Year Ended
September 30, 2014

Financial Statements and Other Supplementary Information

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DETROIT WAYNE MENTAL HEALTH AUTHORITY

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DETROIT WAYNE MENTAL HEALTH AUTHORITY

Transmittal Letter

March 31, 2015

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, 2014 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.

This is the first year the Authority prepared its new 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's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

Profile 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.

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 12 members appointed by county commissioners for three year staggering terms. The law also required the CMH board approve an annual budget and state financing was charged to an appropriation of 90% state funds, with the counties responsible for the remaining 10%.

DETROIT WAYNE MENTAL HEALTH AUTHORITY

Transmittal Letter

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 Community Health (MDCH). A conditional contract was awarded pending completion of all actions identified in the AFP, including an approved work plan to bid out the system by June 2014. The Public Acts, Enabling Resolution and AFP were the main driving forces that shaped Board membership, the executive leadership team, limitations upon financial support of Wayne County programs, the transition plan from County government, and a new programmatic vision in compliance with State and Federal mandates.

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.

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 Use Disorder 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.

The Authority provides services in coordination and collaboration with over eighty (80) contractors, including five (5) Managers of Comprehensive Provider Networks (MCPNs) and two (2) Coordinating Agencies for substance use disorders (SUD). The MCPNs are Carelink Network and Gateway Community Health for individuals with mental illness and Community Living Services (CLS), Consumer Link Network, and Synergy Partners LLC for individuals with developmental disabilities. The Coordinating Agencies are the City of Detroit's Bureau of Substance Abuse for residents in Detroit and the Southeast Michigan Community Alliance (SEMCA) for out-county residents.

Major Initiatives and Achievements

The Authority was charged with several monumental tasks in its first year – (1) transition from County services; (2) hiring a leadership team; (3) re-procurement of the MCPN system; (4) locating a new building site for home offices; (5) planning of the integration of Substance Use Disorders; and (6) planning to implement the Duals Eligible Pilot Project.

As previously mentioned, the public acts were not signed until December 2012 and went into effect October 1, 2013. The AFP requires that key positions were filled and in place within a prescribed timeframe. Such positions include but are not limited to: Chief Executive Officer, Chief Financial Officer, Chief Information Officer and Chief Medical Director. All key personnel were hired and in place by December 31, 2014.

In addition, the Authority had to maintain essential services and infrastructure such as personnel, information technology (IT) and fiscal operations. The Authority continued to purchase IT infrastructure, lease space in a County building, the future site of the new Red Wings Hockey stadium, and other fiscal services (i.e. payroll). The Authority was charged with transitioning from the County over the course of the fiscal year; the Authority successfully completed the transition within the year.

The AFP specifically outlined that the MCPN system had to be competitively procured by October 1, 2014 and in place by January 1, 2015. Under the County, the prior contracts had expired for several years and were operating on year to year contract amendments. A Request for Proposal was developed, let, evaluated and approved and the new contracts were in place within the AFP deadlines.

Transmittal Letter

On August 28, 2014, the Authority purchased a new home with three (3) parking lots for its administrative team for $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 M1 rail system. We hope to move into our new home by August 1, 2015.

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 set to begin 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; all contracts are in place and the Authority operations are in place to implement the pilot project.

Finally, a second 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 by 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 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

Rehmann

Rehmann Robson

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INDEPENDENT AUDITORS' REPORT

March 31, 2015

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, 2014, 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, 2014, 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 31, 2015, 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, 2014. 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.

As October 1, 2013 was the beginning of the Authority's operations, no prior year amounts are available for comparison.

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 County Executive and the Mayor of the City of Detroit 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 Comprehensive Annual Financial Report (CAFR) of the Charter County of Wayne (the "County") as a special revenue fund.

