



Detroit Wayne Integrated Health Network

**Financial Report
with Supplemental Information
September 30, 2020**

Detroit Wayne Integrated Health Network

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March 22, 2021

Board of Directors
Detroit Wayne Integrated Health Network
Detroit, Michigan

Ladies and Gentlemen:

I am pleased to present the financial statements for the Detroit Wayne Integrated Health Network (DWIHN) for the fiscal year ended September 30, 2020 along with the Independent Auditors Report. This report is prepared for the purposes of disclosing DWIHN's financial condition and is prepared in accordance with U.S. generally accepted accounting principles (GAAP), as established by the Governmental Accounting Standards Board (GASB) and meets all requirements of the state finance law of the State of Michigan.

All local units of government within the State of Michigan must comply with the Uniform Budgeting and Accounting Act, Public Act 2 of 1968, as amended, which requires an annual audit of the financial records and transactions of DWIHN by independent certified public accountants, 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. Plante Moran, PLLC has issued an unmodified ("clean") opinion on DWIHN. 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 DWIHN and that the disclosures will provide the reader with an understanding of DWIHN's affairs.

DWIHN 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 DWIHN

DWIHN serves over seventy-three thousand (73,000) consumers located within the Charter County of Wayne (the County) in the State of Michigan with an approximate population of 1.8 million in the county. The County is the most populous county in the State of Michigan and the 19th most populous county in the nation. The County encompasses approximately 620 square miles and is made up of thirty-four (34) cities, including the City of Detroit, nine (9) townships and thirty-three (33) school districts. The following chart provides additional demographic information regarding persons served in FY20:

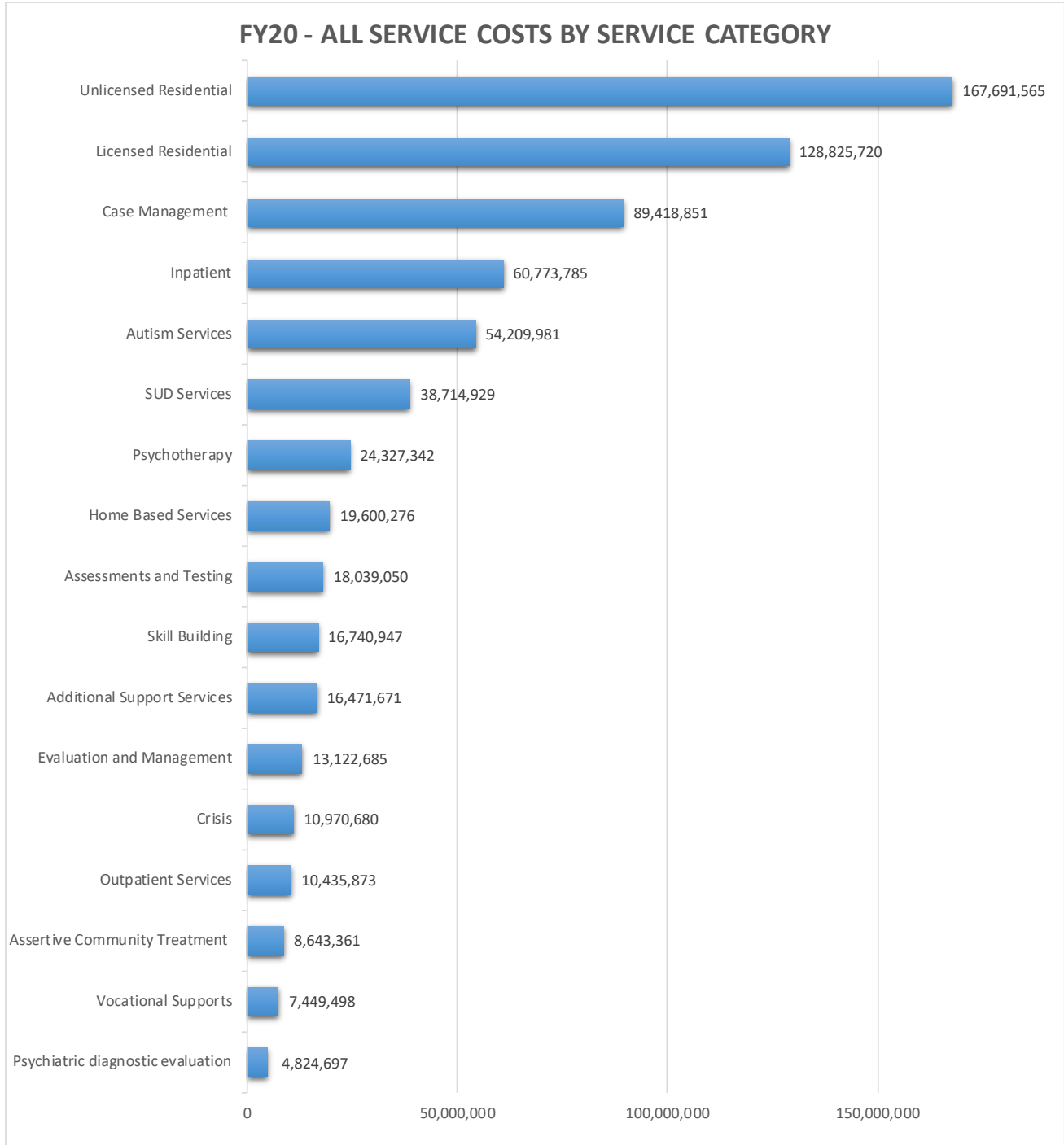
<i>Population by Race</i>	<i>Population</i>	<i>Percentage</i>
Black/African American	39,024	55%
White	22,623	31%
Other race	8,147	11%
Unreported	2,152	3%

<i>Population by Service Area</i>		<i>Percentage</i>
Detroit	35,887	52%
Out-County	33,413	48%

<i>Population by Age</i>	<i>Population</i>	<i>Percentage</i>
Children (under 18)	15,070	22%
Adults (18-21)	3,490	5%
Adults (22-50)	30,648	45%
Adults (51-64)	15,231	22%
Adults (over 65)	5,557	8%

<i>By Disability Designation</i>	<i>Population</i>	<i>Percentage</i>
Adults with MI	40,396	64%
Children with SED	10,801	17%
Individuals with an I/DD	11,488	18%
SUD -Served (co-occurring with other populations)	11,382	

<i>Insurance</i>	<i>Consumers</i>	<i>Percentage</i>
Medicaid	43,709	62%
Healthy Michigan Plan	15,063	22%
General Fund/Spend-down	6,684	10%
MiHealthLink	4,540	6%



Note: SUD = Substance Use Disorder

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 requires 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.

