

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

Financial Statements

September 30, 2021



Table of Contents

<u>Section</u>		<u>Page</u>
1	Independent Auditors' Report	1 – 1
2	Management's Discussion and Analysis	2 – 1
3	Basic Financial Statements	
	Government-wide Financial Statements	
	Statement of Net Position	3 – 1
	Statement of Activities	3 – 2
	Fund Financial Statements	
	Governmental Funds	
	Balance Sheet	3 – 3
	Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities	3 – 4
	Statement of Revenues, Expenditures and Changes in Fund Balances	3 – 5
	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	3 – 7
	Proprietary Fund	
	Statement of Net Position	3 – 8
	Statement of Revenues, Expenses and Changes in Fund Net Position	3 – 9
	Statement of Cash Flows	3 – 10
	Notes to the Financial Statements	3 – 12
4	Required Supplementary Information	
	Budgetary Comparison Schedule	
	General Fund	4 – 1
5	Other Reports	
	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	5 – 1



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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, business-type activities, and the major funds of Detroit Wayne County Health Authority d/b/a Authority Health, as of and for the year ended September 30, 2021, 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, business-type activities, and each major fund of Detroit Wayne County Health Authority d/b/a Authority Health, as of September 30, 2021, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 24, 2022 on our consideration of the 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 the 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 24, 2022

**Management's Discussion and Analysis
For The Fiscal Year Ended September 30, 2021**

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 Proprietary Fund is presented on an accrual basis of accounting and is used to report functions presented as business-type activities in the government-wide financial statements.

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.

Condensed Financial Information

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

	Comparison of Net Position	
	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Current assets	\$ 3,231,054	\$ 3,329,073
Capital assets	<u>602,719</u>	<u>481,662</u>
Total assets	<u>3,833,773</u>	<u>3,810,735</u>
Current liabilities	990,845	1,488,713
Noncurrent liabilities	<u>88,702</u>	<u>1,595,803</u>
Total liabilities	<u>1,079,547</u>	<u>3,084,516</u>
Net Position		
Invested in capital assets	602,719	476,398
Unrestricted	<u>2,151,507</u>	<u>249,821</u>
Total net position	<u>\$ 2,754,226</u>	<u>\$ 726,219</u>
	Governmental Activities	
	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Revenue		
Contractual and operating grants	\$ 12,201,981	\$ 11,283,629
Contributions and foundation grants	148,276	156,374
Other revenues	<u>1,404,783</u>	<u>54,349</u>
Total revenue	13,755,040	11,494,352
Expenses - operations/other	<u>11,867,685</u>	<u>12,022,116</u>
Change in net position	1,887,355	(527,764)
Net position, beginning of year	<u>425,707</u>	<u>953,471</u>
Net position, end of year	<u>\$ 2,313,062</u>	<u>\$ 425,707</u>

**Management's Discussion and Analysis
For The Fiscal Year Ended September 30, 2021**

	Business-type Activities	
	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Revenue		
Charges for services	\$ 1,035,608	\$ 236,325
Contributions and foundation grants	-	6,555
Other revenues	<u>111,736</u>	<u>109,931</u>
Total revenue	1,147,344	352,811
Expenses - operations/other	<u>1,006,692</u>	<u>356,899</u>
Change in net position	140,652	(4,088)
Net position, beginning of year	<u>300,512</u>	<u>304,600</u>
Net position, end of year	<u>\$ 441,164</u>	<u>\$ 300,512</u>

Authority Health as a Whole

Authority Health had an increase in net position of \$2,028,007. A significant portion of this increase is largely due to program performance and forgiveness of debt (PPP loan). 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 MDHHS Interdepartmental Agreement-Medicaid Outreach Services, and Contractual and Contributions and Donations. Salaries and fringe benefits are a significant expense representing 63 percent and 14 percent, respectively, of the Authority Health's total expenses. There was a no significant percent change 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 and Proprietary 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. The organization's business-type activities consist of the proprietary fund/enterprise fund of community health centers.

