Detroit Wayne County Health Authority d/b/a Authority Health

Financial Statements

September 30, 2018

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Independent Auditors' Report

Board of Directors
Detroit Wayne County Health Authority d/b/a Authority Health
Detroit, Michigan

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, and each major fund of Detroit Wayne County Health Authority d/b/a Authority Health, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority'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.

Auditors' Responsibility
Our responsibility is to express opinions 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 opinions.

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of Detroit Wayne County Health Authority d/b/a Authority Health, as of September 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance 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 and budgetary comparison information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2019 on our consideration of Detroit Wayne County Health Authority d/b/a Authority Health's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Detroit Wayne County Health Authority d/b/a Authority Health'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 County Health Authority d/b/a Authority Health's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Southgate, Michigan
March 19, 2019

Management's Discussion and Analysis
For The Fiscal Year Ended September 30, 2018

Using this Annual Report

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplemental information. The basic financial statements include information that presents two different views of the Detroit Wayne County Authority Health (d/b/a Authority Health).

The General Fund is presented on a modified accrual basis of accounting; a short-term view to tell how the resources were spent during the year, as well as how much is available for future spending. This information is then adjusted to the full accrual basis to present a long-term view of Authority Health as a whole. The long-term view uses the accrual accounting basis, which measures the cost of providing services during the current year and whether the full cost of providing government services has been funded.

The General Fund modified accrual basis financial statements provide detailed information about the current financial resources. This is important as it demonstrates compliance with various state laws and shows the stewardship of Authority Health's revenue.

Authority Health's full accrual statements present information about the organization's total economic resources, including long-lived assets and any long-term obligations. This information is important as it recognizes the long-term ramifications of decisions made by Authority Health on an ongoing basis.

The financial statements also include notes that explain some of the information in the statements with more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the information in the financial statements.

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Condensed Financial Information

The table below compares key financial information in a condensed format.

Comparison Of Net Position

	September 30, 2018	September 30, 2017
Current assets	$ 3,039,171	$ 2,079,035
Capital assets	65,130	83,832
Total assets	3,104,301	2,162,867
Total liabilities	2,263,437	1,991,273
Net Position		
Invested in capital assets	55,091	69,856
Restricted	-	184,613
Unrestricted	785,773	(82,875)
Total net position	$ 840,864	$ 171,594

Governmental Activities

Revenue		
Contractual and operating grants	$ 12,966,980	$ 10,557,761
Contributions and foundation grants	46,992	446,908
Total revenue	13,013,972	11,004,669
Expenses - operations/other	12,344,702	11,557,667
Change in net position	669,270	(552,998)
Net position, beginning of year	171,594	724,592
Net position, end of year	$ 840,864	$ 171,594

Authority Health as a whole

Authority Health had an increase in net position of $669,270. The increase is the rollover effect of the one-time appropriation in the prior year combined with an increase in contractual revenue. The Authority Health's primary source of revenue is from federal grants, specifically the U.S. Department of Health and Human Services (HRSA) and through the MDCH Interdepartmental Agreement-Medicaid Outreach Services, and Contractual and Contributions and Donations. Salaries and fringe benefits are a significant expense representing 57 percent and 13 percent, respectively, of the Authority Health's total expenses. There was a modest 1 percent increase from the prior year which reflects stable growth for the organization and the Authority Health GME Teaching Health Center program operating at its base stable capacity of 71 residents each year.

The Authority Health General Fund

Authority Health's Board of Directors has the capacity to create separate funds to help manage money for specific purposes, and to maintain accountability for certain activities. The organization's major fund consists solely of the general fund.

Consistent with the increase in net position and the use of funds for their intended purpose, the fund balance increased by $839,323, which is $170,053 more than the change in net position. This difference is the result of how governmental accounting recognizes depreciation and capital outlays, and how compensated absences and other long-term items are reported along with the availability of revenues based on current financial resources.