DWMHA Board of Directors

Bernard Parker, Chairperson
Dr. Iris Taylor, Vice-Chairperson
Timothy Killeen, Treasurer
Ghadda Abdallah , Secretary
Kenya Ruth
Dorothy Burrell
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Kevin McNamara
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Angelo Glenn, Chairperson
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The Reporting Entity and Its Services

In December of 2012, Governor Rick Snyder signed Public Acts 375 and 376 of 2012 that required Wayne County to establish its community mental health services program as an independent governmental entity, separate and distinct from the 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 DWIHN 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) formerly Michigan Department of Community Health.

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 PIHP. CA's were responsible for the administration of substance use disorders (SUD) services to Detroit and Wayne County residents; the prior Wayne County CA's were the City of Detroit (via Institute for Population Health) and Southeastern Michigan Coordinating Agency (SEMCA).

The purpose of DWIHN is to ensure support, care and treatment services to adults with severe mental illness (SMI), individuals with intellectual and/or developmental disabilities (IDD), children with serious emotional disturbances (SED) and persons with substance use disorders (SUD) and their families so they can make choices in care, live in the community and achieve desired outcomes through individualized health goals.

Adult Mental Health Services Program

The purpose of the Adult Mental Health Services Program is to provide individualized psychiatric outpatient, residential, case management, 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.

Intellectual/Developmental Disability Services Program

The purpose of the Intellectual/Developmental Disability Services Program is to provide screening/referral and specialized supports and services including skill building, community living services and personal care to children, adolescents and adults with intellectual/developmental disabilities so they can obtain their personal optimal level of independence. IDD are a group of conditions due to an impairment in physical, learning, language, or behavior areas that start in childhood.

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. The services are community-based, family centered, youth guided, culturally and linguistically responsive and trauma informed.

Substance Use Disorder Services Program

The purpose of the Substance Use Disorder Services Program is to provide assessment/eligibility determination, outpatient treatment, residential, referral and medication management services to children, adolescents and adults with substance abuse disorders so they can obtain and sustain individual recovery and participate fully in the community. With over seventy-five providers, our continuum of care consists of prevention, treatment and recovery services.

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 purpose of the Mental Health Oversight/Monitoring 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, DWIHN 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.

DWIHN provides services in coordination and collaboration with over three hundred fifty (350) providers and contractors.

Threats to the Behavioral Health System

Medicaid Work Requirements

On January 1, 2020, Healthy Michigan Plan (HMP) beneficiaries were required to start completing a combination of work or other activities for eighty (80) hours per month unless they are exempt. Persons are exempt if they have a medical condition, or disabled, or pregnant or other approved extenuating factors. This requirement could cause significant harm to consumers receiving Medicaid covered services and/or cause a disruption in Medicaid coverage until MDHHS approves their exemption status.

COVID-19 Pandemic

On March 10, 2020, Governor Whitmer, acting under the Michigan Constitution of 1963 and Michigan law, declared a state of emergency across the State of Michigan and issued a “Stay at Home” order that caused the shutdown of non-essential services. Not unlike other states, the pandemic plagued Michigan resulting in thousands of deaths that left families coping with isolation, trauma and uncertainty.

On March 27, 2020, the President of the United States signed the Coronavirus Aid, Relief and Economic Security (CARES) Act into law. It was the third COVID-19 focused relief package and by far the largest in terms of scope and cost. In June 2020 and December 2020, two additional COVID-19 relief bills were enacted into law. In conjunction with the CARES Act, on June 5, 2020, the Paycheck Protection Program (PPP) Flexibility Act was signed into law. The CARES and PPP Acts provided much needed financial resources to our provider network system.

As of the date of the transmittal letter, the COVID-19 pandemic continues to affect the behavioral health system as DWIHN has seen an increase in crisis related services, suicides and suicidal thoughts, depression, anxiety and substance use disorders amongst all socio-economic backgrounds and ages.

Major Initiatives and Achievements

As one could imagine, the nationwide COVID-19 pandemic was the focal point of fiscal year 2020. Deploying additional resources and services to the citizens of Wayne County was essential to adjusting to the “new normal”. In addition, DWIHN has over three hundred employees and business had to continue despite the pandemic in an effort to continue to serve the 70,000 consumers in our system. DWIHN in conjunction with its provider network system, implemented the following initiatives:

- Expanded our psychiatric urgent care services to two provider sites located in the Downriver area and the City of Detroit. The provider sites offered extended hours, same day access and

- intake, peer support specialist and pharmacy services;
- Expanded our Crisis Stabilization Unit (CRU) to another provider site located in the City of Detroit. The CSU was 24/7 walk in crisis screening, medication management, psychiatric evaluations and a 23 hour hold safe location to stabilize the individuals;
 - Established ReachUSDetroit.org, a “warmline” where people can call, text and talk with trained clinicians about their struggles due to pandemic;
 - Established COVID Recovery Homes for persons with substance use disorders while COVID-19 positive or experiencing symptoms;
 - Established COVID temporary residential homes for COVID-19 positive (or experiencing symptoms) consumers that reside in Adult Foster Homes;
 - Expanded Telehealth services across most services as mandated by Center of Medicaid and Medicare Services (CMS);
 - Deployed over a million dollars in Personal Protection Equipment (PPE) to hundreds of consumers, providers and employees;

Despite the pandemic and its related restrictions, DWIHN continued many initiatives such as but not limited to: (1) School Success Initiative – worked with eleven (11) community mental health agencies and served over 12,000 students; and (2) Summer Youth Employment program – employed over 1,000 youth in Wayne County primarily through remote work sites.

