was deferred to the subsequent fiscal year. The MI Health Link budget variance was merely a rough estimate as the program was newly implemented and enrollment was unknown.

Salaries and related fringes represent the salaries, benefits and pension costs for approximately one hundred sixty three (163) Authority employees and contractual staff. The variance is due to approximately thirty (30) budgeted vacant positions.

MCPN costs represent the costs incurred by the five (5) MCPNs – Carelink Network, Consumer Link Network, Community Living Services, Gateway Health Systems and Integrated Care Alliance (formerly Synergy Partners). The amount includes up to four and a half (4.5)% administrative costs. The MCPN and Substance Use Disorder budget to actual variance resulted from the underspending of Healthy Michigan of $19.0 million and $7.7 million, respectively.

The Authority enters into contracts directly with providers for certain services that are not administrated through the MCPN's. Such services include categorical/ethnic services ($3.9 million); various programs through Wayne County (i.e. Jails, Clinic for Child Study) ($20.1 million); various federal programs (i.e. Housing and Urban Development (HUD), and System of Care and Transformation providers - ($9.1 million); and Medicaid drawdown ($5.1 million). In addition, all Medicaid funds are subject to State of Michigan Use and HICA taxes which was approximately $38.4 million. The direct contract variance of $15.5 million is primarily attributed to the MI Health Link program whereby expenses were under budget by $11.0 million.

Operating costs include Wayne County building rental ($1 million), Access Center ($5.9 million), and annual maintenance of our electronic Claims Record system ($1 million).

Budgetary Highlights

The Authority adopted an annual operating budget by September 1 of the previous year. The budgetary comparison schedule has been provided to demonstrate compliance with this budget. During the year, there were several significant changes from the original to the final amended budget. The changes are as follows:

	Original Budget	Final Amended Budget	Variance Over (Under)
Operating revenues			
Federal grants and contracts	$ 30,475,051	$ 20,669,767	$ (9,805,284)
State grants and contracts	640,361,902	678,071,901	37,709,999
Local grants and contracts	21,241,334	25,289,150	4,047,816
Charges for services	-	14,700,000	14,700,000
Total operating revenues	692,078,287	738,730,818	46,652,531
Operating expenses			
Personnel	$ 10,617,697	$ 12,148,468	$ 1,530,771
Fringe benefits	8,238,074	9,425,771	1,187,697
MCPN services	474,567,898	484,928,678	10,360,780
Direct contracts	59,196,050	93,652,568	34,456,518
Substance disorder services	60,242,917	58,731,596	(1,511,321)
State purchased services	30,933,929	32,105,851	1,171,922
HICA and use tax	38,865,349	35,289,847	(3,575,502)
Operating costs	9,486,805	12,185,221	2,698,416
Depreciation	306,703	639,953	333,250
Total expenses	692,455,422	739,107,953	46,652,531
Operating income (loss)	(377,135)	(377,135)	-
Nonoperating revenues			
Interest revenue	377,135	377,135	-
Change in net position	$ -	$ -	$ -

The decrease in federal grants is related to a reclassification of SUD block grants of $3.7 million to State grants. The increase in state grants is related to an increase in Medicaid and Healthy Michigan of $25 million and State General Fund of $6.8 million. Other operating revenue increase is related to the MI Health Link program for $14.7 million. The increase in direct contracts is due to several factors – (1) increase in County programs of approximately $5.0 million; (2) increase of $14.7 million for MI Health Link program; (3) increase in Use and HICA taxes of $2.0 million and; (4) various other direct contracts for several prevention programs for approximately $4.0 million.

Economic Factors and Next Year's Budget

- As a result of the State of Michigan increase to the Medicaid capitation payment by approximately $21.0 million for the fiscal year ended September 30, 2016, effective January 1, 2016, the Authority increased targeted rates for Direct Care Workers by $1 per hour for an estimated total including employer related costs of $16.0 million for the fiscal year ($20.0 million annually).

- Elimination of State Facility appropriation and related costs of approximately $27.3 million and $23.8 million, respectively.

- The Authority was able to save approximately $1.5 million in SUD administrative costs and will save over $2.5 million next year. Such savings will be redirected to the providers and allow them to receive overdue rate increases and the ability to serve more consumers; providers have not received rate increase in over five years despite increases in minimum wage requirements and other expenses.