On June 6, 2013, the Wayne County Commission approved Enabling Resolution 2013-392 (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 in the County's general cash account. On October 1, 2013, the County would retain 75% of the Authority's cash balance ($48 million) decreasing each October 1 by 25% ($16 million) until October 1, 2016; the cash is an asset of the Authority, and the Authority has full access to the funds to meet its obligations.

The Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 69, *Government Combinations and Disposals of Government Operations,* and transferred all assets and liabilities of the Agency to the newly created Authority. The net activity is shown as a special item on the Statement of Revenues, Expenses, and Changes in Fund Net Position.

The Authority does not provide direct services to the community rather contracts with the Managers of Comprehensive Provider Network (MCPN) 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.

In accordance with 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.

Adoption of the Affordable Care Act

In December 2013 (effective April 1, 2014), the Michigan Legislative approved and the Governor signed into law the Affordable Care Act, whereby millions of uninsured consumers will be eligible for Medicaid aka Healthy Michigan Plan (HMP). In addition, as a result of the Act, the State eliminated the Adult Benefit Waiver (ABW) program for uninsured adults with no children. These consumers were automatically enrolled in HMP.

Management's Discussion and Analysis

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 financial statements 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, 2014:

	Net Position 2014
Current and other assets	$ 138,188,097
Capital assets, net	4,765,576
Total assets	142,953,673
Current liabilities	71,161,524
Net position	
Investment in capital assets	4,765,576
Restricted	34,556,895
Unrestricted	32,469,678
Total net position	$ 71,792,149

Current assets and other assets includes $22.0 million held in the County's pooled cash and investment account. In addition, $34.6 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 $56.2 million held in a depository account with Flagstar Bank.

Current liabilities consist of accounts payable of $31.6 million to various service providers, amounts due to the County for $2.0 million of services provided by County departments and $14.2 million of pension and healthcare expenses incurred but unpaid at year end, and unearned revenue, which includes Healthy Michigan savings and State general fund carryover of $9.3 million and $4.7 million, respectively.

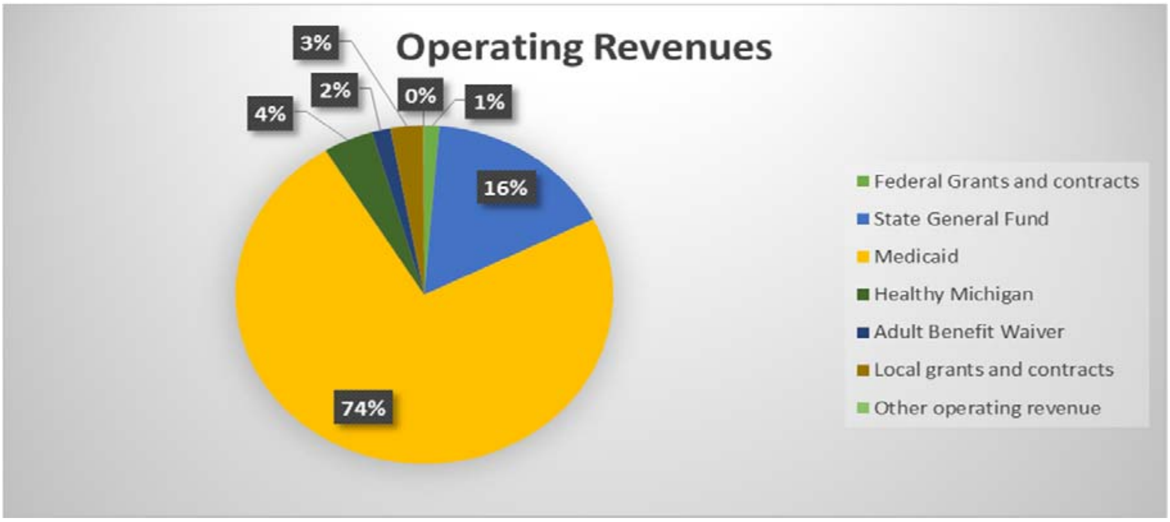
Invested in capital assets consists primarily of the purchase of the new Authority headquarters located in the historical New Center area in Detroit, Michigan. The Authority purchased the building and three (3) parking lots for approximately $2.8 million with construction renovations estimated for completion by August 1, 2015.

