Wayne County Regional Educational Service Agency

Financial Report
with Supplemental Information
June 30, 2015

Wayne County Regional Educational Service Agency

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Independent Auditor's Report

To the Board of Education
Wayne County Regional Educational
Service Agency

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining information of Wayne County Regional Educational Service Agency (the "Agency") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Wayne County Regional Educational Service Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, each major fund, and the aggregate reamaining fund information of the Wayne County Regional Educational Service Agency as of June 30, 2015 and the respective changes in its financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

To the Board of Education
Wayne County Regional Educational
Service Agency

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, effective July 1, 2014, the Agency adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The Agency's unrestricted net position has been restated as of July 1, 2014 as a result of this change in accounting principle. Our opinion is not modified with respect to this matter.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedules, and the schedules of proportionate share and contributions, 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wayne County Regional Educational Service Agency's basic financial statements. The other supplemenetal information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplmental information, as identified in the table of contents, is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplmental information, as identified in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Education
Wayne County Regional Educational
Service Agency

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2015 on our consideration of Wayne County Regional Educational Service Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 Wayne County Regional Educational Service Agency's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 26, 2015

This section of Wayne County Regional Educational Service Agency's (the "Agency") annual financial report presents our discussion and analysis of the Agency's financial performance during the year ended June 30, 2015. Please read it in conjunction with the Agency's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Wayne County Regional Educational Service Agency financially as a whole. The Agency-wide financial statements provide information about the activities of the whole Agency, presenting both an aggregate view of the Agency's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the Agency's operations in more detail than the Agency-wide financial statements by providing information about the Agency's most significant funds - the General Fund, Act 18 Fund, Funded Projects Fund, and Medicaid Fund - with all other funds presented in one column as nonmajor funds. The reader of this report should understand that the Act 18 Fund, the Funded Projects Fund, and the Medicaid Fund function primarily as flow-through funds, whereby funds are collected and then distributed to local public school districts, other organizations, and agencies. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the Agency acts solely as an agent for the benefit of constituent groups.

The format of the financial report is as follows:

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Agency-wide Financial Statements | Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)
Budgetary Information for Major Funds
Proportionate Share of the Net Pension Liability MPSERS Determined as of the Plan Year Ended September 30
Contributions MPSERS Determined as of the Year Ended June 30

Other Supplemental Information

Reporting the Agency as a Whole - Agency-wide Financial Statements

One of the questions asked about the Agency is, "As a whole, what is the Agency's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the Agency's financial statements, report information on the Agency as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Agency's position - the difference between assets and liabilities, as reported in the statement of net position - as one way to measure the Agency's financial health or financial position. Over time, increases or decreases in the Agency's net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Agency's operating results. However, the Agency's goal is to provide services to local public school districts, teachers, and students, not to generate profits or increase net position as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the services provided and the success in meeting the needs of constituent school districts, to assess the overall health of the Agency.

The statement of net position and the statement of activities report the governmental activities for the Agency, which encompass all of the Agency's services. State aid, state and federal grants, and property taxes finance most of these activities.

Reporting the Agency's Most Significant Funds - Fund Financial Statements

The Agency's fund financial statements provide detailed information about the most significant funds - not the Agency as a whole. Some funds are required to be established by state law. However, the Agency establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as voter-approved special education funding and state and federal grants). The governmental funds of the Agency use the following accounting approach:

Governmental Funds - All of the Agency's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Agency and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Agency's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation.

The Agency as Trustee - Reporting the Agency's Fiduciary Responsibilities

The Agency is the trustee, or fiduciary, for constituent organizations. All of the Agency's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the Agency's other financial statements because the Agency cannot use these assets to finance its operations. The Agency is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The Agency as a Whole

The statement of net position provides the perspective of the Agency as a whole. Table 1 provides a summary of the Agency's net position as June 30, 2015 and 2014:

Table 1

	Governmental Activities	
	June 30	
	2015	2014
	(in millions)	
Assets		
Current and other assets	$ 248.3	$ 215.1
Capital assets	14.9	14.5
Total assets	263.2	229.6
Deferred Outflows of Resources	2.3	1.8
Total assets and deferred outflows of resources	265.5	231.4
Liabilities		
Current liabilities	61.6	54.1
Long-term liabilities	36.7	39.0
Total liabilities	98.3	93.1
Deferred Inflows of Resources	2.7	-
Total liabilities and deferred inflows of resources	101.0	93.1
Net Position		
Net investment in capital assets	14.9	14.5
Restricted	175.0	148.4
Unrestricted	(25.4)	(24.6)
Total net position	**$ 164.5**	**$ 138.3**

The above analysis focuses on the net position (see Table 1). The change in net position (see Table 2) of the Agency's governmental activities is discussed below. The Agency's net position was $164.5 million and $138.3 million at June 30, 2015 and 2014, respectively. Net investment in capital assets totaling $14.9 million compares the original cost, less depreciation of the Agency's capital assets, to long-term debt used to finance the acquisition of those assets. At June 30, 2015, there was no outstanding debt. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Agency's ability to use their net position for day-to-day operations. The remaining amount of net position was unrestricted.

As required by the Governmental Accounting Standards Board (GASB), the Agency adopted GASB Statement Nos. 68 and 71. These standards required the inclusion of the district's proportionate share of the Michigan Public School Employees' Retirement Plan within the Agency's financial statements, effective July 1, 2014. The effect of the adoption was to decrease July 1, 2014 beginning net position by $37.1 million and the inclusion of the obligation and related deferred inflows and outflows in the June 30, 2015 financial statements. All governments participating in the retirement plan were required to adopt these new standards.

