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# Detroit Wayne Integrated Health Network

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**Financial Report  
with Supplemental Information  
September 30, 2021**

# Detroit Wayne Integrated Health Network

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March 16, 2022

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, 2021 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 laws 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.

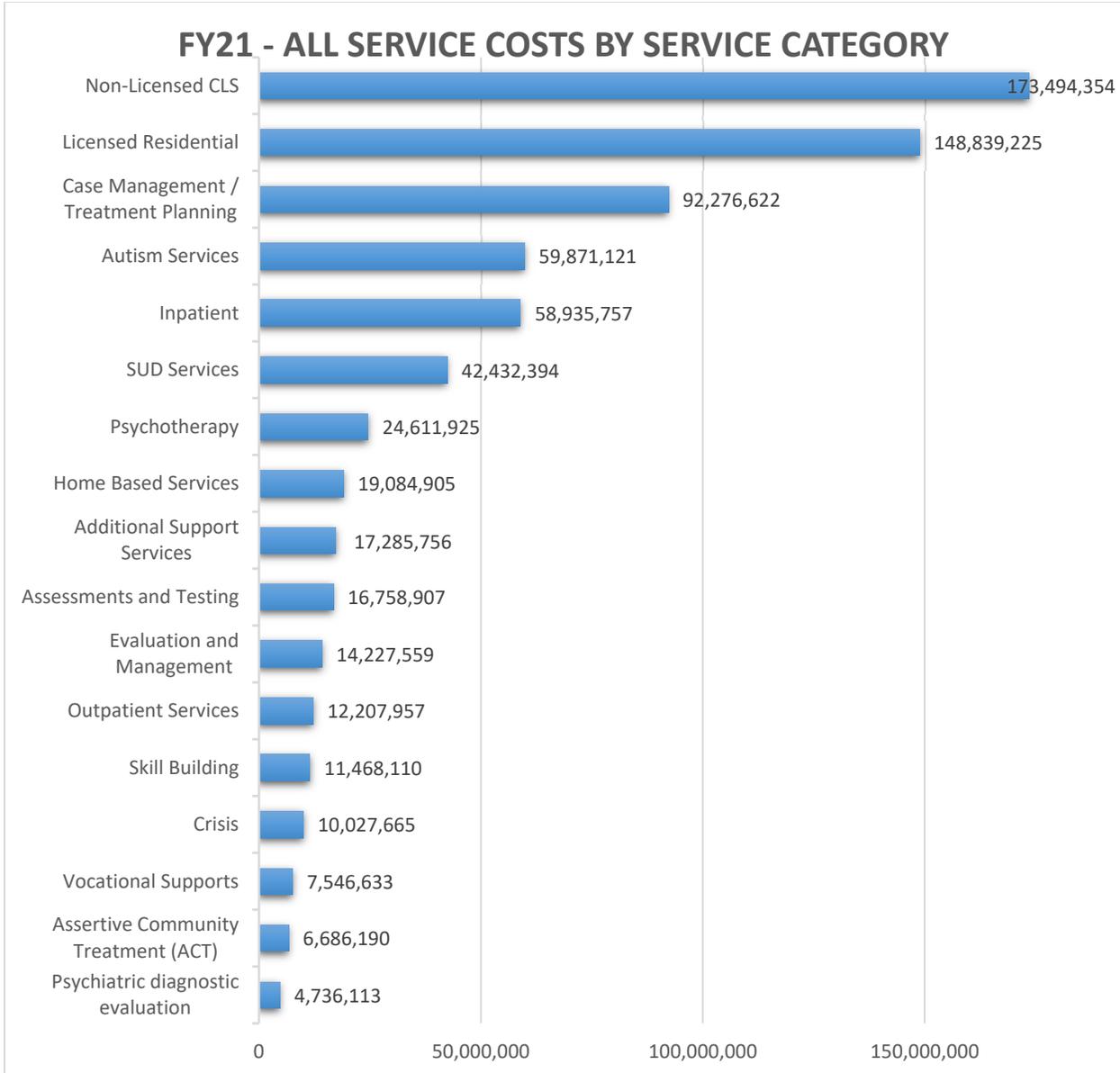
DWIHN has prepared its financial reporting requirements as prescribed by the GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis-for State and Local Governments* (GASB 34). This GASB Statement requires that management provide a narrative introduction, overview, 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 thousand (70,000) 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 19<sup>th</sup> 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 FY21:

TRANSMITTAL LETTER

<b><i>Population by Race</i></b>	<b><i>Population</i></b>	<b><i>Percentage</i></b>
Black/African American	40,158	55%
White	23,202	31%
Other race	8,456	11%
Unreported	2,658	4%
<b><i>Population by Service Area</i></b>		<b><i>Percentage</i></b>
Detroit	37,034	52%
Out-County	34,657	48%
<b><i>Population by Age</i></b>	<b><i>Population</i></b>	<b><i>Percentage</i></b>
Children (under 18)	16,409	22%
Adults (18-21)	3,776	5%
Adults (22-50)	32,141	45%
Adults (51-64)	15,927	22%
Adults (over 65)	5,448	7%
<b><i>By Disability Designation</i></b>	<b><i>Population</i></b>	<b><i>Percentage</i></b>
Adults with MI	44,101	65%
Children with SED	11,919	18%
Individuals with an I/DD	11,724	17%
SUD -Served (co-occurring with other populations)	15,129	
<b><i>Insurance</i></b>	<b><i>Consumers</i></b>	<b><i>Percentage</i></b>
Medicaid	47,747	61%
Healthy Michigan Plan	18,037	23%
General Fund/Spend-down	7,107	9%
MiHealthLink	5,399	7%



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.

**DWIHN Board of Directors**

Angelo Glenn, Chairperson  
 Kenya Ruth, Vice-Chairperson  
 Dora Brown, Treasurer  
 Dr. Cynthia Taueg, Secretary  
 Dorothy Burrell  
 Dr. Lynn Carter  
 Michelle Jawad  
 Jonathan C. Kinloch  
 Kevin McNamara  
 Bernard Parker

**DWIHN Substance Use Oversight Policy Board**

Thomas Adams, Chairperson  
 Dr. Cynthia Arfken, Vice Chair  
 Thomas Fielder  
 Angelo Glenn  
 Jonathan C. Kinloch  
 Margo Martin  
 Kevin McNamara  
 Jim Perry  
 William Riley  
 Ronald Taylor

**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 provide 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. I/DD 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 four hundred (400) providers and contractors.

## **Threats to the Behavioral Health System**

### Proposed Legislation

There are two proposals, HB 4925-4929 and SB 597-598, that would replace and/or eliminate the Prepaid Inpatient Health Plans (PIHP) and potentially the Community Mental Health Specialty Program (CMHSP). The passing of either proposal could result in significant changes to DWIHN however the impact is unknown at this time.

### 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.

Throughout the pandemic, DWIHN has worked in partnership with MDHHS to make available PPE supplies available to those providers who found themselves in critical need. We additionally worked to secure testing sites early on and had thousands of persons tested for coronavirus throughout various countywide locations. We have helped to educate and share information amongst our provider network, community stakeholders, persons served and posted information on our website.

### Workforce Shortage Crisis

The Michigan workforce shortage has been called “The Great Resignation” and many believe the pandemic, unemployment benefits that surpassed minimum wage, an increase in persons pursuing entrepreneurship opportunities, and the increase in demand for work from home jobs, has caused the crisis. These factors have led to a shortage in clinical workers across the State of Michigan and many of DWIHN provider network have experienced significant challenges in retaining and recruiting qualified staff.

## **Major Initiatives and Achievements**

### Bringing Access Center in House

Effective February 1, 2021, DWIHN went live with the transition of Access Call Center, which was previously outsourced to PHC Wellplace Inc. The newly created department has implemented operational strategies to move toward “First Call Resolution” which focuses on addressing individual needs within the first call whenever possible. Since the transition, the call center implemented initiatives to meet the Access Call Center standards of Abandon <5%, Average Speed to Answer of 30 seconds, 80% of calls answered, and 80% Service Level. DWIHN Mental Health and SUD screenings have increased by 14% and the Call Center has taken 7% more calls when compared to the same period in 2020.