This summary addresses the general fund's revenue, expenditures, and changes in fund balance. These amounts different from the statement of activities as a 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. The general fund's revenue was \$12,383,905, which was \$494,125 more than total expenditures of \$11,889,780. The excess of revenue over expenditures was caused by change in the funding

**Management's Discussion and Analysis
For The Fiscal Year Ended September 30, 2021**

sources and costs less than certain program revenues such as hazard pay for essential workers. Additionally, Authority Health had other financing sources/uses totaling \$111,736 resulting in a net change in general fund balance of \$382,389.

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 conducts an annual strategic planning process, involving input from divisional leaders of the organization and guidance from the Board of Directors. The work of our management team and staff is focused on supporting the overarching goals of the organization.

Authority Health also has an advocacy process that promotes policy solutions that contribute to its clinical and administrative effectiveness, health equity and social justice. Public Affairs oversees the general communications functions of the organization, including community relations, government relations, news media relations, social media management. The Community Advisory Committee for Hope Family Health Center, our child and adolescent health center, the MOTION Coalition on childhood obesity, the Schweitzer Fellowship Advisory Board, and the Graduate Medical Education Teaching Health Center Advisory Board, provide direct input from community leaders into the programs we provide.

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

Community-Based Teaching Health Center

The Detroit Wayne County Health Authority (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 (FQHCs). 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 /high physician shortage areas 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 funded, 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, three hospitals/health systems, the Detroit VA medical center, and over 40 community health centers and private physician offices.

A total of 21 residents completed training in June 2021 in family medicine, internal medicine, pediatrics, and psychiatry. Of the 21 residents who completed the programs, 4 (19%) entered a fellowship, 10 (48%) entered practice in an ambulatory setting, and 12 (57%) entered an inpatient setting. Eleven (52%) of the 21 graduates practice locations were in a medically underserved or high physician shortage area, and 3 (14%) entered a Federally Qualified Health Center. We are happy to report that 12 (57%) of our graduates chose to start practicing in the State of Michigan.

Now in our 9th academic year of operation, Authority Health welcomed to its program orientation 21 new residents in July 2021, reaching the full approved complement of 71 resident trainees. All available positions were filled with an excess of 3,300 applicants for approximately 21 positions for the 2021-22 academic year.

Authority Health's GME consortium has full ACGME Sponsoring Institution accreditation through 2027, in Internal Medicine full continued accreditation through 2027, Pediatrics full continued accreditation through 2028; Psychiatry full continued accreditation through 2029, and Family Medicine initial accreditation with its with its site visit to be accomplished in September 2022.

A unique component that continues to be a highlight for the program is Authority Health's GME Consortium one-year required Certificate in Population Health and Health Equity (CPHHE). This certification program continues to produce positive accolades for its approach of preparing our residents for the work and understanding of population health. Now in our fourth cohort, its formal structured course presented by the University of Michigan School of Public Health and jointly sponsored by Authority Health and the University of Michigan, is the only certification training program of its kind in Michigan. It has been very well accepted by the residents and is the core of the scholarly activity and quality improvement work done by our residents and teaching faculty.

**Management's Discussion and Analysis
For The Fiscal Year Ended September 30, 2021**

Authority Health planned and initiated a program in Anti-Racism and Social Justice. The program is composed of monthly, 2-hour workshops facilitated by community experts. The program was developed with the partnership of New Detroit, and the participation of the Michigan Public Health Institute.

Progress continues toward development of an integrated primary care – behavioral health care model. Behavioral Health counselors have been introduced at all sites, and utilize Athena (single medical record), with regular interactions with Authority Health primary care physicians. Moving toward full integration.

Recruit, train, and retain diverse, high quality, mission aligned residents: The 2021 PG1 class meets Authority Health goal for diversity. Quality and alignment goals were also achieved. Virtual recruitment and interviewing methods are being utilized.

Authority Health GME programs have weathered the COVID pandemic quite well. All residents are in compliance with the required COVID-19 vaccination policy.

All residency curricula have been updated, utilizing virtual and in-person instruction as appropriate. All residents have been trained to provide telemedicine/telehealth at all clinical sites.

Over the years, the teaching health center GME program has placed primary care physicians where the need is greatest. Seventy-nine percent (79%) of Authority Health graduates have joined practices in Medically Underserved/Health Provider Shortage Areas, 21% have joined FQHCs, and 47% have remained in Michigan.