The unrestricted net position of governmental activities represents the accumulated results of all past years' operations and the adoption of GASB Statement Nos. 68 and 71. The unrestricted net position balance enables the Agency to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of operations for the Agency as a whole are reported in the statement of activities (see Table 2), which shows the changes in net position for the fiscal years ended June 30, 2015 and 2014.

Table 2

	Governmental Activities	
	Year Ended June 30	
	2015	2014
	(in millions)	
Revenue		
Program revenue:		
Charges for services	$ 12.2	$ 11.7
Operating grants	182.5	157.4
General revenue:		
Property taxes	131.4	133.4
State aid	10.2	9.3
Other	2.6	1.8
Total revenue	338.9	313.6

Table 2 (continued)	Governmental Activities	
	Year Ended June 30	
	2015	2014
	(in millions)	
Functions/Program Expenses		
Instruction	$ 1.3	$ 1.3
Support services	40.9	39.6
Interdistrict payments	269.3	252.8
Community service	0.3	0.3
Depreciation (unallocated)	0.9	0.7
Total functions/program expenses	312.7	294.7
Receipt of Baylor Woodson Building	-	7.2
Increase in Net Position	26.2	26.1
Net Position - Restated - Beginning of year	138.3	149.3
Impact of GASB Statement Nos. 68 and 71	-	(37.1)
Net Position - End of Year	**$ 164.5**	**$ 138.3**

As reported in the statement of activities, the cost of all of our governmental activities was $312.7 million for the year ended June 30, 2015. Certain activities were partially funded from those who benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions ($194.7 million). We paid for the remaining "public benefit" portion of our governmental activities with $131.4 million in taxes, $10.2 million in state aid, and with $2.6 million of our other revenues, i.e., interest, unrestricted federal grants, and general entitlements.

The Agency experienced an increase in net position of $26.2 million for the year ended June 30, 2015. The key reasons for the change in net position were due to better than anticipated local tax collections and lower than expected expenditures in the Act 18 Fund to districts operating programs. As discussed above, the net cost shows the financial burden that was placed on the State and the Agency's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of Agency operating revenue sources, the Board of Education and administration must annually evaluate the needs of the Agency and balance those needs with the revenue that is available from these sources.

The Agency's Funds

As we noted earlier, the Agency uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Agency is being held accountable for the resources taxpayers and others provide to it and may offer more insight into the Agency's overall financial health.

As the Agency completed this year, the governmental funds reported a combined fund balance of $182.2 million, which is a net increase of $25.9 million from last year. The primary reasons for the increase are as follows:

- In the General Fund, our principal operating fund, the fund balance decreased by $0.9 million. The decrease resulted primarily from a budgeted use of fund balance to finance ongoing operations.
- The Act 18 Fund fund balance increased by $26.9 million primarily due to timing of collections of delinquent taxes, better-than-anticipated local tax collections, as well as decreased distributions to local school districts operating special education center programs due to reduced reported expenditures.
- The $0.1 million decrease of nonmajor funds balance is a result of the planned use of Capital Project Fund fund balance to finance the capital improvements to the Education Center.

Budgetary Highlights

Over the course of the year, the Agency revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Agency's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

Variances in the General Fund between the final budget and actual amounts relate primarily to lower-than-anticipated inter-district revenue due to lower-than-anticipated fees from Agency-authorized PSAs and lower-than-anticipated employee salary and benefit costs resulting from unfilled budgeted positions and conservative estimates for required MPSERS unfunded accrued liability (UAAL) payments that were funded through an additional categorical State Aid allocation.

Variances in the Act 18 Fund between the original budget and actual expenditure amounts resulted from better-than-anticipated local tax collections as well as lower-than-anticipated distribution of funds to local districts operating special education center programs.

Variances in the Funded Project Fund between the final budgeted and actual revenue and expenditure amounts resulted from the Board of Education's philosophy regarding budgeting in this fund. Because many of the projects that make up this fund cover multiple years and operating periods that are not in sync with the Agency's operating cycle, the board relies on the individual project budget to provide management information and control. The original budget was adopted in order to recognize the size and magnitude of the funded projects within overall operations of the Agency but is not subsequently amended.

Activity in the Medicaid Fund is solely dependent on the amount of eligible activities reported by local school districts. Variances between that which was budgeted and actual outcomes result from the unpredictable nature of local district activity in this area.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2015, the Agency had a net $14.9 million invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a $0.4 million increase (including additions, deductions, and depreciation) from last year.

	2015	2014
Land	$ 137,200	$ 137,200
Construction in progress	-	11,529
Land improvements	746,478	746,478
Buildings and building improvements	23,818,096	23,034,285
Vehicles	23,024	23,024
Furniture and equipment	7,575,024	7,791,390
Total capital assets	32,299,822	31,743,906
Less accumulated depreciation	17,399,382	17,225,042
Net capital assets	**$ 14,900,440**	**$ 14,518,864**

This year's additions of $1,268,276 included equipment and building renovations. No new debt was issued for these additions.

Debt Administration

Debt obligations include accrued vacation pay and sick leave. There were no outstanding bond obligations at June 30, 2015 and 2014. More detailed information about our long-term liabilities is presented in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration considered many factors when setting the Agency's June 30, 2016 fiscal budget. One of the most important factors affecting the operating budget is the economic condition of the State of Michigan. The June 30, 2016 budget was adopted in June 2015 based on an estimate of property tax revenue, state aid, and grant funding. State law requires the Agency to amend the budget if actual Agency resources are not sufficient to fund original appropriations. The primary revenue source of the Act 18 Fund is property taxes. As a result of a multi-year depressed real estate market, taxable values slightly decreased for the seventh year in a row, which is expected to be coming to an end. Property tax values have declined approximately 28 percent over the past several years, and for the first time since 2008 are expected to show a slight increase in 2015-2016 according to the County equalization department. Also, since the Agency's revenue is partially dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue to fund its appropriations to public school districts, intermediate school districts, and regional educational service agencies. Worsening economic conditions have the potential to further impact state revenue. Reductions in programs and services will be required in order to bring future expenditures in line with projected future revenue if these trends continue.