### Provider Technology and Infrastructure Initiative

DWIHN’s Information Technology (IT) Department worked closely with other departments and the provider network in rolling out a Technology Improvement Initiative across several lines of business to aid the providers and members by providing state of art equipment including four hundred forty (440) laptops, four hundred ten (410) iPads, two hundred twenty-five (225) hotspots and eighteen months (18) of prepaid internet service. The equipment allows members to continue engagement in a variety of telehealth services.

Standardized Functional Assessment and HIE

DWIHN's IT department worked closely with the clinical team on enabling a standardized Individual Plan of Service (IPOS) across all lines of business. As part of enabling the standardized IPOS, it was transmitted across the provider network into DWIHN's central repository through a Health Information Exchange (HIE) framework. This ensured there was a real-time transfer of critical clinical documents for both notification purposes as well as using the Standardized Utilization Guidelines (SUG) that were implemented based upon best clinical practices and medical necessity using standard functional assessments like LOCUS, SIS, CAFAS, PECFAS etc.

The initiative ensures seamless operations and facilitates the completeness and accuracy of both internal and external audits. In addition, the initiative reduces paper and allows real-time access to clinical documents.

Retention Payment, Excess Overtime Reimbursement and Financial Stability Payments

In recognition of the difficult year faced due to the global pandemic and increased demands on the workforce, in accordance with *2CFR Part 200.430 Compensation*, DWIHN offered a retention payment to all employees in the Wayne County provider network that served DWIHN members that were employed on September 30, 2021. In addition, DWIHN paid out an additional payment to the residential providers for excess overtime incurred due to the workforce shortage. A survey was sent out to the eligible providers that requested specific information; the providers that responded received the payments.

The aforementioned payments were in addition to financial stability payments made to qualified providers based on reduced utilization due to the pandemic and social distancing requirements.

The preparation of the basic financial statements was 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 the Department.

Respectfully submitted

*Stacie L. Durant*

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, 2021 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, 2021 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

**Other Matters**

*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 16, 2022 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 16, 2022

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, 2021. 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	\$132,785,776
Change in total net position	\$64,738,532
Installment debt outstanding	\$ 5,235,238
Liquidity ratio	1.5

### **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, 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 provides limited direct services to the community through 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 (PIHP) 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. 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's net position at September 30, 2021 and 2020, respectively:

	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 301,551,635	\$ 171,647,936
Noncurrent assets	23,726,757	19,619,416
Capital assets, net	<u>12,960,459</u>	<u>13,142,855</u>
<b>Total Assets</b>	<b>338,238,851</b>	<b>204,410,207</b>
Current liabilities	200,491,468	131,127,710
Notes Payable	<u>4,961,607</u>	<u>5,235,253</u>
<b>Total Liabilities</b>	<b>205,453,075</b>	<b>136,362,963</b>
Net position:		
Invested in capital assets, net of related debt	7,725,221	7,465,146
Restricted	66,177,165	4,619,781
Unrestricted	<u>58,883,390</u>	<u>55,962,317</u>
<b>Total net position</b>	<b><u>\$ 132,785,776</u></b>	<b><u>\$ 68,047,244</u></b>

DWIHN current assets comprise of \$273 million in cash and investments held at five (5) financial institutions. In addition, approximately \$21.3 million due from the federal and state government for federal and state revenue outstanding at year end. Non-current assets consist of \$21.6 million in investments held with investment managers and \$2.1 million for 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 \$131.1 million in accounts payable due to providers and vendors for services rendered but unpaid at year end. In addition, \$24.5 million due to other governments relate to the direct care wage hazard pay cost settlement and federal Office of Inspector General death audit recoupment. Lastly, approximately \$42.1 million for unearned revenue relate to the Medicaid savings and State General Fund carryover.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Restricted net position comprises \$6.5 million in PA2 funds held for substance use disorders and \$59.7 million in a Medicaid Internal Service Fund. 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.