During this academic year, Authority Health residency programs have implemented formal activities to prepare graduates for success on specialty board examinations.

MOTION Coalition (Michigan Organizations to Impact Obesity & Nutrition)

The MOTION Coalition 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, with special attention given to parents and families. 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 maintains a population health orientation. Its work is designed to educate and advocate for changes in state and local health policy as it pertains to schools and other environments affecting youth. In general, it promotes active living and healthy eating.

Clinical Operations

The Authority Health clinical philosophy calls for integrated health programs in all of its facilities. Behavioral health professionals and physicians collaborate on the most effective care of patients. Psychotherapy is provided in each of the organization's health care centers.

Popoff Family Health Center. Authority Health continues to operate Popoff Family Health Center, since July 1, 2019. The physical location has been a cornerstone in the community, for over 50 years. It serves as a continuity site for our Family practice residents and provide an integrated training experience. 2021 turned out to be a year full of challenges and opportunities given the ongoing COVID-19 pandemic. Of importance Authority Health was able to meet its mission to offer comprehensive health services to its community.

Primary care services offered at Popoff Family Health Center includes a comprehensive family medicine approach as well as screening for the social determinants of health and adverse childhood experiences. Authority Health maintains strong ties with the local community through dedicated community engagement, health promotion and disease prevention activities.

Our Family & Children's Services includes but not limited to: Preventative Care, Pediatric Care, Women's Health & Family Planning, Same day Sick Visits, Sports Physicals, Immunizations, Diabetes Care, High Blood Pressure Management,

Our Adult & Sexual Health Service includes but not limited to: HIV/AIDS Testing, Counseling & Treatment, STD Testing & Treatment, Hepatitis C Testing & Treatment.

Medication Assisted Therapy (MAT) - A holistic approach to the treatment of opioid and alcohol addiction. Muscle & Joint Treatment - Osteopathic Manipulative Treatment, or OMT, is a set of hands-on techniques used by osteopathic physicians (DOs) to diagnose, treat, and prevent illness or injury. Using OMT, a DO moves a patient's muscles and joints using techniques that include stretching, gentle pressure and resistance.

Anne Mare' Ice Pediatric Health Center. On February 1, 2021, Authority Health held an open house for its Anne Mare' Ice Pediatric Health Center, named after Dr. Anne Mare' Ice, a pediatric physician who served patients and families for over 40 years in the Metro Detroit area. Our pediatric health center serves as a continuity site for our Pediatric Residents and provides high quality affordable trauma-informed care and screening for social determinants of health for the children and adolescents in our community.

Primary care services offered at the Ice Pediatric Health Center include well-childcare, acute care – illness and injury, behavioral health counseling, full laboratory services, vaccination (including Covid-19), and Medicaid outreach.

Hope Family Health Center / Child and Adolescent Health Center. During the 1st week of August 2021, the construction of the Child and Adolescent Health Center (CAHC) program clinic was completed, and on August 6, 2021, an open house took place, and the Center was dedicated by Mayor Duggan, Congresswoman Talib, and other dignitaries from the community. On August 7, 2021, Authority Health opened the Hope Family Health Center (HOPE) inside of Hope Academy school on Broadstreet on the west side of Detroit to operate the CAHC program. As an initiative

**Management's Discussion and Analysis
For The Fiscal Year Ended September 30, 2021**

of the MDHHS Child and Adolescent Health Center Program, services are aimed at achieving the best possible physical, intellectual, and emotional status of adolescents by providing services that are high quality, accessible, and acceptable to youth.

The CAHC programs offers three models of service to include clinical health centers, school wellness programs and behavioral health services. HOPE offers a hybrid of all three services targeted to uninsured, underinsured and Medicaid children ages 5-21. Screening for the social determinants of health and adverse childhood experiences for the school students and children in the surrounding community is an important outreach aspect of our services.

Service provision includes child and adolescent vaccinations, Covid-19 vaccinations, Covid-19 testing, well-childcare, behavioral health care, acute injury and illness, insurance enrollment and navigation, and education and outreach to children and families. The Center received funding to provide Covid-19 vaccination in June 2021 and multiple vaccine fairs were held monthly. The HOPE Community Advisory Council met on quarterly basis.