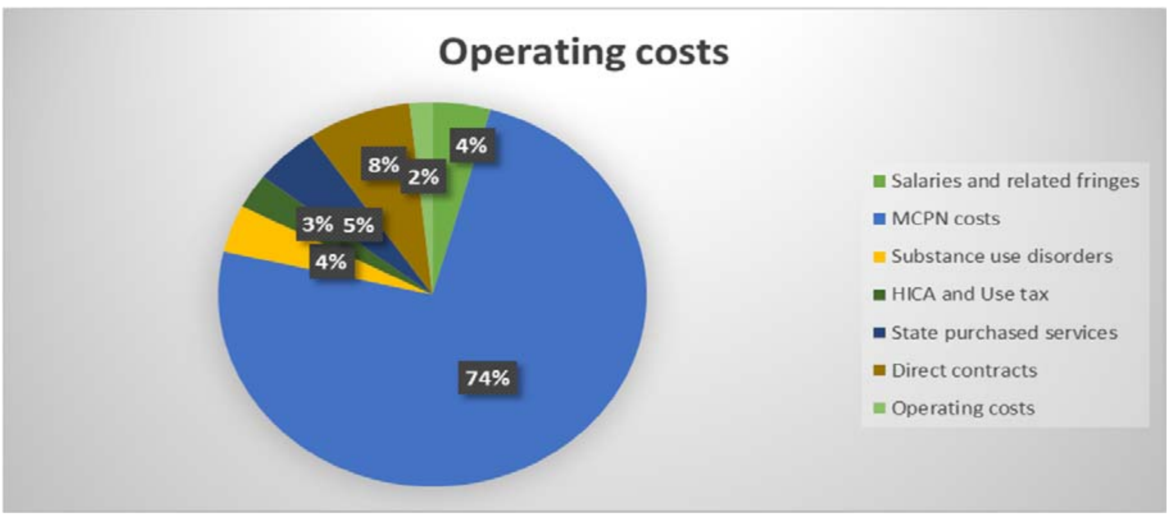
Unrestricted net position includes $15,317,247 of the MCPN's net position held at September 30, 2014. The MCPN net position balance is an asset of the Authority and reported in prepayments and deposits.

DETROIT WAYNE MENTAL HEALTH AUTHORITY

Management's Discussion and Analysis

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.





	Final Amended Budget	Actual	Variance Over (Under)
Operating revenues			
Federal grants	$ 10,722,814	$ 8,167,566	$ (2,555,248)
State grants and contracts	606,903,873	636,153,200	29,249,327
Local grants and contracts	18,942,101	18,741,667	(200,434)
Charges for services	-	368,746	368,746
Total operating revenues	636,568,788	663,431,179	26,862,391
Operating expenses			
Personnel	8,606,078	10,190,350	1,584,272
Fringe benefits	6,888,718	5,558,008	(1,330,710)
MCPN services	479,094,805	489,948,864	10,854,059
Direct contracts	53,424,660	51,803,411	(1,621,249)
Substance disorder services	27,213,350	26,356,216	(857,134)
State purchased services	35,386,939	32,655,326	(2,731,613)
HICA and use tax	15,206,237	19,128,742	3,922,505
Operating costs	11,384,593	11,353,935	(30,658)
Depreciation	-	199,392	199,392
Total expenses	637,205,380	647,194,244	9,988,864
Operating income (loss)	(636,592)	16,236,935	16,873,527
Nonoperating revenues			
Interest revenue	636,592	410,046	(226,546)
Change in net position before special item	$ -	16,646,981	$ 16,646,981
Special item		55,145,168	
Change in net position		$ 71,792,149	