	<u>2021</u>	<u>2020</u>
<b>Revenues</b>		
Federal grants and contracts	\$ 17,995,040	\$ 18,904,151
State grants and contracts	874,168,508	781,666,671
Local grants and contracts	28,270,640	27,030,894
Charges for services	7,560,547	9,216,182
Interest revenue	301,860	1,172,446
Other revenue	1,709,471	116,556
<b>Total revenues</b>	<u>930,006,066</u>	<u>838,106,900</u>
<b>Expenses</b>		
Mental health operating	38,306,349	38,621,135
Substance use disorders	44,357,162	49,119,358
Autism services	61,747,159	54,652,937
MI HealthLink	11,853,276	10,016,598
Adult services	283,375,111	274,127,063
Children services	69,262,742	71,139,975
Intellectually Disabled	330,988,348	301,102,502
Grant programs	6,039,389	7,039,221
State of Michigan	19,133,166	20,238,444
Interest paid on debt	204,832	224,091
<b>Total expenses</b>	<u>865,267,534</u>	<u>826,281,324</u>
Change in Net Position	64,738,532	11,825,576
Net position - beginning of year	<u>68,047,244</u>	<u>56,221,668</u>
Net position - end of year	<u>\$ 132,785,776</u>	<u>\$ 68,047,244</u>

State grants and contracts comprise \$701.2 million, \$138.6 million, and \$30.7 million in Medicaid, Healthy Michigan and State General fund, respectively. The \$92.5 million increase in State grants and contract revenue compared to prior year primarily relates to Governor Gretchen Whitmer's mandated direct care worker hazard pay as a result of the pandemic. The hazard pay was effective April 1, 2020 through September 30, 2021 and amounted to \$38.1 million in fiscal year 2021 compared to \$17.8 million in fiscal

year 2020. The remaining difference relates to an increase in Medicaid funding. 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 relate 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 (\$28.4 million) and other operating costs including but not limited to the Access center contract (\$2.7 million), depreciation expense (\$1.2 million), and the Electronic Medical Record (EMR) system (\$1.2 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 \$4.7 million decrease in services primarily relates to the decline in service delivery due to the pandemic and workforce shortages despite financial stability payments to certain qualified providers. Autism services comprise of all services related to the treatment of children 0-21 years of age that qualified for the enhanced benefit. The \$7.0 million increase in services primarily relate to financial stability payments to certain qualified providers in addition to increased service utilization compared to prior year. 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. The \$9.3 million increase in costs result from financial stability payments to certain qualified providers. In addition, a portion of the \$38.1 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 programs. The reductions in the program are primarily related to the continued effects of the pandemic and workforce shortages despite significant financial stability payments to certain qualified providers. Intellectually Developmental Disabled (IDD) services comprise of all treatment services administered through the CRSP, including services administered through Community Living Services for self-directed consumers. The \$29.9 million increase in costs relate to the financial stability payments to providers, in addition, a significant portion of the \$38.1 million in hazard pay is encompassed in the costs.

Payments to the State of Michigan totaled \$19.1 million and comprise the local match payment to drawdown federal funds, local state hospital costs and the Insurance Provider Assessment Act (IPA) 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:

	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Increase (Decrease)</u>
Operating revenues			
Federal grants and contracts	\$ 21,297,200	\$ 17,995,040	\$ (3,302,160)
State grants and contracts	836,733,354	874,168,508	37,435,154
Local grants and contracts	22,639,636	28,270,640	5,631,004
Charges for services	<u>9,926,123</u>	<u>9,297,889</u>	<u>(628,234)</u>
<b>Total operating revenues</b>	<u>890,596,313</u>	<u>929,732,077</u>	<u>39,135,764</u>
Operating expenses			
Salaries and fringes	\$ 31,379,229	28,357,695	(3,021,534)
Substance use disorders	52,967,279	44,357,162	(8,610,117)
Autism services	61,307,641	61,747,159	439,518
MI HealthLink	9,876,123	11,853,276	1,977,153
Adult services	289,953,760	283,375,111	(6,578,649)
Children services	83,181,972	69,262,742	(13,919,230)
Intellectually Disabled	320,910,816	330,988,348	10,077,532
Grant programs	8,436,960	6,039,389	(2,397,571)
State of Michigan	20,840,188	19,133,166	(1,707,022)
Operating costs	10,715,553	8,741,720	(1,973,833)
Depreciation	<u>1,766,792</u>	<u>1,206,934</u>	<u>(559,858)</u>
<b>Total operating expenses</b>	<u>\$ 891,336,313</u>	<u>\$ 865,062,702</u>	<u>(26,273,611)</u>
<b>Operating income (loss)</b>	(740,000)	64,669,375	65,409,375
Non-operating revenue (expense)			
Interest expense	(260,000)	(204,832)	55,168
Loss on sale of assets	-	(27,871)	(27,871)
Investment earnings	<u>1,000,000</u>	<u>301,860</u>	<u>(698,140)</u>
<b>Total non-operating revenue</b>	740,000	69,157	(670,843)
Change in net position	<u>\$ -</u>	64,738,532	<u>\$ 64,738,532</u>
Net position - beginning of year		<u>68,047,244</u>	
Net position - end of year		<u>\$ 132,785,776</u>	