DWIHN had several new programs and initiatives during the year – (1) Med Drop Program - supports the transition of consumers in Assertive Community Treatment (ACT) and is a community-based intervention that focuses on improving the medication adherence for adults and children directly in the consumers home 365 days a year. Those who participate generally have a 90% or better medication adherence rate, which results in few visits to psychiatric hospitals or other crisis services; and (2) Habilitation Supports Waiver (HSW) Incentive program – incentivizes providers to identify consumers that meet the medical and behavioral criteria to qualify for the special waiver program through the State of Michigan. Over the past several years, due to the shorter life span of the highly complex developmental needs of the consumers, DWIHN had difficulty meeting the minimum enrollment requirements, which could have put the statewide program at risk; and (3) DWIHN issued a Request for Proposal (RFP) for the entire Substance Use Disorder program. Prior to the RFP, the provider system was a carryover from House Bills 4862 and 4863 signed December 28, 2012, which transferred the duties of the Coordinating Agencies to the PIHP. The RFP resulted in DWIHN contracting with fifty-nine (59) providers (down from seventy-four) and allowed four (4) new providers in the SUD network.

The preparation of the basic financial statements were made possible by the dedicated service of the entire staff of 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 DWIHN staff for their continued support of the policies of this Department.

Respectfully submitted

Stacie L. Durant
Chief Financial Officer

Independent Auditor's Report

To the Board of Directors
Detroit Wayne Integrated Health Network

Report on the Financial Statements

We have audited the accompanying financial statements of Detroit Wayne Integrated Health Network (DWIHN) as of and for the year ended September 30, 2020 and the related notes to the financial statements, which collectively comprise Detroit Wayne Integrated Health Network's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 respective financial position of Detroit Wayne Integrated Health Network as of September 30, 2020 and the respective changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Detroit Wayne Integrated Health Network

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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, which 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 supplemental 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 Detroit Wayne Integrated Health Network's basic financial statements. The budgetary comparison schedule and transmittal letter are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The transmittal letter (pages 1-7) and budgetary information schedule (page 30) 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 22, 2021 on our consideration of Detroit Wayne Integrated Health Network's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Detroit Wayne Integrated Health Network'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 Detroit Wayne Integrated Health Network's internal control over financial reporting and compliance.



March 22, 2021

These financial statements are the responsibility of the management of the Detroit Wayne Integrated Health Network (DWIHN). We offer this narrative overview and analysis for the fiscal year ended September 30, 2020. We encourage readers to consider the information presented here in conjunction with the additional information furnished in the financial statements and notes to the financial statements.

Financial Highlights

Total net position	\$68,047,244
Change in total net position	\$11,825,576
Installment debt outstanding	5,697,709
Liquidity ratio	1.30

Background

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 (DWIHN). 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, DWIHN, 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 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*, DWIHN is not a discretely presented component unit of Wayne County.

DWIHN does not provide direct services to the community rather contracts with hundreds of network providers.

Dual Eligible Pilot Program (MI Health Link/MHL)

The State of Michigan selected DWIHN as one (1) of four (4) Prepaid Inpatient Health Plans to participate in the Dual-Eligible demonstration pilot project (aka MI Health Link) that began in May 2015 and extended to December 31, 2022. 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), DWIHN, and its privileged provider network. The project requires the reconfiguration of several operational areas at DWIHN. It also involved developing and negotiating five (5) contracts with ICO's.

Overview of the financial statements

This discussion and analysis are intended to serve as an introduction to DWIHN's financial statements, which include the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows, Notes to the Financial Statements, and Other Supplemental Information - Statement of Revenues, Expenses and Changes in Net Position – Budget to Actual.

In addition, DWIHN will present its financial statements as a proprietary fund.

Financial Analysis

Net position may serve over time as a useful indicator of an organizations financial position. The following depicts DWIHN net position at September 30, 2020 and 2019, respectively:

	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 189,079,362	\$ 141,973,577
Noncurrent assets- restricted	2,167,990	2,150,179
Capital assets, net	<u>13,162,855</u>	<u>13,808,246</u>
Total Assets	204,410,207	157,932,002
Current liabilities	131,127,710	96,012,566
Notes Payable	<u>5,235,253</u>	<u>5,697,768</u>
Total Liabilities	136,362,963	101,710,334
Net position:		
Invested in capital assets, net of related debt	7,465,146	7,598,373
Restricted	4,619,781	3,349,191
Unrestricted	<u>55,962,317</u>	<u>45,274,104</u>
Total net position	\$ 68,047,244	\$ 56,221,668

DWIHN current assets comprise of \$143.7 million in cash and investments held at three (3) financial institutions. In addition, approximately \$19.5 million due from the federal and state government for federal and state revenue outstanding at year end. Non-current assets consist of \$17.4 million in investments and restricted assets comprising of a collateralized construction loan related to the administrative building. Capital assets primarily relate to the acquisition of the administration building, furniture and computer equipment.

Current liabilities comprise \$83.0 million in accounts payable due to providers and vendors for services rendered but unpaid at year end. In addition, \$14.9 million due to other governments related to the direct care wage hazard pay cost settlement and federal Office of Inspector General death audit recoupment. Lastly, approximately \$28.7 million for unearned revenue related to the Medicaid savings, State General Fund carryover, and MHL pilot program.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Restricted net position relates to the PA2 funds held for substance use disorders. Unrestricted net position relates to the accumulation of local resources on hand at year end.