State grants include $508.5 million, $10.2 million and $104.9 million in Medicaid, Adult Benefit Waiver and State General Funds, respectively. The Medicaid includes $37.6 million in Healthy Michigan Plan. The Authority received a $28 million reduction in State General Fund revenue (operations); however, the funding was replaced with approximately $37.6 million in Healthy Michigan Plan for the six month period April 1, 2014 through September 30, 2014; ABW funds were also eliminated in April. The HMP population included Substance Use Disorder (SUD) services to consumers previously financed under the State SUD Block grants funds through the Coordinating Agencies (CAs). The variance in state grants primarily consist of prior year’s deferred Medicaid carryover ($18 million) and State General fund savings ($4.2 million).

Local grants primarily consists of $18.7 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.

Management's Discussion and Analysis

Salaries and related fringes represent the salaries, benefits and pension costs for approximately one hundred and eighty (180) Authority employees and contractual staff. The increase in salaries as compared to budget resulted from the hiring of several staff budgeted for as part of County chargebacks.

MCPN costs represent the costs incurred by the five (5) MCPNs – Carelink Network, Consumer Link Network, Community Living Services, Gateway Health Systems and Synergy Partners. The amount includes up to four and a half (4.5)% administrative costs. The MCPNs spent approximately $10.9 million of the prior year Medicaid carryover.

Substance use disorders represent the costs incurred to the two Coordinating Agencies (CAs) – SEMCA and the City of Detroit (via Institute for Population Health). The CAs are responsible for the administration of all substance use disorder services to residents of Detroit and Wayne County. The Authority funded the CAs traditional Medicaid, ABW and HMP for $17.2 million, $2.9 million and $6.3 million, respectively.

The Authority enters into contracts directly with providers for a certain service 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 and ABW are subject to State of Michigan Use and HICA taxes which was approximately $19.1 million.

Operating costs include Wayne County purchased services ($2.2 million), building rental ($1 million), Access Center ($5 million), and annual maintenance of our electronic Claims Record system ($1 million).

The special item represents the transfer of assets and liabilities of the Agency at October 1, 2013, including adjustments for unavailable deferred revenue, capital assets, accrued compensated absences, unfunded pensions, and unfunded other postemployment benefits (OPEB). The Agency was reported as a special revenue fund under the modified accrual basis of accounting in prior year; however, the special item was restated under the full accrual basis of accounting.

Management's Discussion and Analysis

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	$ 9,206,547	$ 10,722,814	$ 1,516,267
State grants and contracts	614,133,196	606,903,873	(7,229,323)
Local grants and contracts	20,024,778	18,942,101	(1,082,677)
Total operating revenues	643,364,521	636,568,788	(6,795,733)
Operating expenses			
Personnel	$ 8,395,899	$ 8,606,078	$ 210,179
Fringe benefits	5,167,614	6,888,718	1,721,104
MCPN services	505,392,501	479,094,805	(26,297,696)
Direct contracts	56,897,739	53,424,660	(3,473,079)
Substance disorder services	20,213,350	27,213,350	7,000,000
State purchased services	29,500,000	35,386,939	5,886,939
HICA and use tax	4,793,134	15,206,237	10,413,103
Operating costs	13,640,876	11,384,593	(2,256,283)
Total expenses	644,001,113	637,205,380	(6,795,733)
Operating income (loss)	(636,592)	(636,592)	-
Nonoperating revenues			
Interest revenue	636,592	636,592	-
Change in net position	$ -	$ -	$ -

There were several significant changes in state grants and contracts however the net impact primarily resulted from the State of Michigan reducing the Authority's Medicaid capitation by approximately $30 million as compared to prior year; the MCPN's and a few direct providers budget was the offset. The increase in substance use disorder expenses related to additional HMP revenues appropriated effective April 1, 2014. The increase in HICA and Use tax expenses related to the restoration by the State of Michigan of the 6% Use tax on all Medicaid effective April 1, 2014. The increase in state purchased services resulted from an increase in state facilities rates by as much as 47% at certain facilities and consistent with the amended State of Michigan appropriation.