**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	\$ 21,136,201	\$ 21,297,200	\$ 160,999
State grants and contracts	799,789,662	836,733,354	36,943,692
Local grants and contracts	22,089,636	22,639,636	550,000
Other operating revenue	7,526,123	9,926,123	2,400,000
<b>Total operating revenues</b>	<b>850,541,622</b>	<b>890,596,313</b>	<b>40,054,691</b>
Salaries and related fringes	\$ 31,324,943	\$ 31,379,229	\$ 54,286
Substance use disorders	54,759,105	52,967,279	(1,791,826)
Autism services	61,428,739	61,307,641	(121,098)
MI HealthLink	7,216,050	9,876,123	2,660,073
Adult Services	276,569,510	289,953,760	13,384,250
Children Services	67,773,348	83,181,972	15,408,624
Intellectually Disabled	306,271,185	320,910,816	14,639,631
Grant Programs	8,307,525	8,436,960	129,435
State of Michigan	20,840,188	20,840,188	-
Operating costs	15,024,237	10,715,553	(4,308,684)
Depreciation	1,766,792	1,766,792	-
<b>Total operating expenses</b>	<b>\$ 851,281,622</b>	<b>\$ 891,336,313</b>	<b>\$ 40,054,691</b>
<b>Nonoperating Revenue (expense)</b>			
Interest paid on debt	(260,000)	(260,000)	-
Investment earnings	1,000,000	1,000,000	-
	740,000	740,000	-
Change in net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The \$36.9 million budget adjustment to state grants and contracts relates to the Governor's mandated hazard pay for direct care workers in the behavioral health care system, which includes services performed by providers in the adult, children and Intellectually Developmental Disabled programs.

**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 are two (2) significant healthcare redesign bills proposed by Senator Mike Shirkey and State Representative Mary Whiteford that would essentially eliminate Prepaid Inpatient Health Plans (PIHP) throughout the state. The proposed legislation is expected to go before the House of Representatives and/or Senate in the near future however due to the uncertainty, no impairments were recorded in the financial statements.
- Several years ago, MDHHS established a workgroup amongst the Community Mental Health Services Programs (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's appropriation over five years; FY21 was the fourth year of the plan. The Governor's FY21 recommended budget included the workgroups recommendation; however, the legislation provided \$5 million supplemental that lessened the reduction and provided a short-term reprieve. The Public Health Emergency, which is set to expire on April 16, 2022, provided a significant reprieve however the future of DWIHN's general fund is unknown at this time.
- DWIHN's provider network is experiencing staff shortage and capacity issues. The combination of the pandemic and overall shortage of clinicians in the State of Michigan has resulted in delays in service provision and increased burnout due to higher caseloads. Staff report that documentation requirements at the CMHSP level and higher paying jobs with health plans and hospitals are a driving force for leaving the CMHSP provider network. MDHHS has formed several initiatives and workgroups to address the statewide issue. As funding permits, DWIHN will continue to offer financial stability payments, value-based incentives and retention payments to the provider network to assist in the recruiting efforts.