In July 2013, the state school superintendent of public instruction and the state treasurer jointly determined that the conditions in state law (Public Act 96 of 2013) requiring dissolution had been met by the School District of the City of Inkster. Although that process has concluded, RESA continues to have ongoing responsibility to levy and collect taxes, maintain necessary historical records in the School District of the City of Inkster's name, and oversee the payment of any operating and bonded debt payments as long as they remain outstanding.

Contacting the Agency's Management

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the Agency's finances to show the Agency's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the business office.

Wayne County Regional Educational Service Agency

Statement of Net Position
June 30, 2015

	Governmental Activities
Assets	
Cash and investments (Note 3)	$ 22,981,308
Receivables:	
Taxes	9,494,413
Accounts	4,343,063
Due from other governmental units	41,810,111
Prepaid costs	171,376
Restricted assets (Note 3)	169,492,999
Capital assets - Net (Note 5)	14,900,440
Total assets	263,193,710
Deferred Outflows of Resources -	
Deferred outflows related to pensions (Note 8)	2,333,833
Total assets and deferred outflows of resources	265,527,543
Liabilities	
Accounts payable	43,512,453
Accrued payroll-related liabilities	498,576
Due to other governmental units	278,931
Other current liabilities	135,231
Unearned revenue (Note 4)	17,181,038
Compensated absences:	
Due within one year	22,823
Due in more than one year	139,047
Net pension liability - Noncurrent (Note 8)	36,575,174
Total liabilities	98,343,273
Deferred Inflows of Resources -	
Deferred inflows related to pensions (Note 8)	2,694,620
Total total liabilities and deferred inflows of resources	101,037,893
Net Position	
Net investment in capital assets	14,900,440
Restricted for special education	174,991,659
Unrestricted	(25,402,449)
Total net position	**$ 164,489,650**

The Notes to Financial Statements are an
Integral Part of this Statement.

Wayne County Regional Educational Service Agency

Statement of Activities
Year Ended June 30, 2015

	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Governmental Activities: Net (Expense) Revenue and Changes in Net Position
Functions/Programs				
Primary government - Governmental activities:				
Instruction	$ 1,333,912	$ -	$ 1,333,912	$ -
Support services	40,849,773	12,184,376	17,065,852	(11,599,545)
Community services	315,463	-	315,463	-
Interdistrict payments	269,340,052	-	163,758,216	(105,581,836)
Depreciation expense (unallocated)	886,700	-	-	(886,700)
Total primary government	**$ 312,725,900**	**$ 12,184,376**	**$ 182,473,443**	(118,068,081)
General revenue:				
Taxes:				
Property taxes - Levied for general purposes				3,693,236
Property taxes - Levied for special education (ISD)				127,735,545
State aid not restricted to specific purposes				10,198,601
Interest and investment earnings				388,712
Other				2,219,133
Total general revenue				144,235,227
Change in Net Position				26,167,146
Net Position - As restated - Beginning of year (Note 1)				138,322,504
Net Position - End of year				**$ 164,489,650**

Governmental Funds
Balance Sheet
June 30, 2015

	General Fund	Act 18 Fund	Funded Projects Fund	Medicaid Fund	Nonmajor Funds	Total Governmental Funds
Assets						
Cash and investments (Note 3)	$ 9,785,819	$ -	$ 73,340	$ 13,103,626	$ 18,523	$ 22,981,308
Receivables	3,848,417	14,716,728	34,356,296	-	2,726,146	55,647,587
Due from other funds (Note 6)	4,485,800	69,027	4,733,615	12,352	3,343,903	12,644,697
Prepaids	171,376	-	-	-	-	171,376
Restricted assets (Note 3)	-	169,492,999	-	-	-	169,492,999
Total assets	**$ 18,291,412**	**$ 184,278,754**	**$ 39,163,251**	**$ 13,115,978**	**$ 6,088,572**	**$ 260,937,967**
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities						
Accounts payable	$ 1,786,875	$ 5,986,668	$ 21,858,597	$ 13,101,672	$ 706,140	$ 43,439,952
Accrued payroll-related liabilities	393,076	-	36,292	1,868	67,340	498,576
Due to other governmental units	80,932	-	-	-	197,999	278,931
Other current liabilities	-	-	-	-	135,231	135,231
Due to other funds (Note 6)	4,930,971	3,300,427	312,721	12,438	4,160,641	12,717,198
Unearned revenue (Note 4)	67,324	-	16,955,641	-	158,073	17,181,038
Total liabilities	7,259,178	9,287,095	39,163,251	13,115,978	5,425,424	74,250,926
Deferred Inflows of Resources -						
Unavailable revenue (Note 4)	148,088	4,371,267	-	-	-	4,519,355
Total liabilities and deferred inflows of resources	7,407,266	13,658,362	39,163,251	13,115,978	5,425,424	78,770,281
Fund Balances						
Nonspendable - Prepaids	171,376	-	-	-	-	171,376
Restricted - Special education center program	-	170,620,392	-	-	-	170,620,392
Committed - Capital projects	-	-	-	-	180,241	180,241
Assigned:						
Encumbrances	1,118,740	-	-	-	482,907	1,601,647
Budgeted appropriations	1,017,600	-	-	-	-	1,017,600
Unassigned	8,576,430	-	-	-	-	8,576,430
Total fund balances	10,884,146	170,620,392	-	-	663,148	182,167,686
Total liabilities, deferred inflows of resources, and fund balances	**$ 18,291,412**	**$ 184,278,754**	**$ 39,163,251**	**$ 13,115,978**	**$ 6,088,572**	**$ 260,937,967**

The Notes to Financial Statements are an Integral Part of this Statement.