Primary care services offered at Hope Family Health Center include well-childcare, acute care – illness and injury, behavioral health counseling, full laboratory services, vaccinations (including Covid-19), health promotion and education services, Medicaid outreach, and intervention programming aimed to reduce obesity and improve mental health.

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 designated organization (CDO) 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 Authority Health's outreach staff

**Management's Discussion and Analysis
For The Fiscal Year Ended September 30, 2021**

also provide routine presentations in the community and regularly exhibit at health fairs. In fiscal year 2021 events were held remotely and with virtual interviews to comply with social distancing during the coronavirus pandemic.

- Enrollment Contracts - Authority Health has affiliations with organizations to provide onsite Medicaid enrollment services.
 - Authority Health Staff during this fiscal year has been unable to conduct 100% of Health Insurance Navigations and Outreach Activities due to COVID pandemic.
 - 801 individuals for screenings via in-person, telephone, and virtual interviews for Medicaid.
 - 268 applicants were submitted to Michigan Department of Health and Human Services (MDHHS) for Medicaid processing.
 - 8 community health fairs.
 - Distributed over 2,200 pieces of Medicaid literature as well as resources information to community organizations.
 - Received over 1200 telephone inquiries regarding Medicaid eligible.
 - 183 Redeterminations for Medicare/Medicaid members were resolved.

Albert Schweitzer Fellowship - Detroit Chapter

The Albert Schweitzer Fellowship is a leadership development program that trains graduate students in humanitarian skills. It is funded to provide fellowship opportunities for four to eight fellows. Fellows come from various medical, health, and human service disciplines and are charged with creating sustainable public health interventions to impact health disparities. Detroit hosts one of 13 national fellowship chapters.

Funding Sources

For fiscal year 2021, the Authority Health's sources of funding came from the community at large and various stakeholders, including: Michigan Department of Health and Human Resources (MDHHS)/Federal Government, and the U.S. Department of Health & Human Services – Health Resources and Services Administration (HRSA), The Children's Hospital of Michigan Foundation, Metro Health Foundation, Wayne State University School of Social Work, Black Family Development, Blue Cross Blue Shield Foundation, Everest Foundation, Detroit Public Schools Community District, patient revenue and private and public insurers, individual donors and others.

At the end of the fiscal year, the Authority Health had \$161,555 invested in furniture and equipment.

Interdepartmental Agreement - Medicaid Outreach Services

The Authority Health entered into a new agreement with the State of Michigan Department of Health and Human Resources for fiscal year 2021.

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, Loretta V. Bush, MSHA at (313) 871-3751.

**Detroit Wayne County Health Authority
d/b/a Authority Health
Statement of Net Position**

September 30, 2021

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,270,525	\$ -	\$ 2,270,525
Accounts receivable	589,339	179,949	769,288
Prepaid items	183,433	7,808	191,241
Capital assets, net of accumulated depreciation	161,555	384,680	546,235
Capital assets not being depreciated	-	56,484	56,484
	<u>3,204,852</u>	<u>628,921</u>	<u>3,833,773</u>
Liabilities			
Accounts payable	571,255	57,190	628,445
Checks written against future deposits	-	119,443	119,443
Accrued and other liabilities	231,833	11,124	242,957
Noncurrent liabilities			
Debt due within one year	4,435	-	4,435
Debt due in more than one year	84,267	-	84,267
	<u>891,790</u>	<u>187,757</u>	<u>1,079,547</u>
Net Position			
Investment in capital assets	161,555	441,164	602,719
Unrestricted	2,151,507	-	2,151,507
	<u>2,313,062</u>	<u>441,164</u>	<u>2,754,226</u>
Total net position	<u>\$ 2,313,062</u>	<u>\$ 441,164</u>	<u>\$ 2,754,226</u>