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

	2020	2019
Revenues		
Federal grants and contracts	\$ 18,904,151	\$ 20,671,787
State grants and contracts	781,666,671	759,932,265
Local grants and contracts	27,030,894	26,764,911
Charges for services	9,216,182	7,543,994
Interest revenue	1,172,446	1,648,084
Other revenue	116,556	-
Total revenues	838,106,900	816,561,041
Expenses		
Mental health operating	38,621,135	36,167,504
Substance use disorders	49,119,358	57,222,829
Autism services	54,652,937	61,601,219
MI HealthLink	10,016,598	7,561,523
Adult services	274,127,063	272,393,065
Children services	71,139,975	75,530,597
Intellectually Disabled	301,102,502	305,146,852
Grant programs	7,039,221	6,951,177
State of Michigan	20,238,444	20,627,268
Interest paid on debt	224,091	241,793
Total expenses	826,281,324	843,443,827
Change in Net Position	11,825,576	(26,882,786)
Net position - beginning of year	56,221,668	83,104,454
Net position - end of year	\$ 68,047,244	\$ 56,221,668

State grants and contracts comprise \$578.9 million, \$102.3 million, \$63.7 million, and \$31.4 million, in Medicaid, Healthy Michigan, Autism Medicaid, and State General fund, respectively. The \$21.7 million increase in State grants and contract revenue compared to prior year primarily relates to Governor Gretchen Whitmer's mandated \$2.00/hr. direct care worker hazard pay as a result of the pandemic; the hazard pay was effective April 1, 2020 through September 30, 2020 and amounted to \$17.6 million. Local grants and contracts comprise of the local match requirement mandated in the Mental Health Code in

addition to the PA2 substance use disorder revenue. Charges for services relates to funds received from the ICO's for the MHL pilot program; the pilot was extended to December 31, 2022.

Mental Health operating expenses comprise the salaries and fringe benefits for DWIHN staff (\$25.1 million) and other operating costs including but not limited to the ACCESS center contract (\$7.1 million), depreciation expense (\$1.3 million), and the Electronic Medical Record (EMR) system (\$1 million).

Substance Use Disorders services comprise all services and funding sources related to the treatment and prevention of persons with substance use disorders in Wayne County. The \$8.1 million decrease in services primarily relates to the decline in service delivery due to the pandemic. However, in addition, to the pandemic, there were budgeted reductions in certain rates. Autism services comprise of all services related to the treatment of children 0-21 years of age that qualified for the enhanced benefit. The \$6.9 million decrease in services primarily relates to the decline in service delivery due to the pandemic despite a financial stability payment to certain qualified providers. Adult services comprise of treatment and prevention services with our Clinically Responsible Service Providers (CRSP), inpatient hospital costs, consumers in the Wayne County Jail, hospital rate adjustment, and the COPE contract. In addition, a portion of the \$17.6 million in hazard pay is encompassed in the costs.

Children services comprise of all services related to the treatment and prevention of children with serious emotional disturbance (SED) administered by the children's CRSP, school-based initiatives, and summer youth employment program. The \$4.4 million decrease in services as compared to prior year relates to the decline in service delivery due to the pandemic. Intellectually Developmental Disabled (IDD) services comprise of all treatment services administered through the CRSP, including services administered through Community Living Services for consumers under self-determination. In addition, a portion of the \$17.6 million in hazard pay is encompassed in the costs. The \$4.0 million decrease in services relates to the decline in service delivery due to the pandemic despite a financial stability payment to certain qualified providers.

Payments to the State of Michigan totaled \$20.2 million and comprise the local match payment to drawdown federal funds, local state hospital costs and the Insurance Provider Assessment Act (IPPA) tax payments.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following shows a comparison of the final amended budget to actual results in the Statement of Revenue, Expenses, and Changes in Net Position:

	Final Amended Budget	Actual	Increase (Decrease)
Operating revenues			
Federal grants and contracts	\$ 22,442,339	\$ 18,904,151	\$ (3,538,188)
State grants and contracts	777,542,352	781,666,671	4,124,319
Local grants and contracts	22,089,636	27,030,894	4,941,258
Charges for services	7,611,523	9,216,182	1,604,659
Total operating revenues	829,685,850	836,817,898	7,132,048
Operating expenses			
Salaries and fringes	\$ 27,852,906	25,077,695	(2,775,211)
Substance use disorders	53,903,846	49,119,358	(4,784,488)
Autism services	61,585,478	54,652,937	(6,932,541)
MI HealthLink	7,561,523	10,016,598	2,455,075
Adult services	257,211,163	274,127,063	16,915,900
Children services	76,727,599	71,139,975	(5,587,624)
Intellectually Disabled	302,594,270	301,102,502	(1,491,768)
Grant programs	8,118,341	7,039,221	(1,079,120)
State of Michigan	20,650,188	20,238,444	(411,744)
Operating costs	12,975,536	12,216,129	(759,407)
Depreciation	1,545,000	1,327,311	(217,689)
Total operating expenses	\$ 830,725,850	\$ 826,057,233	(4,668,617)
Operating income (loss)	(1,040,000)	10,760,665	11,800,665
Non-operating revenue (expense)			
Interest expense	(260,000)	(224,091)	35,909
Gain on sale of assets	-	116,556	116,556
Investment earnings	1,300,000	1,172,446	(127,554)
Total non-operating revenue	1,040,000	1,064,911	24,911
Change in net position	\$ -	11,825,576	\$ 11,825,576
Net position - beginning of year		56,221,668	
Net position - end of year		\$ 68,047,244	

Budgetary Highlights

DWIHN adopted an annual operating budget by October 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:

	Adopted Budget	Final Amended Budget	Variance Over (Under)
Federal grants and contracts	\$ 21,492,016	\$ 22,442,339	\$ 950,323
State grants and contracts	756,444,772	777,542,352	21,097,580
Local grants and contracts	21,726,986	22,089,636	362,650
Other operating revenue	5,703,189	7,611,523	1,908,334
Total operating revenues	805,366,963	829,685,850	24,318,887
Salaries and related fringes	\$ 27,136,547	\$ 27,852,906	\$ 716,359
Substance use disorders	55,097,052	53,903,846	(1,193,206)
Autism services	48,840,741	61,585,478	12,744,737
MI HealthLink	11,268,090	7,561,523	(3,706,567)
Adult Services	249,031,529	257,211,163	8,179,634
Children Services	70,171,851	76,727,599	6,555,748
Intellectually Disabled	302,028,034	302,594,270	566,236
Grant Programs	8,289,357	8,118,341	(171,016)
State of Michigan	20,650,188	20,650,188	-
Operating costs	12,348,574	12,975,536	626,962
Depreciation	1,545,000	1,545,000	-
Total operating expenses	\$ 806,406,963	\$ 830,725,850	\$ 24,318,887
Nonoperating Revenue (expense)			
Interest paid on debt	(260,000)	(260,000)	-
Investment earnings	1,300,000	1,300,000	-
	1,040,000	1,040,000	-
Change in net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Economic Factors and Next Year's Budget

- On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. While the COVID-19 pandemic

could have an adverse effect on DWIHN's operations over time, no impairments were recorded as of the statement of net position date, as no triggering events or changes in circumstances had occurred as of year-end; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. DWIHN continues to evaluate the impact of COVID-19, but the extent of the impact cannot be reasonably estimated at this time.

- There has been a significant migration from Disabled Aged and Blind (DAB) to Temporary Assistance for Needy Families (TANF) and Healthy Michigan Plan (HMP) enrollments. This migration has resulted in approximately \$67 million in lost Medicaid. When a consumer's Medicaid lapses, the State of Michigan Bridges System automatically enrolls the consumer in HMP despite the consumer being previously considered disabled (DAB). In addition, there is a belief that DHS workers are steering consumers to TANF and HMP enrollment given the cumbersome DAB process.
- Several years ago, MDHHS established a workgroup amongst the Community Mental Health Services Program (CMHSP) to review and make recommendations on how State General Fund will be allocated between the CMHSP's; the workgroup's recommendation included a \$22 million reduction to DWIHN appropriation over five years; FY20 was the third year of the plan. The Governor's FY20 recommended budget included the workgroups recommendation; however, the legislation provided a one-time partial supplemental that lessened the reduction and provided a one-year reprieve; the future of DWIHN's general fund is unknown.

Requests for Information

This financial report is designed to provide a general overview of DWIHN's finances. Questions concerning any of the financial information or requests for additional financial information, should be addressed to the following:

Detroit Wayne Integrated Health Network
Chief Financial Officer
707 W. Milwaukee
Detroit, Michigan 48202

Detroit Wayne Integrated Health Network

Statement of Net Position

September 30, 2020

Assets

Current assets:

Cash and cash equivalents (Note 3)	\$ 140,477,411
Investments (Note 3)	3,267,393
Receivables: (Note 5)	
Accounts receivable	8,065,863
Due from other governmental units	19,507,716
Prepaid expenses and other assets	329,553

Total current assets 171,647,936

Noncurrent assets:

Restricted cash (Note 2)	2,167,990
Investments (Note 3)	17,431,426
Capital assets: (Note 6)	
Assets not subject to depreciation	1,016,746
Assets subject to depreciation - Net	12,146,109

Total noncurrent assets 32,762,271

Total assets 204,410,207

Liabilities

Current liabilities:

Accounts payable	83,066,178
Due to other governmental units	14,896,899
Due to Charter County of Wayne, Michigan	1,846,425
Accrued wages and benefits	364,408
Unearned revenue	28,708,840
Compensated absences (Note 7)	1,782,504
Current portion of long-term debt (Note 7)	462,456

Total current liabilities 131,127,710

Noncurrent liabilities - Long-term debt (Note 7) 5,235,253

Total liabilities 136,362,963

Net Position

Net investment in capital assets	7,465,146
Restricted for substance abuse disorder PA2	4,619,781
Unrestricted	55,962,317

Total net position \$ 68,047,244

Detroit Wayne Integrated Health Network

Statement of Revenue, Expenses, and Changes in Net Position

Year Ended September 30, 2020

Operating Revenue	
State grants and contracts	\$ 781,666,671
Charges for services	9,216,182
Local grants and contracts	27,030,894
Federal grants and contracts	18,904,151
Total operating revenue	<u>836,817,898</u>
Operating Expenses	
Personnel	18,367,157
Fringe benefits	6,710,538
Substance disorder services	49,119,358
Autism services	54,652,937
MI Health Link	10,016,598
Adult services	274,127,063
Children services	71,139,975
Intellectually disabled	301,102,502
Grant programs	7,039,221
State of Michigan	20,238,444
Operating costs	12,216,129
Depreciation	1,327,311
Total operating expenses	<u>826,057,233</u>
Operating Income	10,760,665
Nonoperating Revenue (Expense)	
Investment income	1,172,446
Gain on sale of assets	116,556
Interest expense	(224,091)
Total nonoperating revenue	<u>1,064,911</u>
Change in Net Position	11,825,576
Net Position - Beginning of year	<u>56,221,668</u>
Net Position - End of year	<u><u>\$ 68,047,244</u></u>

Detroit Wayne Integrated Health Network

Statement of Cash Flows

Year Ended September 30, 2020

Cash Flows from Operating Activities

Cash received from state and federal sources	\$ 827,034,008
Cash received from local sources	32,877,522
Payments to providers and suppliers	(776,914,063)
Payments to employees	<u>(28,370,419)</u>
Net cash provided by operating activities	54,627,048