Governmental Funds
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
Year Ended June 30, 2015

Fund Balance Reported in Governmental Funds		$ 182,167,686
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
Cost of capital assets	$ 32,299,822	
Accumulated depreciation	(17,399,382)	14,900,440
Deferred outflows related to pension payments made subsequent to the measurement date		2,333,833
Compensated absence liabilities are not due and payable in the current period and are not reported in the governmental funds:		(161,870)
Property taxes and other receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds		4,519,355
Net pension obligations do not present a claim on current financial resources and are not reported as fund liabilities		(36,575,174)
Deferred inflows related to pension investment returns and changes in assumptions are not reported in the governmental funds		(2,694,620)
Net Position of Governmental Activities		**$ 164,489,650**

Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2015

	General Fund	Act 18 Fund	Funded Projects Fund	Medicaid Fund	Nonmajor Funds	Total Governmental Funds
Revenue						
Local sources	$ 4,301,934	$ 129,069,288	$ 276,967	$ 12,337,361	$ 115,168	$ 146,100,718
State sources	10,213,351	28,335,161	63,190,338	-	670,455	102,409,305
Federal sources	-	-	76,953,276	700,254	-	77,653,530
Interdistrict sources	452,701	351,248	3,822,705	-	8,361,671	12,988,325
Total revenue	14,967,986	157,755,697	144,243,286	13,037,615	9,147,294	339,151,878
Expenditures						
Current:						
Instruction	-	-	1,333,912	-	-	1,333,912
Support services	11,282,665	112,117	14,894,756	388,248	13,770,558	40,448,344
Community services	-	-	315,463	-	-	315,463
Capital outlay	714,979	877,272	84,380	-	123,760	1,800,391
Interdistrict payments	191,785	133,725,212	126,788,490	7,163,573	1,470,992	269,340,052
Total expenditures	12,189,429	134,714,601	143,417,001	7,551,821	15,365,310	313,238,162
Excess of Revenue Over (Under) Expenditures	2,778,557	23,041,096	826,285	5,485,794	(6,218,016)	25,913,716
Other Financing Sources (Uses)						
Transfers in (Note 6)	667,874	5,448,665	-	-	6,238,677	12,355,216
Transfers out (Note 6)	(4,305,402)	(1,626,775)	(826,285)	(5,485,794)	(110,960)	(12,355,216)
Net Change in Fund Balances	(858,971)	26,862,986	-	-	(90,299)	25,913,716
Fund Balances - Beginning of year	11,743,117	143,757,406	-	-	753,447	156,253,970
Fund Balances - End of year	**$ 10,884,146**	**$ 170,620,392**	**$ -**	**$ -**	**$ 663,148**	**$ 182,167,686**

The Notes to Financial Statements are an Integral Part of this Statement.

Governmental Funds
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds		$ 25,913,716
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:		
Depreciation expense	$ (886,700)	
Capitalized capital outlay	1,268,276	381,576
Revenue is reported in the statement of activities when earned. It is not reported in the funds until collected or collectible within 60 days of year end		(258,832)
Change in pension expense related to deferred items		140,241
Compensated absences are recorded when earned in the statement of activities. In the current year, more was earned than was paid out		(9,555)
Change in Net Position of Governmental Activities		**$ 26,167,146**

Fiduciary Funds
Statement of Net Position
June 30, 2015

	Agency Fund
Assets - Due from other funds (Note 6)	$ 72,501
Liabilities	
Accounts payable	507
Due to outside groups	13,055
Due to internal groups	58,939
Total liabilities	72,501
Net Position	**$ -**

Note 1 - Nature of Business and Significant Accounting Policies

The accounting policies of Wayne County Regional Educational Service Agency (the "Agency") 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 Agency:

Reporting Entity

The Agency is governed by an elected five-member Board of Education. 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 Agency's reporting entity, and which organizations are legally separate component units of the Agency. Based on the application of the criteria, the Agency does not contain any component units.

The Agency has authorized three public school academies within the County. The Agency is responsible for overseeing the academies' compliance with all applicable laws. The academies pay the Agency an administrative fee each year, which is used to offset expenses related to services rendered and workshops attended by the academies. Revenue from the administrative fee is recognized as services are rendered by the Agency.

Agency-wide and Fund Financial Statements

The Agency-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. Governmental 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. All of the Agency's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Agency-wide Financial Statements - The Agency-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When an expense is incurred for purposes for which both restricted and unrestricted net position or fund balance are available, the Agency's policy is to first apply restricted resources. When an expense is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the Agency's policy to spend funds in this order: committed, assigned, and unassigned.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted state aid.

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Revenue not meeting this definition is classified as a deferred inflow of resources. For this purpose, the Agency 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 compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Agency.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The Agency reports the following major governmental funds:

General Fund - The General Fund is the Agency's primary operating fund. It accounts for all financial resources of the Agency, except those required to be accounted for in another fund.

Act 18 Special Revenue Fund - The Act 18 Special Revenue Fund is used to account for all financial resources relating to the operation of special education center programs in Wayne County. The fund derives its revenue primarily from property taxes, and also from state aid. Any operating surplus generated by these activities is retained by the fund.

Funded Projects Special Revenue Fund - The Funded Projects Special Revenue Fund is used to record all transactions associated with federal and state grants.

Medicaid Special Revenue Fund - The Medicaid Special Revenue Fund is used to account for specific resources relating to the operation of the Agency's Medicaid Outreach and Medicaid Fee for Services programs. The fund derives its revenue from federal grants.