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, 2021

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Contractual and Operating Grants	Governmental Activities	Business-type Activities	Total
Governmental activities Operations	\$ 11,867,685	\$ -	\$ 12,201,981	\$ 334,296	\$ -	\$ 334,296
Business-type activities Community health centers	<u>1,006,692</u>	<u>1,035,608</u>	<u>-</u>	<u>-</u>	<u>28,916</u>	<u>28,916</u>
Total primary government	<u>\$ 12,874,377</u>	<u>\$ 1,035,608</u>	<u>\$ 12,201,981</u>	<u>334,296</u>	<u>28,916</u>	<u>28,916</u>
General revenues						
Contributions and foundation grants				148,276	-	-
Forgiveness of debt - PPP loan				1,515,411	-	-
Interest				1,108	-	-
Transfers				<u>(111,736)</u>	<u>111,736</u>	<u>-</u>
Total general revenues				<u>1,553,059</u>	<u>111,736</u>	<u>1,664,795</u>
Change in net position				1,887,355	140,652	2,028,007
Net position - beginning of year				<u>425,707</u>	<u>300,512</u>	<u>726,219</u>
Net position - end of year				<u>\$ 2,313,062</u>	<u>\$ 441,164</u>	<u>\$ 2,754,226</u>

See Accompanying Notes to the Financial Statements

**Detroit Wayne County Health Authority
d/b/a Authority Health
Governmental Funds
Balance Sheet**

September 30, 2021

	<u>General Fund</u>
Assets	
Cash and cash equivalents	\$ 2,270,525
Accounts receivable	589,339
Prepaid items	183,433
Total assets	\$ 3,043,297
Liabilities	
Accounts payable	\$ 571,255
Accrued and other liabilities	231,833
Total liabilities	803,088
Fund Balances	
Non-spendable	
Prepaid items	183,433
Assigned for	
Graduate medical education	1,000,000
Unassigned	1,056,776
Total fund balances	2,240,209
Total liabilities and fund balances	\$ 3,043,297

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, 2021

Total fund balances for governmental funds	\$ 2,240,209
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.	161,555
Certain liabilities are not due and payable in the current period and are not reported in the funds. Compensated absences	<u>(88,702)</u>
Net position of governmental activities	<u>\$ 2,313,062</u>

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, 2021**

	<u>General Fund</u>
Revenues	
Contributions and foundation grants	\$ 148,276
Federal grants - graduate medical education	11,250,789
State grants	538,387
Interest	1,108
Contractual	445,345
Total revenues	12,383,905
Expenditures	
Salaries	7,522,411
Employee benefits	1,666,346
Supplies and materials	73,346
Meetings	235,182
Transportation and travel	10,540
Training	142,933
Telephone	20,984
Communications and marketing	23,095
Equipment, repairs and maintenance	72,003
Contracted and consulting services	1,433,281
Legal and professional	22,722
Business insurance	362,500
Occupancy	304,437
Total expenditures	11,889,780
Excess of revenues over expenditures	494,125

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, 2021**

Other financing sources (uses)

Transfers out	<u>(111,736)</u>
Net change in fund balance	382,389
Fund balance - beginning of year	<u>1,857,820</u>
Fund balance - end of year	<u>\$ 2,240,209</u>

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, 2021**

Net change in fund balances - Total governmental funds \$ 382,389

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 (19,595)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

Grants (32,540)

Expenses are recorded when incurred in the statement of activities.

Compensated absences (13,574)

Supplemental employee retirement plan (SERP) 50,000

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.

Forgiveness of debt - PPP loan 1,515,411

Repayments of long-term debt 5,264

Change in net position of governmental activities \$ 1,887,355

**Detroit Wayne County Health Authority
d/b/a Authority Health
Proprietary Fund
Statement of Net Position
September 30, 2021**

	Enterprise Fund
	Community Health Centers
Assets	
Current Assets	
Accounts receivable	\$ 179,949
Prepaid items	7,808
Total current assets	187,757
Noncurrent Assets	
Capital assets, net of accumulated depreciation	384,680
Capital assets not being depreciated	56,484
Total noncurrent assets	441,164
Total assets	628,921
Liabilities	
Accounts payable	57,190
Checks written against future deposits	119,443
Accrued and other liabilities	11,124
Total liabilities	187,757
Net Position	
Unrestricted	\$ 441,164