Requests for Information

This financial report is designed to provide a general overview of the Detroit Wayne Mental Health Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, may be addressed to the Detroit Wayne Mental Health Authority, Chief Financial Officer, 707 Milwaukee Street, 3rd floor, Detroit, MI 48202.

■ ■ ■ ■ ■

BASIC FINANCIAL STATEMENTS

DETROIT WAYNE MENTAL HEALTH AUTHORITY

Statement of Net Position

September 30, 2015

Assets	
Current assets	
Cash and cash equivalents (Note 4)	$ 177,569,995
Accounts receivable (Note 5)	12,925,934
Due from other governmental units (Note 5)	16,068,108
Prepayments and deposits	112,248
Total current assets	206,676,285
Noncurrent assets (Note 6)	
Capital assets not being depreciated	3,933,894
Capital assets being depreciated, net	5,126,360
Total noncurrent assets	9,060,254
Total assets	215,736,539
Liabilities	
Current liabilities	
Accounts payable	36,738,567
Due to other governmental units	25,828,680
Due to Charter County of Wayne	13,943,473
Accrued wages and benefits	235,231
Unearned revenue (Note 10)	43,265,296
Compensated absences	1,143,593
Total current liabilities	121,154,840
Noncurrent liabilities	
Notes payable (Note 9)	3,035,249
Total liabilities	124,190,089
Net position	
Net investment in capital assets	6,025,005
Restricted for substance use disorder - PA2 (Note 8)	6,453,366
Restricted for risk financing - Medicaid ISF (Note 8)	45,318,381
Unrestricted	33,749,698
Total net position	$ 91,546,450

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

DETROIT WAYNE MENTAL HEALTH AUTHORITY

Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended September 30, 2015

Operating revenues	
Federal grants and contracts	$ 18,130,425
State grants and contracts	658,812,985
Local grants and contracts	21,600,573
Charges for services	2,741,935
Total operating revenues	701,285,918
Operating Expenses	
Personnel	10,991,983
Fringe benefits	8,528,475
MCPN services	466,010,399
Direct contracts	78,141,903
Substance disorder services	43,932,424
State purchased services	29,187,689
HICA and use tax	38,406,290
Operating costs	10,955,425
Depreciation	340,870
Total operating expenses	686,495,458
Operating income	14,790,460
Nonoperating revenue	
Interest revenue	532,642
Change in net position before special item	15,323,102
Special item	
Transfer of operations (Note 14)	4,431,199
Change in net position	19,754,301
Net position, beginning of year	71,792,149
Net position, end of year	$ 91,546,450

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

DETROIT WAYNE MENTAL HEALTH AUTHORITY

Statement of Cash Flows
For the Year Ended September 30, 2015

Cash flows from operating activities	
Cash received from state and federal sources	$ 699,644,023
Cash received from local sources	11,718,697
Cash payments to employees	(20,085,898)
Cash payments to suppliers for goods and services	(629,869,184)
Net cash provided by operating activities	61,407,638
Cash flows from capital and related financing activities	
Purchase of capital assets	(4,635,548)
Cash flows from investing activities	
Cash contribution from transfer of operations	4,431,199
Interest received	532,642
Net cash provided by investing activities	4,963,841
Cash flows from financing activities	
Proceeds from issuance of long-term debt	3,035,249
Change in cash and cash equivalents	64,771,180
Cash and cash equivalents, beginning of year	112,798,815
Cash and cash equivalents, end of year	$ 177,569,995

continued...

DETROIT WAYNE MENTAL HEALTH AUTHORITY

Statement of Cash Flows

For the Year Ended September 30, 2015

Reconciliation of operating income to net cash provided by operating activities	
Operating income	$ 14,790,460
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	340,870
Changes in assets and liabilities:	
Accounts receivable	(12,623,811)
Due from other governmental units	(6,298,196)
Prepayments and deposits	15,204,999
Accounts payable	5,154,225
Due to other governmental units	18,709,134
Due to Charter County of Wayne	(2,303,412)
Accrued wages & benefits	(984,383)
Unearned revenue	28,998,809
Compensated absences	418,943
Net cash provided by operating activities	$ 61,407,638

concluded.