Additionally, the Agency reports the following fund types:

Special Services Special Revenue Fund - The Special Services Special Revenue Fund provides consultant and staff development support for constituent districts to foster free and appropriate special education services for the eligible handicapped population of Wayne County. The fund derives its revenue primarily from state aid special education categorical revenue. Any operating deficit generated by these activities is the responsibility of the General Fund.

Cooperative Education Services Special Revenue Fund - The Cooperative Education Special Revenue Fund is used to account for all financial resources derived from providing services to local constituent districts for computer services, assessment technology, production services, and resource services. Any operating deficit generated by these activities is the responsibility of the General Fund.

Capital Projects Fund - The Capital Projects Fund is used to account for non-routine capital items and is funded through transfers from the General Fund.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Agency Fund - The Agency presently maintains an Agency Fund to record the transactions of WCCSF group employee withholdings. The funds are segregated and held in trust for the payment of long-term disability.

Assets, Liabilities, and Net Position or Equity

Cash and Investments - Cash and investments include cash on hand, demand deposits, certificates of deposit, and pooled investments with a maturity of three months or less when acquired. Investments are stated at fair value. To the extent that cash from various funds has been pooled in an investment, related investment income is allocated to each fund based on relative participation in the pool.

Receivables and Payables - In general, outstanding balances between funds are reported as “due to/from other funds.” Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as advances to/from other funds.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The Agency considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are assessed as of December 31, and the related property taxes become a lien on July 1 of the following year for approximately 50 percent of the taxes that are due on September 14 and December 1 for the remainder of the property taxes that are due on February 14. The final collection date is February 28, after which they are added to the county tax rolls.

Prepaid Costs - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

Restricted Assets - The unspent cash proceeds and related interest of the Act 18 Fund are designated to fund the future operations of special education center programs in Wayne County. These amounts have been classified as restricted assets and total $169,492,999 at June 30, 2015.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include land, land improvements, buildings, vehicles, and equipment, are reported in the applicable governmental column in the Agency-wide financial statements. Capital assets are defined by the Agency as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets received from dissolved districts are recorded at the existing book value at the time of the transaction. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The Agency does not have infrastructure-type assets.

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

Buildings, building additions, and land improvements	20 to 50 years
Buses and other vehicles	5 to 10 years
Furniture and other equipment	5 to 10 years

Compensated Absences - The liability for compensated absences reported in the Agency-wide statements includes anticipated termination benefits to be paid to employee groups. A liability for this amount is reported in governmental funds as it comes due for payment.

The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The compensated absence balance increased $9,555 during the year, leaving an ending balance of $161,870 at June 30, 2015.

Contingencies - The Agency is currently in the process of appealing findings from a Michigan Department of Education program fiscal review of the Agency's programs funded through the federal Individuals with Disabilities Education Act that could result in a possible liability to the organization of approximately $550,000. Management feels that the appeal will be settled in favor of the Agency and has therefore not assigned fund balance or recorded a liability in the statement of net position.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Agency only has one item that qualifies for reporting in this category. It is the deferred charge for the unfunded pension benefit obligation reported in the government-wide statement of net position.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Agency has two types of items. The first item arises only under a modified accrual basis of accounting, and is therefore only reported in the governmental funds balance sheet. The governmental funds report unavailable revenues that are not collected during the period of availability. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is deferred inflows related to investment earnings and measurement adjustments on the pension system and are reported in the government-wide statement of net position.

Fund Balance - Fund balance classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications are comprised of the following - nonspendable, restricted, committed, assigned, and unassigned.

In the fund financial statements, governmental funds report the following components of fund balance:

- Nonspendable: Amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- Restricted: Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.
- Committed: Amounts that have been formally set aside by the Board of Education for use for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Board of Education.
- Assigned: Intent to spend resources on specific purposes expressed by the Board of Education.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

- Unassigned: Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Comparative Data - Comparative data is not included in the Agency's financial statements.

Pensions - For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. MPSERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Related plan investments are reported at fair value.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Adoption of New Standard - The GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 71 is a clarification of GASB Statement No. 68 requiring a government to recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability The Statements also enhance accountability and transparency through revised note disclosures and required supplemental information (RSI). In accordance with the statement, the Agency has reported a net pension liability of $38,886,146 million and a beginning deferred outflow for pension contributions of $1,809,944 made subsequent to the September 30, 2013 measurement date, as a change in accounting principle adjustment to unrestricted net position as of July 1, 2014.

Net position at June 30, 2014	$ 175,398,706
Net pension liability	(38,886,146)
Deferred outflow for pension contributions	1,809,944
Net position at June 30, 2014 - As restated	$ 138,322,504

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function or object depending on the form that was adopted by the Board of Education. 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 Agency to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits agencies to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as assignments of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year. Total assigned fund balance related to encumbrances is approximately $1,600,000 at June 30, 2015.

Note 2 - Stewardship, Compliance, and Accountability (Continued)

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Agency incurred significant variances over appropriation in the General Fund which were in excess of the amount budgeted, as a result of the Agency recording an allowance for bad debt. The amounts are as follows:

	Budget	Actual
General Fund - Other expenses	$ 91,700	$ 338,516

Note 3 - Deposits and Investments

State statutes authorize the Agency to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Agency is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Agency's deposits are in accordance with statutory authority.

The Agency has designated one bank for the deposit of its funds.

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

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. The Agency's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level be used for the Agency's deposits for custodial credit risk. At year end, the Agency had no deposit balances that were uninsured and uncollateralized.

Custodial Credit Risk of Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Agency's policy for custodial credit risk states custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law, and by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the Agency will do business using the criteria established in the investment policy. The Agency does not hold investments with custodial risk.