See Accompanying Notes to the Financial Statements

Detroit Wayne County Health Authority
d/b/a Authority Health
Proprietary Fund
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended September 30, 2021

	Enterprise Fund
	Community Health Centers
Revenues	
Contributions and foundation grants	\$ 315,346
Contractual	720,262
Total revenues	1,035,608
Expenditures	
Salaries	451,739
Employee benefits	51,500
Supplies and materials	149,796
Meetings	17,524
Transportation and travel	460
Telephone	32,198
Training	195
Communications and marketing	8,582
Equipment, repairs and maintenance	59,220
Contracted and consulting services	106,602
Occupancy	115,839
Business insurance	3,392
Depreciation expense	9,645
Total expenditures	1,006,692
Operating income	28,916
Nonoperating revenue (expenses)	
Transfers in	111,736
Change in net position	140,652
Net position - beginning of year	300,512
Net position - end of year	\$ 441,164

See Accompanying Notes to the Financial Statements

**Detroit Wayne County Health Authority
d/b/a Authority Health
Proprietary Fund
Statement of Cash Flows
For the Year Ended September 30, 2021**

	Enterprise Fund
	Community Health Centers
Cash flows from operating activities	
Receipts from customers	\$ 911,268
Payments to suppliers	(369,468)
Payments to employees	(503,239)
Net cash provided by operating activities	38,561
Cash flows from noncapital financing activities	
Transfer from other funds	111,736
Cash flows from capital and related financing activities	
Purchase of capital assets	(150,297)
Net change in cash and cash equivalents	-
Cash and cash equivalents - beginning of year	-
Cash and cash equivalents - end of year	\$ -

See Accompanying Notes to the Financial Statements

**Detroit Wayne County Health Authority
d/b/a Authority Health
Proprietary Fund
Statement of Cash Flows
For the Year Ended September 30, 2021**

		<u>Enterprise Fund</u>
		<u>Community Health Centers</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$	28,916
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation and amortization expense		9,645
Changes in assets and liabilities		
Receivables (net)		4,105
Prepaid items		(7,808)
Accounts payable		21,881
Checks written against future deposits		104,924
Accrued and other liabilities		5,343
Unearned revenue		(128,445)
		<hr/>
Net cash provided by operating activities	\$	<u>38,561</u>

See Accompanying Notes to the Financial Statements

Detroit Wayne County Health Authority
d/b/a Authority Health
Notes to the Financial Statements
September 30, 2021

Note 1 - Summary of Significant Accounting Policies

Detroit Wayne County Health Authority d/b/a Authority Health 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. Authority Health'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 Authority Health 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 Authority Health:

Reporting Entity

A nine-member Board, appointed by state and local governments, governs Authority Health. 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 Authority Health's reporting entity, and which organizations are legally separate, component units of Authority Health. Based on the application of the criteria, Authority Health 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. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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*, as do the proprietary fund statements. 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.

**Detroit Wayne County Health Authority
d/b/a Authority Health
Notes to the Financial Statements
September 30, 2021**

The General Fund is Authority Health's primary operating fund. It accounts for all financial resources of Authority Health.

The Proprietary Fund accounts for activities of Authority Health's community health centers.

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, \$0 of allowance was deemed necessary as of September 30, 2021.

Prepays – Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds of Authority Health follows the purchase method, and they therefore are expenses when paid in both government-wide and fund financial statements.

Capital assets – The Authority Health 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
Buildings	30 to 40 years

Deferred Inflow – A deferred inflow of resources is an acquisition of net position by Authority Health 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.

Paycheck Protection Program (PPP) Loan – Authority Health accounts for the PPP loan as debt issuance in the governmental funds. The PPP loan increases long-term liabilities on the Statement of Net Position. Interest is accrued throughout the life of the loan, even when no payments are currently due.

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

Detroit Wayne County Health Authority
d/b/a Authority Health
Notes to the Financial Statements
September 30, 2021

Authority Health 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 Authority Health takes the same highest level action to remove or change the constraint.

Assigned – amounts Authority Health 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, Authority Health'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, Authority Health's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

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.

Upcoming Accounting and Reporting Changes

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, 2022.