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

This page intentionally left blank.

NOTES TO FINANCIAL STATEMENTS

Notes to Financial Statements

1. HISTORY OF DETROIT WAYNE MENTAL HEALTH AUTHORITY

Reporting Entity

Under the provisions of the Michigan Legislature Public Acts 375 and 376 of 2012, and effective October 1, 2013, the Detroit Wayne Mental Health Authority (the “Authority”) was created for the purpose of providing a comprehensive array of mental health and substance use services for Wayne County residents such as, but not limited to, inpatient, outpatient, partial day, residential, case management, prevention, consultation and education, and emergency telephone services for the mentally ill and developmentally disabled. The Authority was previously a department within the County of Wayne, Michigan (the "County"). The Authority is a separate legal entity and is not considered a related organization or component unit of the County.

Pursuant to House bills 4862 and 4863, effective October 1, 2014, the duties and responsibilities of substance use disorders were transferred to the Prepaid Inpatient Health Plans (PIHP) which is the Authority. The duties were previously performed by the City of Detroit and SEMCA, referred to as Coordinating Agencies.

Program Operations

The Authority’s operations are governed under the provisions of Act 258 of the Public Act of Michigan of 1974, commonly known as the “Mental Health Code” (the “Code”). Pursuant to the Code, a Board of Directors (the “Board”) was established to govern the Authority. The Authority is subject to federal government and Michigan Department of Health and Human Services (MDHHS) rules and regulations and the Code. The Authority contracts with Managers of Comprehensive Provider Networks (MCPN) to administrator the mental health programs. The Authority contracts with Coordinating Agencies to administrator substance use disorder services. The Authority provides administrative oversight, and does not provide any direct services to consumers.

Board of Directors

The Board consists of twelve members, six recommended by the Mayor of the City, and six recommended by the County Executive. The recommendations are subject to the approval of the Wayne County Commission. Each Board member is appointed for a three-year term.

Funding Sources

The Authority receives its primary funding from the State through Medicaid and State general fund contracts. The County provides local match funding in accordance with the Mental Health Code, which is used by the Authority to leverage federal dollars and 10% of certain services incurred by uninsured consumers.

Changes in Funding Formula

In an effort to deinstitutionalize mental health services, State funding for public mental health services has evolved. Prior to October 1, 1998, Michigan mental health agency programs billed Medicaid on a fee-for-service (“FFS”) basis.

Effective for services provided on and after October 1, 1998, the Health Care Financing Administration ("HCFA") approved Michigan's 1915(b)-waiver request to implement a managed care plan for Medicaid-reimbursed mental health services. These managed care plans allowed Community Mental Health Services Programs ("CMHSP") to manage, provide/arrange and pay for Medicaid mental health services covered by the CMHSP. In addition, the CMHSP receives a capitated rate on a per-member-per-month basis to provide services and is responsible for directly reimbursing the Service Providers who render these services. In the fiscal year ended September 30, 2000, the Authority and MDHHS entered into a Specialty Services and Supports Managed Care Contract (the "Managed Care Contract").

In 2002, CMHSPs were required to submit an Application for Participation ("AFP") for scoring by the MDHHS in order to be considered eligible to qualify as Prepaid Inpatient Health Plan ("PIHP") entity capable of administering the managed specialty services under the waiver program. One of the requirements of the AFP unique to the Authority was that networks for services were to be competitively created and bid out by various Service Providers and that the bulk of the Authority's funding was to be disbursed to these networks referred to as MCPNs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applies to governmental units. The more significant accounting policies are described below.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Authority adopted GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments.* Under GASB No. 34, the Authority is classified as a special purpose government and is required to present statements required for Enterprise Funds. The Authority reports its operations in the basic financial statements in an Enterprise Fund. The Authority has chosen to report its Medicaid Risk Reserve Fund for Medicaid program which is a set-aside allowed by the contract with the State of Michigan Department of Health and Human Services (MDHHS), as restricted net position on the Statement of Net Position. The Medicaid Risk Reserve Fund is governed by the contract with the MDHHS and is restricted for cost overruns related to the Medicaid contract.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges related to serving its customers (including primarily "per member per month" capitation and state and county appropriations). Operating expenses for the Authority include cost of services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Basis of Accounting

Basis of accounting refers to when revenue and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The proprietary funds are accounted for using the accrual basis of accounting. Their revenue 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 (whether current or noncurrent) associated with their activity are included on the statement of net position. Proprietary fund-type operating statements present increases (revenue) and decreases (expenses) in total net position.