Note 3 - Deposits and Investments (Continued)

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Agency's investment policy does restrict investment maturities to 12 months for U.S. government securities and agencies, certificates of deposit, and repurchase agreements. The policy further restricts investment maturities for federal instrumentalities to 397 days, commercial paper to 270 days, and bankers' acceptances to 180 days. The Agency's policy minimizes interest rate risk by requiring the investment portfolio to be structured so that securities mature to meet cash requirements for ongoing operations. This allows the Agency to avoid the need to sell securities in the open market, invest operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limit the average maturity in accordance with the Agency's cash requirements.

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Agency's investment policy further limits its investment choices to the top rating. At year end, the maturities of investments and the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Maturities	Rating	Rating Organization
Michigan Liquid Asset Fund	$ 193,506,602	Various	AAAm	S&P

Concentration of Credit Risk - The Agency's policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. One hundred percent of the Agency's investments is in the Michigan Liquid Asset Fund.

Foreign Currency Risk - Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the Agency's policy prohibit investment in foreign currency.

Note 4 - Unavailable/Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also recognize unearned revenue in connection with resources that have been received but not yet earned. The majority of unearned revenue relates to GSRP, which is passed through to local districts. At the end of the current fiscal year, the various components of unearned and unavailable revenue are as follows:

	Governmental Funds	
	Deferred Inflow - Unavailable	Liability - Unearned
Delinquent property taxes	$ 3,892,128	$ -
Grant and categorical aid payment received	-	16,955,641
Other	627,227	225,397
Total	$ 4,519,355	$ 17,181,038

Note 5 - Capital Assets

Capital asset activity of the Agency's governmental activities was as follows:

	Balance July 1, 2014	Additions/Transfers	Disposals	Balance June 30, 2015
Governmental Activities				
Capital assets not being depreciated:				
Land	$ 137,200	$ -	$ -	$ 137,200
Construction in progress	11,529	(11,529)	-	-
Subtotal	148,729	(11,529)	-	137,200
Capital assets being depreciated:				
Land improvements	746,478	-	-	746,478
Buildings and improvements	23,034,285	783,811	-	23,818,096
Furniture and equipment	7,791,390	495,994	(712,360)	7,575,024
Vehicles	23,024	-	-	23,024
Subtotal	31,595,177	1,279,805	(712,360)	32,162,622
Accumulated depreciation:				
Land improvements	146,105	30,442	-	176,547
Buildings and improvements	9,905,224	593,719	-	10,498,943
Furniture and equipment	7,150,689	262,539	(712,360)	6,700,868
Vehicles	23,024	-	-	23,024
Subtotal	17,225,042	886,700	(712,360)	17,399,382
Net capital assets being depreciated	14,370,135	393,105	-	14,763,240
Net capital assets	$ 14,518,864	$ 381,576	$ -	$ 14,900,440

Note 5 - Capital Assets (Continued)

Depreciation expense was not charged to activities as the Agency considers its assets to impact multiple activities and allocation is not practical.

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

	Fund Due From					
Fund Due To	General Fund	Act 18 Fund	Funded Projects Fund	Medicaid Fund	Other Nonmajor Governmental Funds	Total
General Fund	$ -	$ -	$ 312,721	$ 12,438	$ 4,160,641	$ 4,485,800
Act 18 Fund	69,027	-	-	-	-	69,027
Funded Projects Fund	4,733,615	-	-	-	-	4,733,615
Medicaid Fund	12,352	-	-	-	-	12,352
Other nonmajor governmental funds	43,476	3,300,427	-	-	-	3,343,903
Fiduciary Fund	72,501	-	-	-	-	72,501
Total	$ 4,930,971	$ 3,300,427	$ 312,721	$ 12,438	$ 4,160,641	$ 12,717,198

Interfund balances at June 30, 2015 primarily represent funds held temporarily in the General Fund bank accounts for the benefit of other funds, primarily the Act 18 and Funded Projects Fund. Other balances represent expenditures made from the General Fund bank accounts for the benefit of other funds which are unreimbursed as of June 30, 2015.

	Transfers Out					
Transfers In	General Fund	Act 18 Fund	Funded Projects Fund	Medicaid Fund	Nonmajor Governmental Funds	Total
General Fund	$ -	$ -	$ 524,110	$ 36,412	$ 107,352	$ 667,874
Act 18 Fund	-	-	-	5,448,665	-	5,448,665
Nonmajor governmental funds	4,305,402	1,626,775	302,175	717	3,608	6,238,677
Total	$ 4,305,402	$ 1,626,775	$ 826,285	$ 5,485,794	$ 110,960	$ 12,355,216

Transfers provided funding for General Fund support for cooperative service programs, Act 18 Fund support for special education services in the nonmajor funds, financial support to the General Fund from Funded Projects and special education, and Medicaid funds generated by the special education center programs transferred to the Act 18 Fund.

Note 7 - Risk Management

The Agency is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. The Agency participates in the M.A.I.S.L. Trust risk pool for claims relating to property loss, torts, and errors and omissions, and the M.A.I.S.L. Workers' Compensation Trust pool for workers' compensation claims.

The shared-risk pool program in which the Agency participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 8 - Michigan Public School Employees' Retirement System

Plan Description - The Agency participates in the Michigan Public School Employees' Retirement System (MPSERS or the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the Agency. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment healthcare plans. That report is available on the web at http://www.michigan.gov/orsschools, or by writing to the Office of Retirement System (ORS) at 7150 Harris Drive, P.O. Box 30171, Lansing MI 48909.

Contributions - Public Act 300 of 1980, as amended, required the Agency to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the state legislature. Under these provisions, each school district's (or agency's) contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

The Agency's contributions are determined based on employee elections. There are seven different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS.