Cash Flows from Capital and Related Financing Activities

Proceeds from sale of assets	183,456
Net purchase of capital assets	(748,820)
Principal and interest paid on capital debt	<u>(736,255)</u>
Net cash used in capital and related financing activities	(1,301,619)

Cash Flows from Investing Activities

Interest received on investments	1,172,446
Purchases of investment securities	<u>4,671,234</u>
Net cash and cash equivalents provided by investing activities	<u>5,843,680</u>

Net Increase in Cash and Cash Equivalents

59,169,109

Cash and Cash Equivalents - Beginning of year

83,476,292

Cash and Cash Equivalents - End of year

\$ 142,645,401

Classification of Cash and Cash Equivalents

Cash and investments	\$ 140,477,411
Restricted cash	<u>2,167,990</u>
Total cash and cash equivalents	<u><u>\$ 142,645,401</u></u>

Reconciliation of Operating Income to Net Cash from Operating Activities

Operating income	\$ 10,760,665
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	1,327,311
Changes in assets and liabilities:	
Account receivable	811,840
Due from other governmental units	2,561,476
Prepaid and other assets	326,984
Accrued wages and benefits	(78,641)
Accounts payable	4,895,604
Accrued wages and compensated absences	825,757
Unearned revenue	22,865,929
Due to Charter County of Wayne, Michigan	426,710
Due to other governmental units	<u>9,903,413</u>
Net cash provided by operating activities	<u><u>\$ 54,627,048</u></u>

September 30, 2020

Note 1 - Nature of Business

The financial statements of the Detroit Wayne Integrated Health Network (DWIHN) have been prepared in conformity with generally accepted accounting principles (GAAP), as applicable to governmental units. The more significant of DWIHN's accounting policies are described below.

Reporting Entity

Under the provisions of the Michigan Legislature Public Acts 375 and 376 of 2012, and effective October 1, 2013, Detroit Wayne Integrated Health Network was created for the purpose of providing a comprehensive array of mental health and substance use services for the Charter County of Wayne, Michigan (the "County") residents, such as, but not limited to, inpatient, outpatient, partial day, residential, case management, prevention, consultation, and education. DWIHN was previously a department within the County. DWIHN 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 DWIHN. The duties were previously performed by the City of Detroit, Michigan and SEMCA, referred to as the "Coordinating Agencies."

Program Operations

DWIHN'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 DWIHN. DWIHN is subject to federal government and Michigan Department of Health and Human Services (MDHHS) rules and regulations and the Code. DWIHN contracts with over 350 organizations. DWIHN provides administrative oversight and very little direct services to consumers.

Board of Directors

The board consists of 12 members, 6 recommended by the mayor of the City of Detroit, Michigan and 6 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

DWIHN 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 DWIHN to leverage federal dollars and 10 percent 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, DWIHN 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.

September 30, 2020

Note 2 - Significant Accounting Policies

Report Presentation

This report includes the fund-based statements of DWIHN. In accordance with government accounting principles, a government-wide presentation with program and general revenue is not applicable to special purpose governments engaged only in business-type activities.

DWIHN adopted Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*. Under GASB No. 34, DWIHN is classified as a special purpose government and is required to present statements required for enterprise funds. DWIHN reports its operations in the basic financial statements in an enterprise fund. The Medicaid Risk Reserve Fund is governed by the contract with the MDHHS and is restricted for cost overruns related to the Medicaid contract. The net position in the Medicaid Risk Reserve Fund at September 30, 2020 was \$0.

Proprietary funds distinguish operating revenue 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 revenue of DWIHN is charges related to serving its consumers (including primarily per member per month capitation and state and county appropriations). Operating expenses for DWIHN 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 operations of the fund are 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 purpose 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. Proprietary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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. This enterprise fund of DWIHN accounts for its general operations and also reports amounts restricted for the Medicaid Risk Reserve allowed by the contract with MDHHS.

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

Cash and Cash Equivalents

DWIHN's cash and cash equivalents are held in depository accounts, institutional money market accounts, and short-term investments with a maturity of three months or less when acquired.

Investments

Investments are reported at fair value or estimated fair value. Short-term investments are reported at cost, which approximates fair value.

Note 2 - Significant Accounting Policies (Continued)

Accounts Receivable and Due from Other Governmental Units

Accounts receivable represent balances due from the integrated care organizations (ICOs) related to the MI Health Link program. In addition, DWIHN cost-settles with certain providers 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. Management considers all accounts receivable collectible, and, therefore, an allowance for uncollectibles has not been recorded at September 30, 2020. Due from other governmental units represents revenue not yet received from the state and federal government.

Prepaid Expenses

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses in the accompanying statement of net position.

Capital Assets

Capital assets are defined by DWIHN as assets with an individual cost 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 acquisition value at the time of the donation. Capital assets are depreciated using the straight-line method over a period of 5-20 years.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

	Depreciable Life - Years
Buildings and improvements	20
Office equipment	5-7
Vehicles	5-7
Software	10
Computers	5-7
Leasehold improvements	4-5

Restricted Cash

The restricted cash balance of \$2,167,990 is maintained per DWIHN's construction loan agreements.

Due to Charter County of Wayne, Michigan

Amounts due to the Charter County of Wayne, Michigan include amounts owed to the jails, Third Circuit Court, and Children and Family Services for services rendered.

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 represents amounts owed to the State of Michigan.

September 30, 2020

Note 2 - Significant Accounting Policies (Continued)

Compensated Absences

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

Unearned Revenue

DWIHN reports unearned revenue in connection with resources that have been received but not yet earned. Unearned revenue includes amounts of \$28,708,840 of MDHHS contract funding for Healthy Michigan savings and General Fund carryover that was unearned at September 30, 2020 and will be carried over to be expended in the subsequent fiscal year.