The operations of the fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenue, and expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. For the basic financial statements, there is one generic fund type and broad fund category as follows:

Proprietary Fund - Enterprise Fund - The Fund is used to account for those activities that are financed and operated in a manner similar to private business. This Enterprise Fund of the Authority accounts for its general operations and also reports amounts restricted for the Medicaid Risk Reserve allowed by the contract with the MDHHS.

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

Assets, Liabilities, and Equity

Cash and Cash Equivalents

The Authority's cash and investments are held in depository accounts, institutional money market accounts, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

A portion of the Authority’s cash invested and allocated as part of a pooled County cash and investments fund. Interest on pooled investments is allocated to the Authority based on average investment balances. Further information on the measurement of fair value of such investments is disclosed in the County’s Comprehensive Annual Financial Report (CAFR).

Accounts Receivable and Due from Other Governmental Units

Accounts receivable represents balances mainly due from the Integrated Care Organizations (ICO's) related to the MI Health Link program. In addition, the Authority cost settles with the MCPNs for amounts in excess of payments and costs incurred for services. The amounts of overpayment are determined through audits and/or cost reconciliation. An allowance for uncollectibles has been established based on management's estimate using historical trends. Due from other governmental units represents revenues not yet received from the state and federal government.

Prepayments and Deposits

Deposits represent the amount held at the title company related to the construction of the new building. The Authority was required to provide an equity injection for costs above the loan amount. In addition, deposit consists of prepayments for insurance coverage.

Capital Assets

Capital assets are defined by the Authority as assets with an individual costs of more than $5,000 and an estimated useful life in excess of one year. All assets are recorded at historical costs and donated assets are recorded at estimated fair market value at the time of the donation. Capital assets are depreciated using the straight line method over a period of 3-50 years.

Due to Charter County of Wayne

Amounts due to the County include amount owed to the Jails, Third Circuit Court, and Children and Family Services for services rendered, and pension and healthcare costs for current and retired Authority employees.

Accounts Payable and Due to Other Governmental Units

Accounts payable balances include final expenditures due to service providers for the current fiscal year. Due to other governments represent amounts owed to the State of Michigan.

Compensated Absences

Employees earn vacation and sick leave benefits based, in part, on length of service. Vacation pay is fully vested when earned and sick pay vests upon completion of two years of service. Upon separation from service, employees are paid accumulated vacation and sick pay based upon the nature of separation (death, retirement, or termination). Certain limitations have been placed on the hours of vacation and sick leave that employees may accumulate and carry over for payment at termination, retirement or death. Unused hours exceeding these limitations are forfeited.

Unearned Revenue

The Authority reports unearned revenue in connection with resources that have been received, but not yet earned.

State Grants and Contracts Revenue

The Authority’s primary funding source was from the State of Michigan through Medicaid (traditional and Healthy Michigan) and State general fund contracts totaling $508,494,630 and $104,169,730 respectively, for the year ended September 30, 2015. The remaining balance was comprised of various other State grant contracts.

MCPN Services

The Authority contracts with MCPNs to administer the delivery of mental health services to adults, individuals with development disabilities and children with serious emotional disturbances. Expenses include payments for current year services.

Notes to Financial Statements

Direct Contracts

The Authority contracts with various community based organization to deliver mental health and SUD services to adults, individuals with development disabilities and children with serious emotional disturbances. In addition, the Authority contracts with several County departments to administrator mental health services, including but not limited to the Jails, Children and Family Services, and Third Circuit Court.

Estimates

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

3. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Authority participates in the County's self-insured health care plans; however, the Authority has commercial insurance policies to cover property, torts and employee injuries. Accruals for claims, litigation, and assessments are recorded by the Authority fund when those amounts are estimable and probable at year-end.