Authority Health is evaluating the impact the above GASB 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. Annual budgets are adopted on a basis consistent with the accounting principles generally accepted in the United States of America for the general fund.

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 Authority Health 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

Detroit Wayne County Health Authority
d/b/a Authority Health
Notes to the Financial Statements
September 30, 2021

budgets during the year. The last amendment to the budget was adopted prior to year end.

Note 3 - Cash and Equivalents

The captions on the statement of net position and 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 \$2,313,605 and of which \$250,000 was covered by FDIC insurance and \$2,063,605 was uninsured. The full balance of cash on the statement of net position was \$2,270,525 and was all held in demand accounts.

Note 4 - Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets being depreciated				
Equipment	\$ 390,170	\$ -	\$ -	\$ 390,170
Less accumulated depreciation for				
Equipment	<u>209,020</u>	<u>19,595</u>	<u>-</u>	<u>228,615</u>
Governmental activities capital assets, net	<u>\$ 181,150</u>	<u>\$ (19,595)</u>	<u>\$ -</u>	<u>\$ 161,555</u>

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

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 56,484	\$ -	\$ -	\$ 56,484
Capital assets being depreciated				
Buildings	243,368	135,000	-	378,368
Equipment	<u>8,520</u>	<u>15,297</u>	<u>-</u>	<u>23,817</u>
Total capital assets being depreciated	<u>251,888</u>	<u>150,297</u>	<u>-</u>	<u>402,185</u>
Less accumulated depreciation for				
Buildings	7,860	7,740	-	15,600
Equipment	<u>-</u>	<u>1,905</u>	<u>-</u>	<u>1,905</u>
Total accumulated depreciation	<u>7,860</u>	<u>9,645</u>	<u>-</u>	<u>17,505</u>
Business-type activities capital assets, net	<u>\$ 300,512</u>	<u>\$ 140,652</u>	<u>\$ -</u>	<u>\$ 441,164</u>

Detroit Wayne County Health Authority
d/b/a Authority Health
Notes to the Financial Statements
September 30, 2021

Note 5 - Operating Leases

Authority Health leases office space in a building through two separate leases. The monthly payment for the primary lease is \$21,838 - \$22,856 per month through January 31, 2025. The monthly payment for additional office space in a different building is \$4,356 - \$4,475 per month through October 2023. Authority Health has a one-time right to terminate the building lease after the 41st month in the event the HRSA grants are reduced or terminated.

Additionally, Authority Health leases telephone services and equipment. The monthly payment is \$527 through October 2022.

Expected future lease payments are as follows:

<u>Year Ending September 30,</u>	
2022	\$ 342,450
2023	299,136
2024	309,219
2025	<u>104,820</u>
	<u>\$ 1,055,625</u>

Total payments related to these leases for the fiscal year ended September 30, 2021 was \$303,013.

Note 6 - Long Term Debt

Long-term activity for the year ended September 30, 2021 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Note payable - PPP	\$ 1,515,411	\$ -	\$ 1,515,411	\$ -	\$ -
Capital lease	5,264	-	5,264	-	-
Compensated absences	<u>75,128</u>	<u>13,574</u>	<u>-</u>	<u>88,702</u>	<u>4,435</u>
Total	<u>\$ 1,595,803</u>	<u>\$ 13,574</u>	<u>\$ 1,520,675</u>	<u>\$ 88,702</u>	<u>\$ 4,435</u>

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

The Small Business Administration (SBA) note payable is a direct borrowing obtained through the Payroll Protection Program (PPP). The entire principal and interest was forgiven by the SBA during the fiscal year ended September 30, 2021. No payments were made or necessary for the PPP loan.

Note 7 - Line of Credit

Authority Health has an available bank line of credit of \$1,000,000, expiring July 27, 2022, at a prime rate of 3.250% secured by all Authority Health assets. The outstanding balance on the line as of September 30, 2021 was \$0.

Detroit Wayne County Health Authority
d/b/a Authority Health
Notes to the Financial Statements
September 30, 2021

Note 8 - Employee Benefits Plans

Authority Health adopted a 401(a) Defined Contribution Plan under the Municipal Employees' Retirement System of Michigan (MERS) effective September 1, 2008. The plan covers all Authority Health 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, 2021 totaled \$208,788 and are included in Employee Benefits expense. The employer does not match contributions under the plan agreement at this time.