Note 8 - Michigan Public School Employees' Retirement System (Continued)

The range of rates are as follows:

School District (or Agency)

July 1, 2013 - September 30, 2013	12.78% - 16.25%
October 1, 2013 - September 30, 2014	15.44% - 18.34%
October 1, 2014 - June 30, 2015	18.76% - 23.07%

Depending on the plan selected, plan member contributions range from 0 percent up to 7.0 percent of gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions.

The Agency's required and actual contributions to the plan for the years ended June 30, 2015 and 2014 were $4,360,421 and $3,263,399, respectively. Contributions include $1,266,618 and $703,262 revenue received from the State of Michigan, and remitted to the System, to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate for the year ended June 30, 2015 and 2014, respectively.

Benefits Provided - Benefit provisions of the defined benefit pension plan are established by state statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of service times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension, but is permanently reduced 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Members are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits, but with an actuarial reduction.

Note 8 - Michigan Public School Employees' Retirement System (Continued)

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. For some members who do not receive an annual increase, they are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

Net Pension Liability, Deferrals, and Pension Expense - At June 30, 2015, the Agency reported a liability of $36,575,174 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2013, which used update procedures to roll forward the estimated liability to September 30, 2014. The Agency's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2014, the Agency's proportion was 0.16605 percent, which, in the year of adoption, is unchanged from the proportion measured as of September 30, 2013.

For the year ended June 30, 2015, the Agency recognized pension expense of $2,962,763, exclusive of payments to the System to fund the MPSERS UAAL Stabilization Rate. At June 30, 2015, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources Subsequent to the Measurement Date	Net Deferred Inflows (Outflows) of Resources as of the Measurement Date
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	-	(1,349,578)
Net difference between projected and actual earnings on pension plan assets	-	4,043,498
Changes in proportion and differences between the Agency's contributions and proportionate share of contributions	-	700
The Agency's contributions subsequent to the measurement date	2,333,833	-
Total	$ 2,333,833	$ 2,694,620

Note 8 - Michigan Public School Employees' Retirement System (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	Amount
2016	$ 660,125
2017	660,125
2018	660,125
2019	714,245
2020	-
Thereafter	-
Total	$ 2,694,620

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

Actuarial Assumptions - The total pension liability as of September 30, 2014 is based on the results of an actuarial valuation date of September 30, 2013 and rolled forward:

Actuarial cost method	Entry age normal cost actuarial cost method
Assumed rate of return	7.00 to 8.00 percent, net of investment and administrative expenses based on the groups
Rate of pay increases	3.50 percent
Mortality basis	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB

The actuarial assumptions used for the September 30, 2013 valuation were based on the results of an actuarial experience study for the period from October 1, 2007 to September 30, 2012. As a result of this study, the actuarial assumptions were adjusted to more closely reflect actual experience.

Note 8 - Michigan Public School Employees' Retirement System (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.00-8.00 percent depending on the plan option. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	28 %	4.8 %
Private equity pools	18	8.5
International equity pools	16	6.1
Fixed-income pools	10	1.5
Real estate and infrastructure pools	10	5.3
Real return, opportunistic, and absolute pool	16	6.3
Short-term investment pools	2	(0.2)
Total	100 %	

Note 8 - Michigan Public School Employees' Retirement System (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Agency calculated using the discount rate of 7.00-8.00 percent, depending on the plan option. The following also reflects what the Agency's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower (7.00 percent) or 1.00 percentage point higher (9.00 percent) than the current rate:

1.00 Percent Decrease (7.00 Percent)	Current Discount Rate (8.00 Percent)	1.00 Percent Increase (9.00 Percent)
$ 48,222,349	$ 36,575,174	$ 26,763,888

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS financial report.

Postemployment Benefits Other Than Pensions (OPEB) - Under the MPSERS act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate ranged from 5.52 percent to 6.45 percent of covered payroll for the period from July 1, 2014 to September 30, 2014 and from 2.20 percent to 2.71 percent of covered payroll for the period from October 1, 2014 through June 30, 2015 dependent upon the employee's date of hire and plan election as noted above. Members can choose to contribute 3 percent of their covered payroll to the Retiree Healthcare Fund and keep this premium subsidy benefit or they can elect not to pay the 3 percent contribution and instead choose the Personal Healthcare Fund, which can be used to pay healthcare expenses in retirement. Members electing the Personal Healthcare Fund will be automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date and create a 2 percent employer match into the employee's 403B account.

The Agency's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2015, 2014, and 2013 were $684,357, $917,965, and $1,220,955, respectively.

Note 9 - Upcoming Accounting Pronouncements

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The Agency is currently evaluating the impact this standard will have on the financial statements when adopted, during the Agency's 2015-2016 fiscal year.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the Agency to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the MPSERS plan. The Statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The Agency is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Agency's financial statements for the year ending June 30, 2018.