4. DEPOSITS AND INVESTMENTS

Following is a reconciliation of deposit and investment balances as of September 30, 2015:

Statement of Net Position	
Cash and cash equivalents	$ 177,569,995
Deposits and Investments	
Deposits included with the County's pooled cash	$ 31,694,497
Checking/savings accounts	144,186,352
Investments	1,689,146
	$ 177,569,995

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. The investment policy adopted by the Authority, in accordance with Public Act 20 of 1943, as amended, places limitations on the nature of deposits and investments available to the Authority. Deposits include demand deposits, money markets, and certificate of deposits in federally insured banks, credit unions and savings and loan associations that have offices in the State of Michigan. Statutes authorizes investments in U.S. Treasuries, agencies and instrumentalities, certain commercial paper, repurchase agreements, bankers' acceptances of United States banks, external investment pools, mutual funds comprised of otherwise legal investments, and certain obligations of the State of Michigan or its political subdivisions. As of year end, $143,819,154 of the Authority's bank balance of $144,819,154 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At year end, the carrying amount of the Authority's cash and investments held in savings and depository accounts was $144,186,352. The carrying amount of the Authority's equity in held in the County's pooled cash and investments was $31,694,497. Because it is infeasible to allocate risk to individual funds, aggregate cash and investment categorizations are presented in the County's CAFR.

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 the list of authorized investments above. The Authority's investment policy does not have specific limits in excess of state law on investment credit risk.

As of September 30, 2015, the Authority's investments were rated by Standard and Poor's as follows:

Rating	Municipal Bonds
AA+	$ 1,689,146

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The Authority's investment policy specifies that no more than forty percent (40%) of the total investment portfolio will be invested in a single security type, and no more than forty percent (40%) of the total investment portfolio shall be invested in assets issued or managed by a single financial institution. At September 30, 2015, the Authority's investment portfolio was not concentrated.

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above. 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.

The Authority held fixed income municipal bonds with a fair value of $1,689,146 on September 30, 2015, all of which mature within one to five years.

5. ACCOUNTS RECEIVABLE AND DUE FROM OTHER GOVERNMENTAL UNITS

Accounts receivable represent balances due from the ICO's related to the MI Health Link program. In addition, the Authority cost settles with the MCPN's for amounts in excess of payments and costs incurred for services. The accounts receivable balance at September 30, 2015 was $12.9 million, of which approximately $7.7 million is due from MCPN's for costs settlements, and $3.9 million is due from Wayne County for Public Act 2 funds.

The due from other governmental units balance at September 30, 2015 was $16.1 million. This consists of $0.6 million due from the federal government and $15.4 million due from the State of Michigan.

Notes to Financial Statements

6. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2015 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated -				
Land	$ 540,000	$ -	$ -	$ 540,000
Construction work in process	-	3,393,894	-	3,393,894
Total capital assets not being depreciated, net	540,000	3,393,894	-	3,933,894
Capital assets being depreciated:				
Buildings	2,415,956	128,475	-	2,544,431
Computers	540,456	85,876	-	626,332
Office equipment	94,653	635,801	-	730,454
Software	1,926,978	391,502	-	2,318,480
	4,978,043	1,241,654	-	6,219,697
Accumulated depreciation:				
Buildings	-	57	-	57
Computers	80,818	106,900	-	187,718
Office equipment	4,733	18,931	-	23,664
Software	666,916	214,982	-	881,898
	752,467	340,870	-	1,093,337
Total capital assets being depreciated, net	4,225,576	900,784	-	5,126,360
Total capital assets, net	$ 4,765,576	$ 900,784	$ -	$ 9,060,254

The construction work in process consists of costs related to the renovation of the new Authority headquarters located in the city of Detroit, Michigan. The building is expected to be completed by May 1, 2016, at which time the Authority will begin depreciating the costs over twenty years.

7. OPERATING LEASES

The Authority entered into an operating lease with the County to continue to occupy the office space located at 640 Temple Street, Detroit, Michigan, for an amount not to exceed the actual prorated costs. The lease expires on March 31, 2016, and the rental payment was $1,003,819 for the year ended September 30, 2015.