**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, 2021

### Assets

#### Current assets:

Cash and cash equivalents (Note 3)	\$ 266,727,347
Investments (Note 3)	6,291,684
Receivables: (Note 5)	
Accounts receivable	6,851,782
Due from other governmental units	21,305,426
Prepaid expenses and other assets	375,396

Total current assets 301,551,635

#### Noncurrent assets:

Restricted cash (Note 2)	2,173,413
Investments (Note 3)	21,553,344
Capital assets: (Note 6)	
Assets not subject to depreciation	1,932,169
Assets subject to depreciation - Net	11,028,290

Total noncurrent assets 36,687,216

Total assets 338,238,851

### Liabilities

#### Current liabilities:

Accounts payable	131,105,276
Due to other governmental units	24,488,153
Accrued wages and benefits	1,125,220
Unearned revenue	42,141,703
Compensated absences (Note 7)	1,357,485
Current portion of long-term debt (Note 7)	273,631

Total current liabilities 200,491,468

Noncurrent liabilities - Long-term debt (Note 7) 4,961,607

Total liabilities 205,453,075

### Net Position

Net investment in capital assets 7,725,221

#### Restricted:

Restricted for substance abuse disorder PA2	6,460,149
Restricted for risk financing - Medicaid ISF	59,717,016

Unrestricted 58,883,390

Total net position **\$ 132,785,776**

## Detroit Wayne Integrated Health Network

### Statement of Revenue, Expenses, and Changes in Net Position

Year Ended September 30, 2021

<b>Operating Revenue</b>	
State grants and contracts	\$ 874,168,508
Charges for services	9,297,889
Local grants and contracts	28,270,640
Federal grants and contracts	<u>17,995,040</u>
Total operating revenue	929,732,077
<b>Operating Expenses</b>	
Personnel	20,771,157
Fringe benefits	7,586,538
Substance use disorder services	44,357,162
Autism services	61,747,159
MI Health Link	11,853,276
Adult services	283,375,111
Children services	69,262,742
Intellectually disabled	330,988,348
Grant programs	6,039,389
State of Michigan	19,133,166
Operating costs	8,741,720
Depreciation	<u>1,206,934</u>
Total operating expenses	<u>865,062,702</u>
<b>Operating Income</b>	64,669,375
<b>Nonoperating Revenue (Expense)</b>	
Investment income	301,860
Loss on sale of asset	(27,871)
Interest expense	<u>(204,832)</u>
Total nonoperating revenue	<u>69,157</u>
<b>Change in Net Position</b>	64,738,532
<b>Net Position - Beginning of year</b>	<u>68,047,244</u>
<b>Net Position - End of year</b>	<u><u>\$ 132,785,776</u></u>

## Detroit Wayne Integrated Health Network

### Statement of Cash Flows

Year Ended September 30, 2021

#### Cash Flows from Operating Activities

Cash received from state and federal sources	\$ 909,051,444
Cash received from local sources	29,619,450
Payments to providers and suppliers	(772,361,456)
Payments to employees	<u>(31,510,018)</u>
Net cash provided by operating activities	134,799,420

#### Cash Flows from Capital and Related Financing Activities

Net purchase of capital assets	(1,032,409)
Principal and interest paid on capital debt	<u>(667,303)</u>
Net cash used in capital and related financing activities	(1,699,712)

#### Cash Flows from Investing Activities

Interest received on investments	301,860
Purchases of investment securities - Net of sales	<u>(7,146,209)</u>
Net cash and cash equivalents used in investing activities	<u>(6,844,349)</u>

#### Net Increase in Cash and Cash Equivalents

126,255,359

#### Cash and Cash Equivalents - Beginning of year

142,645,401

#### Cash and Cash Equivalents - End of year

**\$ 268,900,760**

#### Classification of Cash and Cash Equivalents

Cash and investments	\$ 266,727,347
Restricted cash	<u>2,173,413</u>
Total cash and cash equivalents	<u><b>\$ 268,900,760</b></u>

#### Reconciliation of Operating Income to Net Cash from Operating Activities

Operating income	\$ 64,669,375
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	1,206,934
Changes in assets and liabilities:	
Account receivable	1,424,335
Due from other governmental units	(3,597,560)
Prepaid and other assets	(45,843)
Accrued wages and benefits	760,812
Accounts payable	47,782,269
Accrued wages and compensated absences	(425,019)
Unearned revenue	13,432,863
Due to other governmental units	<u>9,591,254</u>
Net cash provided by operating activities	<u><b>\$ 134,799,420</b></u>

September 30, 2021

### Note 1 - Nature of Business

#### ***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 (DWIHN) 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 MDHHS in order to be considered eligible to qualify as a Prepaid Inpatient Health Plan entity capable of administering the managed specialty services under the waiver program.