Economic Factors and Next Year's Budget

- Effective October 1, 2014, House Bills 4862 and 4863 signed December 28, 2012 transferred the duties of the Coordinating Agencies to the Prepaid Inpatient Health Plan (PIHP). The CA's were responsible for the administration of substance use disorders services to Detroit and Wayne County residents; the current Wayne County CA's are the City of Detroit (via Institute for Population Health) and SEMCA. The impact is an increase in revenues of approximately $17.5 million and $2.5 million in Block grants and Public Act 2 (PA2) funds, respectively.

- As a result of the State of Michigan increase to the Medicaid capitation payment by approximately $28 million for the fiscal year ended September 30, 2015, the Authority budgeted $10 million to replenish the Medicaid savings; the Authority's Medicaid savings carried over on October 1, 2013 was fully exhausted during the year.

- The budget includes a 2% Cost of Living Adjustment (COLA) for Authority employees including continued full restoration of the County furlough days to staff.

- The budget includes a significant reduction in State General Funds for County programs. Subject to funding, the Authority has continued a modest budget to the County child and adult jail facilities.

- The budget also includes the elimination of retiree healthcare benefit for active employees. The Authority will continue to fund a Voluntary Employee Benefit Association (VEBA) plan or similar plan; however, employee participation and contributions are required.

- Reductions to certain State General Fund programs continue due to the significant reduction in the State of Michigan appropriation from $104 million to $68 million at 2014 and 2015, respectively.

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 Finance Department, 640 Temple Street, Detroit, MI 48201.

BASIC FINANCIAL STATEMENTS

DETROIT WAYNE MENTAL HEALTH AUTHORITY

Statement of Net Position

September 30, 2014

	Enterprise Fund Mental Health
Assets	
Current assets	
Cash and cash equivalents (Note 4)	$ 112,798,815
Accounts receivable, net (Note 5)	302,123
Due from other governmental units (Note 5)	9,769,912
Prepayments and deposits (Note 2)	15,317,247
Total current assets	138,188,097
Noncurrent assets (Note 6)	
Capital assets not being depreciated	540,000
Capital assets being depreciated, net	4,225,576
Total noncurrent assets	4,765,576
Total assets	$ 142,953,673
Liabilities (all current - Note 2)	
Accounts payable	$ 31,584,342
Due to other governmental units	7,119,546
Due to Charter County of Wayne	16,246,885
Accrued wages and benefits	1,219,614
Unearned revenue (Note 10)	14,266,487
Compensated absences	724,650
Total liabilities (all current)	71,161,524
Net position (Note 2)	
Investment in capital assets	4,765,576
Restricted for risk financing - Medicaid ISF (Note 8)	34,556,895
Unrestricted	32,469,678
Total net position	$ 71,792,149

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, 2014

	Enterprise Fund
	Mental Health
Operating revenues	
Federal grants	$ 8,167,566
State grants and contracts (Note 2)	636,153,200
Local grants and contracts	18,741,667
Charges for services	368,746
Total operating revenues	663,431,179
Operating Expenses	
Personnel	10,190,350
Fringe benefits	5,558,008
MCPN services	489,948,864
Direct contracts	51,803,411
Substance disorder services	26,356,216
State purchased services	32,655,326
HICA and use tax	19,128,742
Operating costs	11,353,935
Depreciation	199,392
Total operating expenses	647,194,244
Operating income	16,236,935
Nonoperating revenue	
Interest revenue	410,046
Change in net position before special item	16,646,981
Special item	
Transfer of operations from Charter County of Wayne (Note 9)	55,145,168
Change in net position	71,792,149
Net position, beginning of year	-
Net position, end of year	$ 71,792,149