Authority Health's Operational and Budgetary Highlights

Authority Health was created to "coordinate efforts to meet the health needs of the uninsured and underinsured residents in the City of Detroit and Wayne County by assuring access and improving the health status of all people." The original goals of Authority Health are as follows:

- Expand the number and location of primary care access points throughout Detroit and Wayne County.
- Assign each enrolled client a primary care medical home.
- Coordinate the delivery of health care between and among health providers to eliminate fragmentation and reduce costs.
- Provide care management and referral services as a core component of the delivery system.
- Facilitate access to a full range of culturally competent, preventive, medical and non-medical services.
- Design a delivery system that is able to enhance federal and other funding and reduce duplication.

- Significantly expand preventive health services for at-risk populations.

- Increase provider-base workforce in the health care safety net.

To help accomplish these goals, Authority Health has developed advisory committees, councils, and collaborations, as well as programs to fill gaps in service delivery. Authority Health underwent a realignment of staff resources and functions that are anticipated to provide greater resource efficiency and effectiveness. All of the convening bodies will be integrated into a population health collaborative.

- Community Advisory Committee: Co-chaired by Wayne County Commissioner Tim Killeen (a member of the Board of Directors) and Rhonda Powell of Macomb County Department of Health and Community Service, this committee is comprised of representatives from community-based health and human service organizations throughout Wayne County. Its charge has been to advise the organization on health issues from their perspective, respond to initiatives proposed by the organization, help communicate Authority Health objectives, and serve as a liaison to population health initiatives. In the realignment, the committee will broaden its scope to include issues pertaining to population health and include greater regional representation.

- Provider Advisory Committee: Co-chaired by Dick Bohrer, of the National Association of Community Health Centers and Dr. Mouhanad Hammami, VP Safety Net Transformation and Community Health, this committee is comprised of representatives of organizations that serve as providers of health services within the community. With the understanding that social factors greatly impact health, this committee has been expanded in scope to include not only primary care organizations and physicians, but other community health and human service leaders.

- The realignment process underscored the important of health data analytics, which was initially presented in the form of the Detroit Regional Health Collaborative. This resulted in an analysis of community health needs assessments, as reported by area hospitals, as well as other data sources. This process will continue, with increasing staffing and technological capabilities. The backbone team, comprised of health data analysis and community engagement staff, will be positioned to conduct spot data studies as well as more elaborate work. Regional academic institutions will be invited to create affiliations allowing for student internships and practicum experiences. This capability will enhance the ability of community health and human service organizations to achieve their missions through effective data analysis.

- MOTION Coalition (Michigan Organizations to Impact Obesity & Nutrition) emerged from the Authority Health's Childhood Obesity Task Force which was convened to address the urgent issue of childhood obesity. This coalition has benefitted from the leadership of Dr. William Dietz, a national pediatric obesity expert from George Washington University, and Diane Valade, a health policy and legislative analyst with Henry Ford Hospital. Childhood obesity is viewed by the Coalition as not just a medical problem but a population health issue requiring a collaborative solution, requiring attention given not only to children but to their parents as well. Reflecting this dynamic, the coalition is comprised of stakeholders representing a multitude of sectors from youth organizations and community organizations, to health care providers and educators. The coalition meets quarterly and as with other convening functions has assumed a population health orientation.

Its work will feed into the newly aligned population health process, influencing school health policy, as well as state and logical legislation and promoting concepts leading to improved nutrition and more active living.

Major programmatic accomplishments during the period of this audit include, but are not limited to, the following:

- Authority Health, a longtime proponent of integrated health care delivery, announced an innovative partnership with Behavioral Health Professionals, Inc., and Development Centers, Inc., to create an integrated wellness model in Northwest Detroit, known as Partners for Wellness. This model will feature an integrated training experience for Authority Health psychiatry and medical residents. The goals of the project include:
    - Assure timely access to the full range of integrated quality behavioral and physical health care services;
    - Promote prevention and chronic disease management;
    - Utilize innovative technology and community health navigators to facilitate person-centered integration across the continuum of care and community, and
    - Incorporate and pilot a comprehensive screening process to address social determinants of health.