September 30, 2021

### Note 2 - Significant Accounting Policies

#### ***Accounting and Reporting Principles***

The financial statements of the Detroit Wayne Integrated Health Network 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.

#### ***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 MDHHS and is restricted for cost overruns related to the Medicaid contract. The net position in the Medicaid Risk Reserve Fund at September 30, 2021 was \$59.7 million.

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.

September 30, 2021

**Note 2 - Significant Accounting Policies (Continued)**

**Investments**

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

**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. 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 \$2,173,413 is maintained per DWIHN's construction loan agreements.

**Accounts Payable and Due to Other Governmental Units**

Accounts payable balances include final expenditures due to service providers for the current fiscal year. Also included within accounts payable is approximately \$25.5 million of retention payments and \$18.2 million in provider financial stability payments, which were paid to providers. Due to other governmental units represents amounts owed to the State of Michigan.

September 30, 2021

**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 \$42,141,703 of MDHHS contract funding for Medicaid, Healthy Michigan savings, and General Fund carryover that was unearned at September 30, 2021 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 \$848.2 million and \$32.2 million, respectively, for the year ended September 30, 2021; this includes prior years' saving and carryovers. The remaining balance was composed of various other state grant contracts.

***Direct Contracts***

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 Pronouncement***

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 ended 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 16, 2022, 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 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 \$288,000,000 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.

At year end, DWIHN had the following investments and maturities:

Investment	Carrying Value	Less Than 1 Year	1-5 Years
Municipal obligations	\$ 9,459,966	\$ 2,499,158	\$ 6,960,808
U.S. federal agencies	5,563,384	1,238,298	4,325,086
U.S. government obligations	4,675,741	502,405	4,173,336
Negotiable certificates of deposit	1,642,091	-	1,642,091
Collateralized mortgage obligations	4,315,360	753,320	3,562,040
Mortgage-backed securities	2,188,486	1,298,503	889,983
Total	<u>\$ 27,845,028</u>	<u>\$ 6,291,684</u>	<u>\$ 21,553,344</u>

September 30, 2021

**Note 3 - Deposits and Investments (Continued)**

**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	\$ 9,459,966	Aa1	Moody's
U.S. federal agencies	5,563,384	Aaa	Moody's
U.S. government obligations	4,675,741	Aaa	Moody's
Negotiable certificates of deposit	1,642,091	N/R	N/A
Collateralized mortgage obligations	4,315,360	Aaa	Moody's
Mortgage-backed securities	2,188,486	N/R	N/A
Total	<u>\$ 27,845,028</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, 2021, 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.

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.

September 30, 2021

**Note 4 - Fair Value Measurements (Continued)**

DWIHN has the following recurring fair value measurements as of September 30, 2021:

	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)
<b>Assets</b>			
Debt securities:			
Municipal obligations	\$ -	\$ 9,459,966	\$ -
U.S. federal agencies	-	5,563,384	-
U.S. government obligations	-	4,675,741	-
Negotiable certificates of deposit	-	1,642,091	-
Collateralized mortgage obligations	-	4,315,360	-
Mortgage-backed securities	-	2,188,486	-
Total assets	\$ -	\$ 27,845,028	\$ -

The fair value of DWIHN's investments at September 30, 2021 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, 2021 was approximately \$6.9 million, of which approximately \$3.0 million is due from certain providers for cost settlements; \$0.9 million is due from ICOs; \$2.5 million is due from Wayne County, Michigan for Public Act 2 funds; and an additional \$0.5 million in miscellaneous other receivables.

The due from other governmental units balance at September 30, 2021 was approximately \$21.3 million. This consists of \$21.0 million due from the State of Michigan and \$0.3 million due from the federal government.