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, 2014

	Enterprise Fund Mental Health
Cash flows from operating activities	
Cash received from state and federal sources	$ 634,774,504
Cash received from local sources	18,985,951
Cash payments to employees	(14,151,930)
Cash payments to suppliers for goods and services	(575,137,612)
Net cash provided by operating activities	64,470,913
Cash flows from capital and related financing activities	
Purchase of capital assets	(4,108,757)
Cash flows from investing activities	
Cash contribution from Charter County of Wayne	52,026,613
Interest received	410,046
Net cash provided by investing activities	52,436,659
Change in cash and cash equivalents	112,798,815
Cash and cash equivalents, beginning of year	-
Cash and cash equivalents, end of year	$ 112,798,815

continued...

DETROIT WAYNE MENTAL HEALTH AUTHORITY

Statement of Cash Flows

For the Year Ended September 30, 2014

	Enterprise Fund Mental Health
Reconciliation of operating income to net cash provided by operating activities	
Operating income	$ 16,236,935
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	199,392
Changes in assets and liabilities:	
Accounts receivable	(124,462)
Due from other governmental units	869,870
Prepayments and deposits	10,504,582
Accounts payable	(448,360)
Due to other governmental units	(4,542,559)
Due to Charter County of Wayne	50,595,219
Accrued wages & benefits	871,778
Unearned revenue	(10,416,132)
Compensated absences	724,650
Net cash provided by operating activities	$ 64,470,913

Noncash transactions

As a part of the transfer of the operations of the Detroit Wayne Mental Health Authority from the Charter County of Wayne, the Authority received a contribution of all assets and liabilities during the year. Those items are detailed in note 9.

concluded.

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

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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.

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 Community Health (MDCH) rules and regulations and the Code. The Authority contracts with Managed Care 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.

Changing 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 MDCH 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 MDCH 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 Community Health, as restricted net position on the Statement of Net Position. The Medicaid Risk Reserve Fund is governed by the contract with the MDCH 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 MDCH.

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 due from various service providers for overpayments from the Authority. The amounts of overpayment are determined through audits and/or cost reconciliation. An allowance for uncollectables 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

Prepayments are comprised of reserves held by MCPNs who contract with the Authority. They are allowed to be maintained by the MCPNs in order to maintain cash for operations. These amounts are included in the Authority's records in order to capture them in the Authority's risk reserve balance reported to the State of Michigan and are assets of the Authority.

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 consumer services provided by the county as well as 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 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, 2014. The remaining balance was comprised of various other State grant contracts.

MCPN Services

The Authority contracts with MCPNs to deliver mental health services to adults, individuals with development disabilities and children with serious emotional disturbances. Expenses include payments for current year services and amounts for prior year under or over payments determined through year end cost settlement reconciliations.

Direct Contracts

The Authority contracts with various community based organization to deliver mental health 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, Prosecutor 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

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, $88,615,563 of the Authority's bank balance of $88,865,563 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At year-end, the carrying amount of the Authority's equity in held in the County's pooled cash and investments was $21,997,641. Because it is infeasible to allocate risk to individual funds, aggregate cash and investment categorizations are presented in the County's CAFR.

The Authority held fixed income municipal bonds with a fair value of $2,148,186 on September 30, 2014. The interest rate ranges from three to five percent and the bonds mature on October 1, 2014 and May 1, 2015.

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, 2014, the Authority's investments were rated by Standard and Poor's as follows:

	Municipal Bonds
Rating	
AA	$ 710,050
AA-	1,438,136
	$ 2,148,186

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, 2014, 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 $2,148,186 on September 30, 2014. The interest rate ranges from three to five percent and the bonds mature on October 1, 2014 and May 1, 2015 (less than one year).