- Nurse-Family Partnership (NFP) is funded by the Michigan Department of Health and Human Service to implement a program for first time pregnant mothers. NFP is an evidence-based community health nursing program staffed with bachelors prepared nurses. Its three main goals include: improved pregnancy outcomes, improved child health and development, and improved economic self-sufficiency. This program is especially unique because there were multiple randomized controlled trials showing positive outcomes in multiple populations nationwide. The program utilizes nurses who carry a caseload of 25-30 clients each, providing 1-2 hours of home visits weekly for the first month in the program, every other week throughout pregnancy, weekly from birth until six weeks postpartum, every other week until the child reaches 21 months, and then monthly when the mother and child graduate at two years of age. During these visits, time is spent teaching, providing support and setting goals that the clients themselves determine. The teaching includes many areas such as how to manage ones care during a pregnancy, how to bond with a baby, how to build a support network and much more. There are three eligibility criteria: first time mother, low-income, and moms less than 28 weeks pregnant.

  Since the first graduating class in 2014, Detroit NFP has graduated a total of 100 clients. The graduation ceremonies were held at the Detroit Public Library Main for the first two years until the graduating clients out grew the library. Currently 53.8% of the clients at 12 months are either working full or part-time jobs. Several client centered events were held throughout the year. One of special acknowledgement is the graduation ceremony for 32 families. Another very special event is the craft/tea party for Mother's Day. Summer walking group is held on the Detroit River Walk, a tribute to fathers for Father's Day and a successful holiday gathering entitled "Winter Wonderland" for all clients and their families.

  Detroit NFP is on a journey with like organizations hoping to make the city of Detroit "baby friendly" and thereby increase breastfeeding rates. All staff have completed educational modules taking the team closer to the "baby friendly" status which is a major initiative for the City of Detroit. NFP Detroit can range from 96% initiation of breastfeeding to 79.5% initiation rate. These statistics are in tandem with the state of Michigan. The Detroit team completes three CQI projects yearly for MIECHV and continues their involvement with the Local Leadership Group for collaboration and support. The focus this year on early literacy is one of the primary initiatives. One such program is Raising a Reader hosted by Brilliant Detroit. Nurse Home Visitors are also trained in DANCE a tool to assist with identifying strengths and weaknesses in client infant attachment. Several donations were received during the year, including gifts for moms, dads, and their infants. These donations are well received and allow the staff to present the clients with gifts throughout the year. The gifts however, are not intended to be considered an incentive to maintain enrollment in the program. NFP has partnered with the Detroit Diaper Bank and this helps to supply the clients with diapers for their babies. Currently the team consists of a Director, Supervisor, 8 Nurse Home Visitors, and 2 Data Administrators.

- The DWCHA (Authority Health) GME Consortium is a community-based graduate medical education consortium in partnership with Michigan State University, College of Osteopathic Medicine and five local federally-qualified community health centers. The consortium developed a Teaching Health Center (THC) funded by the Health Resources and Services Administration (HRSA) for the purpose of training primary care residents in medically underserved and community-based settings. This type of training sensitizes the clinicians to the community dynamics affecting the health of their patients and ideally increases the physician workforce in those areas. Studies show that

more than a third of physicians who train in community settings remain and establishes their careers in similar settings. The DWCHA GME Consortium, known as Authority Health GME Consortium, is currently funded and approved for 71 slots in four specialties: internal medicine, family medicine, pediatrics, and psychiatry. Training occurs in a variety of settings including community health centers, private physicians and small group practice offices, area hospitals and community mental health agencies. Authority Health GME consortium is currently rotating residents within ten community mental health agencies, three hospitals/health systems, the Detroit VA, and over 40 community health centers and private physician offices.

A total of 21 residents completed training in June/July 2018 in Family Medicine, Internal Medicine, Pediatrics and Psychiatry. Of the 21 residents leaving programs, 20 completed training and one psychiatry resident left to enter a child psychiatry fellowship. Of the 20 residents completing the programs 7 entered fellowships and 13 (65%) entered practice. Of the 13 beginning practice, 6 (46%) located in medically underserved areas, 3 in a FQHC, 9 (69%) in ambulatory focused practices, and 8 (62%) remained in Michigan.