September 30, 2021

**Note 6 - Capital Assets**

Capital asset activity of DWIHN was as follows:

**Business-type Activities**

	Balance October 1, 2020	Additions	Disposals and Adjustments	Balance September 30, 2021
Capital assets not being depreciated:				
Land	\$ 840,000	\$ -	\$ -	\$ 840,000
Construction in progress	176,746	915,423	-	1,092,169
Subtotal	1,016,746	915,423	-	1,932,169
Capital assets being depreciated:				
Buildings and improvements	13,349,921	-	-	13,349,921
Computers	1,590,334	-	-	1,590,334
Vehicles	5,806	-	-	5,806
Office equipment	1,611,959	99,568	(36,960)	1,674,567
Software	2,748,401	25,114	-	2,773,515
Leasehold improvements	126,249	-	(126,249)	-
Subtotal	19,432,670	124,682	(163,209)	19,394,143
Accumulated depreciation:				
Buildings and improvements	2,773,598	667,496	-	3,441,094
Computers	1,060,601	175,606	-	1,236,207
Office equipment	1,371,081	189,320	(17,248)	1,543,153
Software	2,010,229	135,170	-	2,145,399
Leasehold improvements	71,052	39,342	(110,394)	-
Subtotal	7,286,561	1,206,934	(127,642)	8,365,853
Net capital assets being depreciated	12,146,109	(1,082,252)	(35,567)	11,028,290
Net capital assets	\$ 13,162,855	\$ (166,829)	\$ (35,567)	\$ 12,960,459

**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 (Flagstar) 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 matured during 2021. As of September 30, 2021, 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	\$ 5,697,709	\$ -	\$ 462,471	\$ 5,235,238	\$ 273,631
Accumulated compensated absences			1,782,504	1,415,690	1,840,709	1,357,485	1,357,485
Total			\$ 7,480,213	\$ 1,415,690	\$ 2,303,180	\$ 6,592,723	\$ 1,631,116

**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
2022	\$ 273,631	\$ 191,841	\$ 465,472
2023	4,961,607	580,642	5,542,249
Total	<u>\$ 5,235,238</u>	<u>\$ 772,483</u>	<u>\$ 6,007,721</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, 2021.

**Note 8 - 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 \$427,042 and \$1,708,162, respectively, for the year ended September 30, 2021.

**Note 9 - Risk Management 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, pending or threatened, in which the outcome is not presently determinable. In addition, 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.

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## Other Supplemental Information

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## Detroit Wayne Integrated Health Network

### Other Supplemental Information

#### Statement of Revenue, Expenses, and Changes in Net Position Budgetary Comparison Year Ended September 30, 2021

	Original Budget (unaudited)	Amended Budget (unaudited)	Actual	Variance with Amended Budget
<b>Operating Revenue</b>				
State grant and contracts	799,789,662	836,733,354	874,168,508	37,435,154
Charges for services	7,526,123	9,926,123	9,297,889	(628,234)
Local grants and contracts	22,089,636	22,639,636	28,270,640	5,631,004
Federal grants and contracts	21,136,201	21,297,200	17,995,040	(3,302,160)
Total operating revenue	850,541,622	890,596,313	929,732,077	39,135,764
<b>Operating Expenses</b>				
Personnel	26,988,660	22,624,798	20,771,157	1,853,641
Fringe benefits	4,336,283	8,754,431	7,586,538	1,167,893
Substance use disorder services	54,759,105	52,967,279	44,357,162	8,610,117
Austism services	61,428,739	61,307,641	61,747,159	(439,518)
MI Health Link	7,216,050	9,876,123	11,853,276	(1,977,153)
Adult services	276,569,510	289,953,760	283,375,111	6,578,649
Children services	67,773,348	83,181,972	69,262,742	13,919,230
Intellectually disabled	306,271,185	320,910,816	330,988,348	(10,077,532)
Grant programs	8,307,525	8,436,960	6,039,389	2,397,571
State of Michigan	20,840,188	20,840,188	19,133,166	1,707,022
Operating costs	15,024,237	10,715,553	8,741,720	1,973,833
Depreciation	1,766,792	1,766,792	1,206,934	559,858
Total expenses	851,281,622	891,336,313	865,062,702	26,273,611
<b>Operating (Loss) Income</b>	(740,000)	(740,000)	64,669,375	65,409,375
<b>Nonoperating Revenue (Expense)</b>				
Investment income	1,000,000	1,000,000	301,860	(698,140)
Loss on sale of assets	-	-	(27,871)	(27,871)
Interest paid on debt	(260,000)	(260,000)	(204,832)	55,168
Total nonoperating revenue	740,000	740,000	69,157	(670,843)
<b>Change in Net Position</b>	\$ -	\$ -	\$ 64,738,532	\$ 64,738,532