State Grants and Contracts Revenue

DWIHN's primary funding source was from the State of Michigan through Medicaid (traditional and Healthy Michigan) and state General Fund contracts totaling approximately \$744.9 million and \$31.4 million, respectively, for the year ended September 30, 2020; this includes prior years' saving and carryovers. The remaining balance was composed of various other state grant contracts.

Direct Contracts

Direct contracts would consist of mental health, substance use disorders, autism services, MI HealthLink, adult services, children services, and intellectually disabled programs. DWIHN contracts with various community-based organizations to deliver mental health and substance use disorder (SUD) services to adults, individuals with developmental disabilities, and children with serious emotional disturbances. In addition, DWIHN contracts with several county departments to administer mental health services, including but not limited to the jails, Children and Family Services, and Third Circuit Court.

Use of Estimates

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

Upcoming Accounting Pronouncements

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. DWIHN is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for DWIHN's financial statements for the year ended September 30, 2020 but were extended to September 30, 2021 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

Note 2 - Significant Accounting Policies (Continued)

In June 2017, the Governmental Accounting Standards Board issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. DWIHN is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for DWIHN's financial statements for the year ending September 30, 2021 but were extended to September 30, 2022 with the issuance of GASB Statement No.95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including March 22, 2021, which is the date the financial statements were available to be issued.

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

DWIHN has designated three banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments in any securities allowed under the act. DWIHN's deposits and investment policies are in accordance with statutory authority.

DWIHN's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, DWIHN's deposits may not be returned to it. At year end, DWIHN had approximately \$140,000,000 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. DWIHN believes that, due to the dollar amounts of cash deposits and the limits of Federal Deposit Insurance Corporation (FDIC) insurance, it is impractical to insure all deposits. As a result, DWIHN evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. DWIHN'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.

September 30, 2020

Note 3 - Deposits and Investments (Continued)

At year end DWIHN had the following investments and maturities:

Investment	Carrying Value	Less Than 1	
		Year	1-5 Years
Municipal obligations	\$ 6,054,463	\$ 856,610	\$ 5,197,853
U.S. federal agencies	5,083,552	-	5,083,552
U.S. government obligations	2,568,755	-	2,568,755
Negotiable certificates of deposit	1,188,603	497,721	690,882
Inflation index bonds	306,679	-	306,679
Collateralized mortgage obligations	3,181,923	1,423,760	1,758,163
Mortgage-backed securities	2,314,844	489,302	1,825,542
Total	<u>\$ 20,698,819</u>	<u>\$ 3,267,393</u>	<u>\$ 17,431,426</u>

Credit Risk

State law limits investments to specific government securities, certificates of deposit and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds, and qualified external investment pools, as identified in the list of authorized investments above. DWIHN's investment policy does not have specific limits in excess of state law on investment credit risk. As of year end, DWIHN's investments were rated as follows:

Investment	Fair Value	Rating	Rating Organization
Municipal obligations	\$ 6,054,463	Aa1	Moody's
U.S. federal agencies	5,083,552	Aaa	Moody's
U.S. government obligations	2,568,755	Aaa	Moody's
Negotiable certificates of deposit	1,188,603	N/R	N/A
Inflation index bonds	306,679	Aaa	Moody's
Collateralized mortgage obligations	3,181,923	Aaa	Moody's
Mortgage-backed securities	2,314,844	N/R	N/A
Total	<u>\$ 20,698,819</u>		

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. DWIHN's investment policy specifies that no more than 40 percent of the total investment portfolio will be invested in a single security type, and no more than 40 percent of the total investment portfolio shall be invested in assets issued or managed by a single financial institution. At September 30, 2020, DWIHN had all investments held in various certificates of deposit and other securities.

Note 4 - Fair Value Measurements

DWIHN categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

Note 4 - Fair Value Measurements (Continued)

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. DWIHN's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

DWIHN has the following recurring fair value measurements as of September 30, 2020:

	Assets Measured at Fair Value on a Recurring Basis		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets			
Debt securities:			
Municipal obligations	\$ -	\$ 6,054,463	\$ -
U.S. federal agencies	-	5,083,552	-
U.S. government obligations	-	2,568,755	-
Negotiable certificates of deposit	-	1,188,603	-
Inflation index bonds	-	306,679	-
Collateralized mortgage obligations	-	3,181,923	-
Mortgage-backed securities	-	2,314,844	-
Total assets	\$ -	\$ 20,698,819	\$ -

The fair value of DWIHN's investments at September 30, 2020 was determined primarily based on Level 2 inputs. DWIHN estimates the fair value of these investments using the matrix pricing model, which includes inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Note 5 - Accounts Receivable and Due from Other Governmental Units

DWIHN cost settles with the certain providers for amounts in excess of payments and costs incurred for services. The accounts receivable balance at September 30, 2020 was approximately \$8.1 million, of which approximately \$4.6 million is due from certain providers for cost settlements; \$0.2 million is due from an ICO; \$0.7 million is due from Wayne County, Michigan for Public Act 2 funds; and an additional \$2.6 million in miscellaneous other receivables.

The due from other governmental units balance at September 30, 2020 was approximately \$19.5 million. This consists of \$18.9 million due from the State of Michigan and \$0.6 million due from the federal government.