Now in our 6th academic year of operation, Authority Health welcomed to its orientation program 21 new residents, bringing the total number of all trainees to 71. We filled all available positions, and as we prepare for our 7th training year, we have received in excess of 3,500 applicants for approximately 23 positions for the 2019-20 academic years.

As an innovatively structured graduate medical education training program, Authority Health GME Consortium understands the importance of their trainees needing additional knowledge around: public health, population health, and health equity to best prepare them for work with medically underserved populations. As such, a required two-year Certificate in Population Health and Health Equity (CPHHE) is required for all residents, only optional to the residents that also have an MPH degree. Now in our third cohort, it is a formal structured course presented by the University of Michigan School of Public Health and jointly sponsored by Authority Health and U of M. This is the only GME program in Michigan which offers this program and certification upon completion of the 2-year, 42 hour didactic and workshop program. It has been very well accepted by the residents and is the core of Scholarly Activity and Quality Improvement.

All programs require residents to actively participate in scholarly activity prior to program completion. Resident projects explore topics in biomedical research, quality and safety, population and public health, and patient education in the ambulatory care setting, inpatient setting, educational environment, and the community. In the last academic year, 13 posters were presented at a regional or national conference; one winning first place at the Michigan Osteopathic Association's (MOA) spring scientific exhibition for outstanding case presentation, and one receiving an honorable mention at the MOA fall scientific exhibition. There were 3 articles published in peer-reviewed journals, and 4 more are submitted and pending publication. At this time, there have been 28 studies approved by the IRB, and 2 pending approvals. Three residents have received IRB approval to do research and a quality initiative while spending 2 months in Kenya, Africa this year. Their aim is to improve neonatal resuscitation technique to lower the neonatal mortality rate and promote cervical cancer knowledge and awareness in both clinicians providing care and female patients receiving this care. Another major initiative is being developed at Children's Hospital of Michigan, to begin screening and creating linkages to address hunger and food insecurity in the children and families served. We aim to

expand and continually improve this program so that Authority Health can be recognized as a leading GME institution in community focused research and scholarly activity.

Since 2015 when the American Osteopathic Association (AOA) GME accreditation transition began, we have achieved initial accreditation with the new accrediting institution, American Council of Graduate Medical Education (ACGME) in all 4 of our specialty programs, and institution. We have recently received full 10-year institutional accreditation in our pediatric residency.
Our psychiatry residency conducted site review in January 2019 and Internal Medicine will be site reviewed in June 2019 for 10-year accreditation in those programs. This is our and the final year of accreditation through the AOA.

- Authority Health, with support and funding from Wayne County, has developed a web-based population health data portal, which compiles data sets from multiple sources with the capability to simultaneously examine these sources when assessing the health needs of specific areas or communities of interest. The data portal, which is currently in prototype form, includes both health and health-related data from trusted sources such as the CDC, U.S. Census, MDHHS, and others. The portal also has the ability to correlate health outcome data with data on the social determinants of health, using data sources focused on crime, transportation, food access, and other factors. The data portal is expected to launch in March of 2019, once final revisions to content and design are made to the current prototype site. The Authority Health team, with input from the Wayne County Central Operations team, has been combing through the prototype site to ensure user-friendliness, error-free data, and improved overall aesthetics and design of the site. Internally, Authority Health and partner organizations will be able to use data from the portal to research, assess, and monitor trends. However, the portal will also be open to the public, and so, will include a user-friendly "public interface" where residents of the county can look at health data from a local area of interest.

Health Insurance Navigation and Outreach

Authority Health has been a leader in providing enrollment and navigation services, including training for providers, in the region. Most recently, the division has provided redetermination services for Medicaid health plans. At the core of this function's capabilities is the deep knowledge of services available to improve access to health care services and other programs that positively influence health.

- Access to Health Care – The Authority Health facilitates access to health care services for uninsured and underinsured residents. Through an Interdepartmental Agreement with the Michigan Department of Community Health, Authority Health conducts Medicaid outreach activities in partnership with area health systems, safety net providers, and faith-based community organizations (FBCOs).