Notes to Financial Statements

8. RESTRICTED NET POSITION

Contributions are allowed under the MDHHS contract for Medicaid risk (Internal Service Fund/ISF) and accordingly are shown as restricted net position in the statement of net position. For the year ended September 30, 2015, the activity of the net position restricted for risk financing (Medicaid ISF) was as follows:

	Ending Balance
Beginning balance	$ 34,556,895
Contributions	10,535,621
Interest revenue	225,865
Ending balance	$ 45,318,381

The Authority also reported $6,453,366 in funds restricted for substance use disorder services as of September 30, 2015.

9. LONG-TERM DEBT

Changes in Long-term Debt. Long-term liability activity for the year ended September 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes payable	$ -	$ 3,035,249	$ -	$ 3,035,249	$ -
Compensated absences	724,650	1,063,766	804,477	1,143,593	1,143,593
Total	$ 724,650	$ 4,099,015	$ 804,477	$ 4,178,842	$ 1,143,593

On August 28, 2014, the Authority signed a seven-year term and construction notes payable (twenty-year amortization period) with Flagstar Bank totaling $6,960,000 for the construction phase on the new Authority headquarters. On the same day, the Authority also entered into a five-year equipment note with Flagstar for $1.24 million for the purchase of the office furniture and fixtures. As of September 30, 2015, the Authority has drawn down $3,035,249 from these notes. Repayment schedules for these notes will be finalized upon final draw, which is expected to be during the fiscal year ended September 30, 2016.

10. UNEARNED REVENUE

Unearned revenue includes amounts for $40,797,167 of MDHHS contract funding ($9,269,672 of traditional Medicaid savings, $28,279,810 of Healthy Michigan Medicaid savings and $3,247,685 of GF carryforward) that was unearned at September 30, 2015, and will be carried-over to be expended in the subsequent fiscal year.

11. PENSION PLANS - WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM

In accordance with the Mental Health Code, Authority employees that transferred from the County were entitled to continue to contribute to the Wayne County Employees' Retirement System (WCERS), a single-employer public employee retirement system governed by the Wayne County Retirement Ordinance, as amended, until September 30, 2014. Until March 31, 2015, WCERS continued to provide three defined contribution retirement options to the transferred Authority employees; WCERS continues to provide a defined benefit retirement plan to former Agency employees and transferred employees who retired prior to October 1, 2014. WCERS issues separate financial statements annually. Copies of these financial statements for each plan can be obtained at 28 W. Adams, Suite 1900, Detroit, Michigan 48226. Further disclosures are included in the County's CAFR.

Until March 31, 2015, the Authority sponsored a 414(h) defined contribution retirement plan, a sub-plan of WCERS Plan Option 4 to all new Authority employees hired on and after October 1, 2013, managed and administered by WCERS. On April 1, 2015, the Authority terminated the WCERS contract and entered into a contract with the Michigan Employees Retirements Systems (MERS) to administer the 414(h) defined contribution retirement plan; the three defined contribution plans were transferred from MERS. Employees are required to contribute to the plan. The plan provides for the employee to contribute up to a 2 percent pre-tax contribution and up to an 8 percent employer match. The employee and employer contributions for all plans were $190,746 and $790,244 respectively, for the year ended September 30, 2015.

Under a resolution passed on June 6, 2013, by the Wayne County Commission (Resolution 2013-392), the Authority assumed all liabilities for the employer's share of pension benefits for mental health agency retirees, as well future retirees who were enrolled in Wayne County-sponsored pension plans as of October 1, 2014, and who qualify for benefits under such a plan at the time of their retirement. The Authority and County have agreed to a termination payment that satisfies in full the liability owed for these benefits. As of September 30, 2015, the outstanding liability was approximately $5.6 million, which was paid February 2016. The Authority has no further liability related to these pension benefits.

12. OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS

In accordance with the Mental Health Code and Resolution 2013-392, if mutually agreed upon between the Authority and County, Authority employees may continue to participate in the County's other postemployment benefits under a single-employer defined benefit plan on a pay-as-you go basis. The plan provides hospitalization and other health insurance for Authority retirees under the age of 65 and their dependents, pursuant to agreements with various collective bargaining units. This plan does not issue separate financial statements; however, further information is available in the County's CAFR.