Note 9 - Employee Benefit Plans – Supplemental Employee Retirement Plan (SERP)

Authority Health has a supplemental employee retirement plan. The plan established two new plans through MERS for the previous Chief Executive Officer (\$300,000) and the Chief Financial Officer (\$150,000) to allow for additional contributions beyond those defined in Note 8.

Authority Health's liability to the plan at inception is \$450,000. Amounts paid to the plan during the year ended September 30, 2021 were \$0. Total amounts paid to the plan since inception total \$400,000. Authority Health has accrued \$78,300 in the general fund for the remaining plan payments at September 30, 2021.

Expenditures are made from excess unassigned fund balance.

Note 10 - Litigation, Contingencies and Risk Management

Authority Health 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, 2021, Authority Health 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 Authority Health 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 11 - Concentration of Revenue

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

Note 12 - Interdepartmental Agreement - Medicaid Outreach Services

Effective October 1, 2020, Authority Health renewed its Interdepartmental Agreement with the State of Michigan for Medicaid Outreach. Essentially all state agreements must be renewed on an annual basis.

REQUIRED SUPPLEMENTARY INFORMATION

Detroit Wayne County Health Authority
d/b/a Authority Health
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended September 30, 2021

	Budgeted Amounts		Actual	Actual Over (Under)	Final Budget
	Original	Final			
Revenues					
Contributions and foundation grants	\$ 59,552	\$ 86,053	\$ 148,276	\$ 62,223	
Federal grants - graduate medical education	11,211,195	11,069,297	11,250,789	181,492	
State grants	591,000	518,144	538,387	20,243	
Interest	-	-	1,108	1,108	
Contractual	<u>916,835</u>	<u>348,398</u>	<u>445,345</u>	<u>96,947</u>	
Total revenues	<u>12,778,582</u>	<u>12,021,892</u>	<u>12,383,905</u>		<u>362,013</u>
Expenditures					
Compensation	8,768,838	9,189,834	9,188,757	(1,077)	
Occupancy	318,886	302,207	304,437	2,230	
Other expenses	<u>3,753,752</u>	<u>2,921,361</u>	<u>2,396,586</u>	<u>(524,775)</u>	
Total expenditures	<u>12,841,476</u>	<u>12,413,402</u>	<u>11,889,780</u>		<u>(523,622)</u>
Excess (deficiency) of revenues over expenditures	<u>(62,894)</u>	<u>(391,510)</u>		<u>494,125</u>	<u>885,633</u>
Other financing sources (uses)					
Transfers out	-	(125,389)	(111,736)	13,653	
Transfers in	<u>32,539</u>	<u>761,907</u>	<u>-</u>	<u>(761,907)</u>	
Total other financing sources and uses	<u>32,539</u>	<u>636,518</u>	<u>(111,736)</u>		<u>(748,255)</u>
Net change in fund balance	(30,355)	245,008	382,389	137,381	
Fund balance - beginning of year	<u>1,857,820</u>	<u>1,857,820</u>	<u>1,857,820</u>		
Fund balance - end of year	<u>\$ 1,827,465</u>	<u>\$ 2,102,828</u>	<u>\$ 2,240,209</u>	<u>\$ 137,381</u>	

OTHER REPORTS



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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditors' Report

Management and the Board of Directors
Detroit Wayne County Health Authority d/b/a Authority Health

We have audited, in accordance with the 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, the financial statements of the governmental activities, business-type activities, and the major fund of Detroit Wayne County Health Authority d/b/a Authority Health as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise Detroit Wayne County Health Authority d/b/a Authority Health's basic financial statements, and have issued our report thereon dated March 24, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Detroit Wayne County Health Authority d/b/a Authority Health's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Detroit Wayne County Health Authority d/b/a Authority Health's internal control. Accordingly, we do not express an opinion on the effectiveness of Detroit Wayne County Health Authority d/b/a Authority Health's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Detroit Wayne County Health Authority d/b/a Authority Health's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Yeo & Yeo, P.C.

Southgate, MI
March 24, 2022