- Authority Health is a certified navigation organization with emphasis on Affordable Care Act and Healthy Michigan/Medicaid enrollment, as well as assistance with Medicare and other health and human service programs. The program receives funds through Enroll Michigan and provides enrollment activities through a variety of venues, including the county jail and through arrangements with Medicaid health plans. The Authority Health's outreach staff also provide routine presentations in the community and regularly exhibit at health fairs.

- Enrollment Contracts – Authority Health has affiliations with organizations to provide onsite Medicaid enrollment services.

There were no closed programs this year.

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Funding Sources

For fiscal year 2018, the Authority Health's sources of funding came from the community at large and various stakeholders, including: Michigan Department of Community Health/Federal Government, the Department of Health and Human Services - County of Wayne, the Jewish Fund, and the U.S. Department of Health & Human Services – Health Resources and Services Administration (HRSA), The DMC Foundation and the Children's Hospital of Michigan Foundation, Metro Health Foundation, Black Family Development, individual donors and other.

At the end of the fiscal year, the Authority Health had $65,130 invested in furniture and equipment with no additional depreciable assets added during the year.

Interdepartmental Agreement - Medicaid Outreach Services

The Authority Health entered into a new agreement with the State of Michigan Department of Community Health for fiscal year 2018.

Contacting the Authority Health's Management

This financial report is intended to provide our stakeholders, benefactors, etc. with a general overview of Authority Health's finances and to show accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the President and CEO, Chris Allen at (313) 871-3751.

Detroit Wayne County Health Authority
d/b/a Authority Health
Statement of Net Position
September 30, 2018

	Governmental Activities
Assets	
Cash and cash equivalents	$ 2,609,117
Accounts receivable	419,394
Prepaid items	10,660
Capital assets, net of accumulated depreciation	65,130
Total assets	3,104,301
Liabilities	
Accounts payable	1,265,552
Accrued and other liabilities	62,662
Unearned revenue	489,569
Supplemental employee retirement plan (SERP)	351,000
Noncurrent liabilities	
Debt due within one year	4,775
Debt due in more than one year	89,879
Total liabilities	2,263,437
Net Position	
Net investment in capital assets	55,091
Unrestricted	785,773
Total net position	$ 840,864

See Accompanying Notes to the Financial Statements

Detroit Wayne County Health Authority
d/b/a Authority Health
Statement of Activities
For the Year Ended September 30, 2018

	Expenses	Program Revenue: Contractual and Operating Grants	Governmental Activities: Net (Expense) Revenue and Changes in Net Assets
Functions/Programs			
Governmental activities			
Operations	$ 12,344,702	$ 12,966,980	$ 622,278
General revenues			
Contributions and foundation grants			46,992
Change in net position			669,270
Net position - beginning of year			171,594
Net position - end of year			$ 840,864

See Accompanying Notes to the Financial Statements

Detroit Wayne County Health Authority
d/b/a Authority Health
Governmental Funds
Balance Sheet
September 30, 2018

	General Fund
Assets	
Cash and cash equivalents	$ 2,609,117
Accounts receivable	419,394
Prepaid items	10,660
Total assets	$ 3,039,171
Liabilities	
Accounts payable	$ 1,265,552
Accrued and other liabilities	62,662
Unearned revenue	489,569
Total liabilities	1,817,783
Deferred inflows of resources	
Grants	317,283
Fund Balances	
Non-spendable	
Prepaid items	10,660
Assigned for	
Graduate Medical Education	750,000
Unassigned	143,445
Total fund balances	904,105
Total liabilities, deferred inflows of resources, and fund balances	$ 3,039,171

See Accompanying Notes to the Financial Statements

Detroit Wayne County Health Authority
d/b/a Authority Health
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities
September 30, 2018

Total fund balances for governmental funds	$	904,105
Total net position for governmental activities in the statement of net position is different because:		
Capital assets net of accumulated depreciation used in governmental activities are not financial resources and therefore are not reported in the funds.		65,130
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.		317,283
Certain liabilities are not due and payable in the current period and are not reported in the funds.		
Compensated absences		(84,615)
Supplemental employee retirement plan (SERP)		(351,000)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.		(10,039)
Net position of governmental activities	$	840,864