In addition, the Resolution 2013-392 provided the Authority assumed all liabilities for the employer's share of other postemployment benefits for mental health agency retirees, as well future retirees who qualified for the benefits and retired by September 30, 2014. The Authority and County have agreed to a termination payment that satisfies in full the liability owed for these benefits. At September 30, 2015, the outstanding liability was $963,000, which was paid in February 2016. The Authority has no further liability related to these other postemployment benefits.

Until March 31, 2015, the Authority continued to participate in the County's mandatory Voluntary Employee Benefit Association Plan (VEBA) whereby, depending on the collective bargaining agreement, the employee contributes 2 percent pre-tax contribution and the employer contributes 5 percent match. On April 1, 2015, the Authority entered into a contract with MERS to administer a retiree healthcare trust whereby it is mandatory that the employee contributes 2 percent pre-tax contribution, and the employer contributes a 5 percent match. The employee and employer contributions for the retiree healthcare trust were $163,416 and $405,276, respectively for the year ended September 30, 2015.

13. COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantor/contract agencies are subject to audit and potential adjustment by those agencies, principally the state and federal governments. As described in Note 1, the Authority receives the majority of its funding through MDHHS. MDHHS uses a compliance examination and cost settlement process to determine disallowed costs, and final receivable and payable balances of the Authority. Historically, the cost settlement process has taken two or more years for MDHHS to complete. Any disallowed costs, including amounts already collected, may constitute a liability of the Authority. The amount, if any, of costs which may be disallowed by the grantor or contract agencies cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

The Authority is periodically a defendant in various lawsuits. Although the outcome of such lawsuits currently pending or threatened, if any, is not presently determinable. It is the opinion of the Authority's management and counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

14. SPECIAL ITEM - TRANSFER OF OPERATIONS

On October 1, 2014 the Authority assumed the operations of the Medicaid program with the State of Michigan as the Prepaid Inpatient Health Plan (the "PIHP") for the region. The Authority now contracts with MDHHS directly for the Medicaid contract, rather than SEMCA and City of Detroit, which were the previous Coordinating Agencies (the "CAs") for the County. As a part of this change, the previous CAs were required to transfer all assets and liabilities related to the contract to the Authority, which consisted of total transfers in of $4,431,199.

■ ■ ■ ■ ■

This page intentionally left blank.

SUPPLEMENTARY INFORMATION

DETROIT WAYNE MENTAL HEALTH AUTHORITY

Supplementary Information

Budgetary Comparison Schedule (Unaudited)
For the Year Ended September 30, 2015

	Original Budget	Final Amended Budget	Actual	Variance Over (Under)
Operating revenues				
Federal grants	$ 30,475,051	$ 20,669,767	$ 18,130,425	$ (2,539,342)
State grants and contracts	640,361,902	678,071,901	658,812,985	(19,258,916)
Local grants and contracts	21,241,334	25,289,150	21,600,573	(3,688,577)
Charges for services	-	14,700,000	2,741,935	(11,958,065)
Total operating revenues	692,078,287	738,730,818	701,285,918	(37,444,900)
Operating expenses				
Personnel	10,617,697	12,148,468	10,991,983	(1,156,485)
Fringe benefits	8,238,074	9,425,771	8,528,475	(897,296)
MCPN services	474,567,898	484,928,678	466,010,399	(18,918,279)
Direct contracts	59,196,050	93,652,568	78,141,903	(15,510,665)
Substance disorder services	60,242,917	58,731,596	43,932,424	(14,799,172)
State purchased services	30,933,929	32,105,851	29,187,689	(2,918,162)
HICA and use tax	38,865,349	35,289,847	38,406,290	3,116,443
Operating costs	9,486,805	12,185,221	10,955,425	(1,229,796)
Depreciation	306,703	639,953	340,870	(299,083)
Total operating expenses	692,455,422	739,107,953	686,495,458	(52,612,495)
Operating income (loss)	(377,135)	(377,135)	14,790,460	15,167,595
Nonoperating revenue				
Interest revenue	377,135	377,135	532,642	155,507
Change in net position before special item	$ -	$ -	15,323,102	$ 15,323,102
Special item				
Transfer of operations			4,431,199	
Change in net position			$ 19,754,301	