September 30, 2020

Note 6 - Capital Assets

Capital asset activity of DWIHN was as follows:

Business-type Activities

	Balance October 1, 2019	Additions	Disposals and Adjustments	Balance September 30, 2020
Capital assets not being depreciated:				
Land	\$ 858,000	\$ -	\$ (18,000)	\$ 840,000
Construction in progress	26,981	149,765	-	176,746
Subtotal	884,981	149,765	(18,000)	1,016,746
Capital assets being depreciated:				
Buildings and improvements	13,345,621	76,300	(72,000)	13,349,921
Computers	1,262,051	328,283	-	1,590,334
Vehicles	5,806	-	-	5,806
Office equipment	1,611,959	-	-	1,611,959
Software	2,535,929	212,472	-	2,748,401
Leasehold improvements	126,249	-	-	126,249
Subtotal	18,887,615	617,055	(72,000)	19,432,670
Accumulated depreciation:				
Buildings and improvements	2,112,474	666,224	(5,100)	2,773,598
Computers	873,739	186,862	-	1,060,601
Office equipment	1,067,620	303,461	-	1,371,081
Software	1,881,548	128,681	-	2,010,229
Leasehold improvements	28,969	42,083	-	71,052
Subtotal	5,964,350	1,327,311	(5,100)	7,286,561
Net capital assets being depreciated	12,923,265	(710,256)	(66,900)	12,146,109
Net capital assets	\$ 13,808,246	\$ (560,491)	\$ (84,900)	\$ 13,162,855

Note 7 - Long-term Debt

On August 28, 2014 and last amended on June 10, 2016, DWIHN signed a seven-year term and a seven-year construction note payable (20-year amortization period) with Flagstar Bank totaling \$6.96 million for the construction phase on the new headquarters, which matures in 2023. On the same day, DWIHN also entered into a five-year equipment note with Flagstar for \$1.24 million for the purchase of the office furniture and fixtures, which matures in 2021. As of September 30, 2020, DWIHN's long-term debt was as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Direct borrowings and direct placements -		\$7,326 -					
General obligations	3.3% - 3.8%	\$3,297,000	\$ 6,209,873	\$ -	\$ 512,164	\$ 5,697,709	\$ 462,456
Accumulated compensated absences			956,747	1,443,117	617,360	1,782,504	1,782,504
Total			\$ 7,166,620	\$ 1,443,117	\$ 1,129,524	\$ 7,480,213	\$ 2,244,960

Note 7 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

Annual debt service requirements to maturity for the above liability are as follows:

Years Ending September 30	Principal	Interest	Total
2021	\$ 462,456	\$ 204,785	\$ 667,241
2022	273,631	191,841	465,472
2023	4,961,622	580,642	5,542,264
Total	<u>\$ 5,697,709</u>	<u>\$ 977,268</u>	<u>\$ 6,674,977</u>

The Flagstar construction note payable requires certain financial covenants and reporting requirements. DWIHN management asserts that they are in compliance with the debt service ratio requirement for the year ended September 30, 2020.

Note 8 - Risk Management

DWIHN 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. DWIHN has purchased commercial insurance policies to cover property, torts, employee injuries, and medical benefits. Accruals for claims, litigation, and assessments are recorded by DWIHN when those amounts are estimable and probable at year end.

Note 9 - Defined Contributions Pension Plan

DWIHN provides pension benefits to all of its full-time employees through a defined contribution plan administered by the Michigan Employees' Retirement System (MERS). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are required to contribute. The plan provides for the employee to contribute up to a 2 percent pretax contribution and up to an 8 percent employer match. Union employees are fully vested after three years of service, and employees at will are fully vested after one year of service.

The employee and employer contributions for the defined contribution plan were \$367,284 and \$1,469,830, respectively, for the year ended September 30, 2020.

Note 10 - Commitment and Contingent Liabilities

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 2, DWIHN 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 DWIHN. 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 DWIHN. The amount, if any, of costs that may be disallowed by the grantor or contract agencies cannot be determined at this time, although DWIHN expects such amounts, if any, to be immaterial.

DWIHN 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 DWIHN's management and counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

Other Supplemental Information

Detroit Wayne Integrated Health Network

Other Supplemental Information

Statement of Revenue, Expenses, and Changes in Net Position Budgetary Comparison Year Ended September 30, 2020

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Operating Revenue				
State grant and contracts	756,444,772	777,542,352	781,666,671	4,124,319
Charges for services	5,703,189	7,611,523	9,216,182	1,604,659
Local grants and contracts	21,726,986	22,089,636	27,030,894	4,941,258
Federal grants and contracts	21,492,016	22,442,339	18,904,151	(3,538,188)
Total operating revenue	805,366,963	829,685,850	836,817,898	7,132,048
Operating Expenses				
Personnel	19,851,539	20,375,586	18,367,157	2,008,429
Fringe benefits	7,285,008	7,477,320	6,710,538	766,782
Substance disorder services	55,097,052	53,903,846	49,119,358	4,784,488
Autism services	48,840,741	61,585,478	54,652,937	6,932,541
MI Health Link	11,268,090	7,561,523	10,016,598	(2,455,075)
Adult services	249,031,529	257,211,163	274,127,063	(16,915,900)
Children services	70,171,851	76,727,599	71,139,975	5,587,624
Intellectually disabled	302,028,034	302,594,270	301,102,502	1,491,768
Grant programs	8,289,357	8,118,341	7,039,221	1,079,120
State of Michigan	20,650,188	20,650,188	20,238,444	411,744
Operating costs	12,348,574	12,975,536	12,216,129	759,407
Depreciation	1,545,000	1,545,000	1,327,311	217,689
Total expenses	806,406,963	830,725,850	826,057,233	4,668,617
Operating (Loss) Revenue	(1,040,000)	(1,040,000)	10,760,665	11,800,665
Nonoperating Revenue (Expense)				
Investment income	1,300,000	1,300,000	1,172,446	(127,554)
Gain on sale of assets	-	-	116,556	116,556
Interest paid on debt	(260,000)	(260,000)	(224,091)	35,909
Total nonoperating revenue	1,040,000	1,040,000	1,064,911	24,911
Change in Net Position	\$ -	\$ -	\$ 11,825,576	\$ 11,825,576