See Accompanying Notes to the Financial Statements

Detroit Wayne County Health Authority
d/b/a Authority Health
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2018

	General Fund
Revenues	
Contributions and foundation grants	$ 46,992
Federal grants - Graduate Medical Education	9,978,152
State grants	1,457,603
Indirect revenue	516,211
Contractual	825,273
Total revenues	12,824,231
Expenditures	
Salaries	6,777,705
Employee benefits	1,463,182
Supplies and materials	243,984
Meetings	166,845
Transportation and travel	69,482
Training	144,478
Contracted services - Medicaid Outreach Services	60,700
Telephone	27,950
Communications and marketing	80,551
Equipment, repairs and maintenance	61,068
Contracted and consulting services	1,734,552
Legal and professional	30,498
Business insurance	277,043
Occupancy	241,489
Indirect expense	516,211
Loan payments	36,977
Investment in joint venture	52,193
Total expenditures	11,984,908
Net change in fund balance	839,323
Fund balance - beginning of year	64,782
Fund balance - end of year	$ 904,105

See Accompanying Notes to the Financial Statements

Detroit Wayne County Health Authority
d/b/a Authority Health
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2018

Net change in fund balances - Total governmental funds	$ 839,323
Total change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(18,702)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Grants	189,741
Expenses are recorded when incurred in the statement of activities.	
Compensated absences	(27,069)
Supplemental employee retirement plan (SERP)	(351,000)
Loan proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.	
Repayments of long-term debt	36,977
Change in net position of governmental activities	$ 669,270

See Accompanying Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

Reporting entity

Detroit Wayne County Health Authority d/b/a Authority Health (Health Authority) is a public body corporate established by an inter-local agreement among the City of Detroit, the County of Wayne and the State of Michigan on June 4, 2004. The Health Authority's mission is to coordinate efforts to improve population health of residents of the City of Detroit and Wayne County by assuring access to care.

The accounting policies of the Health Authority conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.

The following is a summary of the significant accounting policies used by the Health Authority:

Reporting Entity

A nine-member Board, appointed by state and local governments, governs the Health Authority. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Health Authority's reporting entity, and which organizations are legally separate, component units of the Health Authority. Based on the application of the criteria, the Health Authority has no component units.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. All the Health Authority's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting.* Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

The General Fund is the Health Authority's primary operating fund. It accounts for all financial resources of the Health Authority. The Health Authority has no other fund types.

Amounts reported as *program revenues* include 1) operating grants, and 2) federal grants for Medicaid outreach administrative expenses.

Assets, liabilities, and net position or equity

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market price. Certificates of deposit are stated at cost which approximates fair value.

Receivables – Accounts receivable are comprised of the contributions receivable from stakeholders and federal grant monies earned but not yet collected. The Authority uses the allowance method for accounting for doubtful accounts. Management regularly reviews the collection history of its receivables balances with particular attention given to those amounts greater than 90 days old. Based on management's review, $92,404 of allowance was deemed necessary as of September 30, 2018.

Capital assets – The Health Authority defines capital assets as assets with an initial cost of more than $1,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Furniture and equipment	3 to 20 years

Deferred Inflow – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period.

Fund Equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – assets that are not available in a spendable form.

Restricted – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed – amounts constrained to specific purposes by the Health Authority itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the Health Authority takes the same highest level action to remove or change the constraint.

Assigned – amounts the Health Authority intends to use for a specific purpose. Intent can be expressed by the Board of Directors by an official or body to which the Board of Directors delegates the authority.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Health Authority's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the Health Authority's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Comparative data
Comparative data is not included in the Health Authority's financial statements.

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

Adoption of New Accounting Standards
Statement No. 85, *Omnibus 2017* addresses practice issues that were identified during implementation and application of certain GASB Statements. This statement covers issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits), which is effective for the fiscal year ending September 30, 2018.

Upcoming Accounting and Reporting Changes
Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for the fiscal year ending September 30, 2019.

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The criteria generally is on (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending September 30, 2020.