5. ACCOUNTS RECEIVABLE AND DUE FROM OTHER GOVERNMENTAL UNITS

Accounts receivable represent balances due from various Service Providers for prior year overpayments from the Authority and accrued interest income. The amounts of overpayments are determined through audits and final cost settlements. The accounts receivable balance at September 30, 2014 was $302,123, which is reported on the balance sheet net of an allowance for doubtful accounts of $210,015.

Due from other governmental units at September 30, 2014 consists of $3,147,207 due from the federal government and $6,622,705 due from the State of Michigan.

6. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2014 was as follows:

	Transferred Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated -				
Land	$ -	$ 540,000	$ -	$ 540,000
Capital assets being depreciated:				
Buildings	-	2,415,956	-	2,415,956
Computers	46,286	494,170	-	540,456
Office equipment	-	94,653	-	94,653
Software	1,363,000	563,978	-	1,926,978
	1,409,286	3,568,757	-	4,978,043
Accumulated depreciation:				
Buildings	-	-	-	-
Computers	39,117	41,701	-	80,818
Office equipment	-	4,733	-	4,733
Software	513,958	152,958	-	666,916
	553,075	199,392	-	752,467
Total capital assets being depreciated, net	856,211	3,369,365	-	4,225,576
Total capital assets, net	$ 856,211	$ 3,909,365	$ -	$ 4,765,576

The capital assets of the Detroit-Wayne County Community Mental Health Agency were transferred to the Authority on October 1, 2013. The Authority recorded the net book value of the assets as of October 1, 2013. The transfer includes the Mental Health Wellness Network (MHWIN), used to maintain the claims system for a net book value of approximately $849,000.

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 prorate costs. The lease expires on August 31, 2015 and the rental payment was $1,004,269 for the year ended September 30, 2014.

8. RESTRICTED NET POSITION

Contributions are allowed under the MDCH 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, 2014, contributions totaled $0 whereas $35,112,225 was transferred from the Charter County of Wayne and reported as a special item on the statement of revenue, expenses and changes in fund net position. The Authority incurred $859,788 of ISF expenses and earned $304,458 of investment income for the year ended September 30, 2014.

Notes to Financial Statements

9. SPECIAL ITEM - TRANSFER OF OPERATIONS

In accordance with GASB Statement No. 69, *Government Combinations and Disposals of Government Operations,* the Authority adopted and transferred the Agency's fund balance of $68,728,913 at September 30, 2013. The Agency's fund balance was reported on a modified accrual basis for the year ended September 30. 2013. The amount was increased (decreased) and reported as a special item in the statement of revenues, expenses and changes in fund net position for prior year unavailable but earned revenue, accrued compensated absences, estimated settlements related to pensions and other postemployment obligations, and net capital assets by $352,710, ($631,190), ($14,161,476) and $856,211, respectively, to reflect the accrual basis of accounting.

10. UNEARNED REVENUE

Unearned includes amounts for $14,000,147 of MDCH contract funding ($9,271,820 of Healthy Michigan Medicaid savings and $4,728,327 of GF carryforward) and other unspent grants of $266,340 that were unearned at September 30, 2014 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. WCERS continues to provide the four defined benefit retirement options, three of which are contributory, which includes the defined contribution plan to the transferred Authority employees. 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.

The Authority sponsors 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. Employees are required to contribute to the plan and provides for the employee to contribute a 2 percent pre tax contribution with an 8 percent employer match. The employee and employer contributions for all plans were $158,607 and $1,927,137 respectively for the year ended September 30, 2014. The Authority continues to participate in the County's deferred compensation plan established in accordance with IRS Code Section 457.

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, 2013 and who qualify for benefits under such a plan at the time of their retirement. The Authority and County continue to negotiate a final settlement for this liability; however, the Authority has estimated the outstanding liability to be approximately $8.1 million as of September 30, 2014, all of which was paid to the County in February 2014.

12. OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS

In accordance with the Mental Health Code and Resolution 2013-392, Authority employees that transferred from the County continued to participate in the County's other postemployment benefits under a single-employer defined benefit plan on a pay-as-you go basis until September 30, 2014. 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 continue to negotiate a final settlement for this liability; however, the Authority has estimated the outstanding balance to be approximately $6.0 million as of September 30, 2014, of which approximately $5 million was paid to the County in February 2014. The Authority continues to participate in the County's mandatory Voluntary Employee Benefit Association Plan (VEBA). Per the collective bargaining agreement, the employee contributes 2 percent pre tax and the employer contributes a 5 percent match.

As an new entity, the Authority was required to hold an election to determine whether they will opt for Social Security benefits through the Social Security Administration (Section 218). On August 28, 2014, the employees elected to contribute to social security.

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 MDCH. MDCH 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 MDCH 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. The Authority has recorded a liability of $680,000 related to the ongoing lawsuit involving the County and Wayne County Retirement Employees' Retirement System known as the "13th check" lawsuit.

On August 28, 2014, the Authority signed a seven (7) 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 (5) year equipment loan with Flagstar for $1.24 million for the purchase of the office furniture and fixtures. As of September 30, 2014, the Authority has not drawn down on any funds from these loans. The Authority has no liability related to these loans until the initial maturity date (the date on which the Authority begins to draw down on the loan). The Authority expects to begin drawing down on the loans in January, 2015, and have drawn down all of the funds by July, 2015. As such the Authority will record this debt in the Authority's fiscal year 2015.

14. SUBSEQUENT EVENTS

On February 6, 2015, the Authority terminated the contract with WCERS to manage and administrator the defined contribution and deferred compensation plans. Effective April 1, 2015, the Municipal Employees' Retirement System (MERS) will manage and administrator the plans. The terms of the plans are the same under MERS. In addition, MERS will manage and administrator the post employment benefit plan for active employees.

In December 2014, in accordance with Resolution 2013-392, the Authority transferred $10 million to the County's pooled cash and investment. In addition, as of March 31, 2015, the Authority has drawn down $422,186 on the notes payable.

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SUPPLEMENTARY INFORMATION

DETROIT WAYNE MENTAL HEALTH AUTHORITY

Supplementary Information

Budgetary Comparison Schedule (Unaudited)
For the Year Ended September 30, 2014

	Original Budget	Final Amended Budget	Actual	Variance Over (Under)
Operating revenues				
Federal grants	$ 9,206,547	$ 10,722,814	$ 8,167,566	$ (2,555,248)
State grants and contracts	614,133,196	606,903,873	636,153,200	29,249,327
Local grants and contracts	20,024,778	18,942,101	18,741,667	(200,434)
Charges for services	-	-	368,746	368,746
Total operating revenues	643,364,521	636,568,788	663,431,179	26,862,391
Operating expenses				
Personnel	8,395,899	8,606,078	10,190,350	1,584,272
Fringe benefits	5,167,614	6,888,718	5,558,008	(1,330,710)
MCPN services	505,392,501	479,094,805	489,948,864	10,854,059
Direct contracts	56,897,739	53,424,660	51,803,411	(1,621,249)
Substance disorder services	20,213,350	27,213,350	26,356,216	(857,134)
State purchased services	29,500,000	35,386,939	32,655,326	(2,731,613)
HICA and use tax	4,793,134	15,206,237	19,128,742	3,922,505
Operating costs	13,640,876	11,384,593	11,353,935	(30,658)
Depreciation	-	-	199,392	199,392
Total operating expenses	644,001,113	637,205,380	647,194,244	9,988,864
Operating income (loss)	(636,592)	(636,592)	16,236,935	16,873,527
Nonoperating revenue				
Interest revenue	636,592	636,592	410,046	(226,546)
Change in net position before special item	$ -	$ -	16,646,981	$ 16,646,981
Special item				
Transfer of operations from Charter County of Wayne			55,145,168	
Change in net position			$ 71,792,149	