Statement No. 87, *Leases* increases the usefulness of the financial statements by requiring 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. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a

lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. The requirements of this Statement are effective for the fiscal year ending September 30, 2020.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* improves the information that is disclosed in notes to the financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities should be included when disclosing information related to debt. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. It will also require that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for the fiscal year ending September 30, 2019.

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

Note 2 - Stewardship, Compliance, and Accountability

Budgetary information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund. All annual appropriations lapse at fiscal year end. Annual operating budgets are adopted each fiscal year through approval of an annual budget and amended as required. The same basis of accounting is used to reflect actual revenues and expenditures recognized on a generally accepted accounting principle basis.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Health Authority to have its budget in place by October 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits authorities to amend their budgets during the year. The last amendment to the budget was adopted prior to year end.

Excess of Expenditures Over Appropriations

	Appropriations	Actual	Budget Variance
General Fund			
Compensation	$ 8,186,531	$ 8,240,887	$ 54,356
Indirect expense	511,951	516,211	4,260
Investment in joint venture	-	52,193	52,193

Note 3 - Cash and Equivalents

The captions on the balance sheet relating to cash and cash equivalents are summarized below by deposit type. These deposits, in varying amounts, are in financial institutions in the County of Wayne in the State of Michigan. At year-end, the balance (without recognition of outstanding checks or deposits in transit) was $2,676,116 and of which $500,000 was covered by FDIC insurance and $2,176,116 was uninsured. The full balance of cash on the statement of net position was $2,609,117 and was all held in demand accounts.

Note 4 - Unearned Revenues

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, all $489,569 unavailable and unearned revenue was related to grant funds.

Note 5 - Deferred Inflows of Resources

At year end the deferred inflows of resources of $317,283 were related to grant payments not received within 60 days.

Note 6 - Capital Assets

Capital assets activity of the Health Authority's governmental activities for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets being depreciated				
Furniture and equipment	$ 235,146	$ -	$ -	$ 235,146
Less accumulated depreciation for				
Furniture and equipment	151,314	18,702	-	170,016
Governmental activities capital assets, net	$ 83,832	$ (18,702)	$ -	$ 65,130

Note 7 - Capital Leases

The Health Authority has a capital lease for a phone system. The future minimum lease payments are as follows:

Year Ending September 31,	
2019	$ 6,318
2020	5,791
Total minimum lease payments	12,109
Less amount representing interest	2,070
Present value of minimum lease payments	$ 10,039

Asset	
Machinery and equipment	$ 31,590
Less accumulated depreciation	20,007
Total	$ 11,583

Note 8 - Operating Leases

The Health Authority entered into a 5-year lease agreement, effective January 1, 2007 and amended it in 2008 to allow for more square footage. In December 2012, the Health Authority amended the lease again to move to a different suite within the same building and extended the lease for a further five years. The amended monthly payment is $16,667 per month through January 31, 2019. Lease expense and related parking costs included in Occupancy Costs totaled $241,489.

Expected future lease payments are as follows:

Year Ending September 30,	
2019	$ 66,671

The Health Authority has a one-time right to terminate this lease after the 41st month in the event the HRSA grants are reduced or terminated.

Note 9 - Long Term Debt

Long-term activity for the year ended September 30, 2018 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Note Payable - GME	$ 33,040	$ -	$ 33,040	$ -	$ -
Capital lease	13,976	-	3,937	10,039	4,775
Compensated absences	57,546	161,740	134,671	84,615	-
Total	$ 104,562	$ 161,740	$ 171,648	$ 94,654	$ 4,775

Compensated absences are not paid according to a set schedule, but when employees meet certain criteria upon leaving the Health Authority.

Note 10 - Line of Credit

The Health Authority has an available bank line of credit of $1,000,000, expiring July 27, 2019, secured by all Health Authority assets. The outstanding balance on the line as of September 30, 2018 was $0. During the year the activity included $500,000 in payments.

Note 11 - Employee Benefits Plans

The Health Authority adopted a 401(a) Defined Contribution Plan under the Municipal Employees' Retirement System of Michigan (MERS) effective September 1, 2008. The plan covers all Health Authority employees based on employment classifications which are eligible for MERS membership. The plan provides a four percent base employer contribution which participating employees receive. Employer contributions vest over a four year period. The plan allows prior years' service consistent with Public Sectors. Contributions expensed during the year ended September 30, 2018 totaled $113,919 and are included in Employee Benefits expense. The employer does not match contributions under the plan agreement at this time.

Note 12 - Employee Benefits Plans – Supplemental Employee Retirement Plan (SERP)

The Health Authority adopted supplemental employee retirement plan in the prior fiscal year. The plan established two new plans through MERS for the Chief Executive Officer and Chief Financial Officer to allow for additional contributions beyond those defined in note 11. The total amount of approved additional compensation was $750,000. The payments are defined in a payment plan document and are based on unassigned excess fund balance. To date, there has been expense in the governmental funds related to the SERP plans for $48,000. $30,000 paid in prior fiscal years and $18,000 to be paid included in accrued liabilities in the current year general fund.

Additionally, the Health Authority estimates that of the remaining $702,000 the Authority has a 50% possibility of realizing the expenses in future periods, therefore a government-wide liability of $351,000 is recorded. The estimation is based on the potential renewal of certain programs.

Note 13 - Litigation, Contingencies and Risk Management

The Health Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omission; injuries to employees and natural disasters. For the year ended September 30, 2018, the Health Authority purchased commercial insurance policies to satisfy any claims related to general liability, property and casualty, employee life, health and accident and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The activities of the Health Authority are subject to review or audit by funding agencies to determine compliance with grant award documents. Reviews or audits could result in repayment of grant revenues.

Note 14 - Concentration of Revenue

Virtually all of the Health Authority's revenue is derived from federal and state grants and contributions and grants from foundations and health care organizations located in Southeastern Michigan.

Note 15 - Interdepartmental Agreement - Medicaid Outreach Services

Effective October 1, 2018, the Health Authority renewed its Interdepartmental Agreement with the State of Michigan for Medicaid Outreach. Essentially all state agreements must be renewed on an annual basis.

Note 16 – Joint Venture

The Authority is a member of "Partners in Wellness", along with two other organizations, Behavioral Health Professionals, Inc. and Development Centers, Inc. The purpose of this joint venture is to operate a health clinic, the McKenney Center, which will provide patients with access to health practices on-site. The joint venture does not involve an explicit, measurable equity interest; hence it is not recorded as an asset in the City's financial statements.

According to the joint venture agreement, the Authority is responsible for contributing the medical equipment and the electronic medical records system to the McKenney Center. There are no profit distributions from the McKenney Center to the Authority. However, the Board of Directors of the McKenney Center have the right to allocate excess income to the Authority.

Detroit Wayne County Health Authority
d/b/a Authority Health
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended September 30, 2018

	Budgeted Amounts			Actual Over (Under) Final
	Original	Final	Actual	Budget
Revenues				
Contributions and foundation grants	$ 1,641,970	$ 724,904	$ 46,992	$ (677,912)
Federal grants - Graduate Medical Education	11,444,766	10,581,912	9,978,152	(603,760)
State grants	819,909	998,072	1,457,603	459,531
Indirect revenue	794,766	511,951	516,211	4,260
Contractual	447,232	255,061	825,273	570,212
Total revenues	15,148,643	13,071,900	12,824,231	(247,669)
Expenditures				
Compensation	9,019,231	8,186,531	8,240,887	54,356
Occupancy	242,750	242,449	241,489	(960)
Other expenses	3,927,135	2,952,393	2,897,151	(55,242)
Indirect expense	794,766	511,951	516,211	4,260
Loan payments	59,190	60,357	36,977	(23,380)
Investment in joint venture	-	-	52,193	52,193
Total expenditures	14,043,072	11,953,681	11,984,908	31,227
Net change in fund balance	1,105,571	1,118,219	839,323	(278,896)
Fund balance - beginning of year	64,782	64,782	64,782	-
Fund balance - end of year	$ 1,170,353	$ 1,183,001	$ 904,105	$ (278,896)