Required Supplemental Information

Required Supplemental Information
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	$ 3,872,300	$ 4,112,100	$ 4,301,934	$ 189,834
State sources	9,006,700	10,093,500	10,213,351	119,851
Interdistrict sources	495,000	899,700	452,701	(446,999)
Total revenue	13,374,000	15,105,300	14,967,986	(137,314)
Expenditures				
Salaries	5,993,600	6,044,100	5,848,996	(195,104)
Employee benefits	2,898,800	3,345,700	2,963,662	(382,038)
Purchased services	1,378,600	1,614,800	1,562,800	(52,000)
Supplies and materials	502,000	589,900	568,691	(21,209)
Other expenses	94,400	91,700	338,516	246,816
Capital outlay	330,000	742,000	714,979	(27,021)
Interdistrict payments	130,500	136,500	191,785	55,285
Total expenditures	11,327,900	12,564,700	12,189,429	(375,271)
Excess of Revenue Over Expenditures	2,046,100	2,540,600	2,778,557	237,957
Other Financing Sources (Uses)				
Transfers in	460,000	460,000	667,874	207,874
Transfers out	(3,554,900)	(4,438,100)	(4,305,402)	132,698
Net Change in Fund Balance	(1,048,800)	(1,437,500)	(858,971)	578,529
Fund Balance - Beginning of year	11,743,117	11,743,117	11,743,117	-
Fund Balance - End of year	**$ 10,694,317**	**$ 10,305,617**	**$ 10,884,146**	**$ 578,529**

Required Supplemental Information
Budgetary Comparison Schedule - Act 18
Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	$ 116,922,000	$ 117,013,000	$ 129,069,288	$ 12,056,288
State sources	28,274,300	28,274,300	28,335,161	60,861
Interdistrict sources	47,000	857,000	351,248	(505,752)
Total revenue	145,243,300	146,144,300	157,755,697	11,611,397
Expenditures				
Current:				
Purchased Services	-	125,000	16,455	(108,545)
Supplies and materials	-	130,000	95,606	(34,394)
Other expenses	-	5,000	56	(4,944)
Capital outlay	-	895,000	877,272	(17,728)
Interdistrict payments	136,283,000	136,283,000	133,725,212	(2,557,788)
Total expenditures	136,283,000	137,438,000	134,714,601	(2,723,399)
Excess of Revenue Over Expenditures	8,960,300	8,706,300	23,041,096	14,334,796
Other Financing Sources (Uses)				
Transfers in	4,600,000	4,600,000	5,448,665	848,665
Transfers out	(1,543,700)	(1,543,700)	(1,626,775)	(83,075)
Net Change in Fund Balance	12,016,600	11,762,600	26,862,986	15,100,386
Fund Balance - Beginning of year	143,757,406	143,757,406	143,757,406	-
Fund Balance - End of year	**$ 155,774,006**	**$ 155,520,006**	**$ 170,620,392**	**$ 15,100,386**

Required Supplemental Information
Budgetary Comparison Schedule - Funded Projects Fund
Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	$ 1,566,000	$ 621,700	$ 276,967	$ (344,733)
State sources	44,177,100	78,934,400	63,190,338	(15,744,062)
Federal sources	80,540,500	88,136,400	76,953,276	(11,183,124)
Interdistrict sources	5,157,500	3,703,300	3,822,705	119,405
Total revenue	131,441,100	171,395,800	144,243,286	(27,152,514)
Expenditures				
Salaries	3,115,000	3,953,000	3,936,231	(16,769)
Employee benefits	1,252,600	1,950,800	2,008,903	58,103
Purchased services	18,057,000	32,237,100	9,827,181	(22,409,919)
Supplies and materials	569,500	3,236,400	626,855	(2,609,545)
Other	227,000	164,200	144,961	(19,239)
Capital outlay	154,000	139,400	84,380	(55,020)
Interdistrict payments	107,311,100	128,564,700	126,788,490	(1,776,210)
Total expenditures	130,686,200	170,245,600	143,417,001	(26,828,599)
Excess of Revenue Over Expenditures	754,900	1,150,200	826,285	(323,915)
Other Financing Sources (Uses)				
Transfers in	-	191,300	-	(191,300)
Transfers out	(754,900)	(1,341,500)	(826,285)	515,215
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of year	-	-	-	-
Fund Balance - End of year	$ -	$ -	$ -	$ -

Required Supplemental Information
Budgetary Comparison Schedule - Medicaid Fund
Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	$ 11,791,700	$ 12,149,100	$ 12,337,361	$ 188,261
Federal sources	685,000	685,000	700,254	15,254
Total revenue	12,476,700	12,834,100	13,037,615	203,515
Expenditures				
Salaries	176,500	175,300	151,162	(24,138)
Employee benefits	81,800	84,800	87,204	2,404
Purchased services	159,200	161,900	149,829	(12,071)
Supplies and materials	500	500	-	(500)
Other expenses	100	100	53	(47)
Interdistrict payments	7,379,300	7,732,200	7,163,573	(568,627)
Total expenditures	7,797,400	8,154,800	7,551,821	(602,979)
Other Financing Uses - Transfers out	(4,679,300)	(4,679,300)	(5,485,794)	(806,494)
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of year	-	-	-	-
Fund Balance - End of year	$ -	$ -	$ -	$ -

Required Supplemental Information
Schedule of Wayne County Regional Educational Service Agency's Proportionate Share of the Net Pension Liability
Michigan Public School Employees' Retirement System
Determined as of the Plan Year Ended September 30

	2014
Agency's proportion of the net pension liability (asset)	0.16605 %
Agency's proportionate share of the net pension liability (asset)	$ 36,575,174
Agency's covered employee payroll	$ 14,401,232
Agency's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	254.00 %
Plan fiduciary net position as a % of the total pension liability	66.20 %

Required Supplemental Information
Schedule of Wayne County Regional Educational Service Agency's Contributions
Michigan Public School Employees' Retirement System
Determined as of the Year Ended June 30

	2015
Statutorily required contribution	$ 3,191,933
Contributions in relation to the statutorily required contribution	$ 3,191,933
Contribution deficiency (excess)	$ -
Agency's covered employee payroll	$ 14,878,208
Contributions as a percentage of covered employee payroll	21.45 %

Note to Pension Required Supplemental Information Schedules
Year Ended June 30, 2015

Benefit Changes - There were no changes of benefit terms in 2015.

Changes in Assumptions - There were no changes of benefit assumptions in 2015.

Other Supplemental Information

Wayne County Regional Educational Service Agency

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

	Special Revenue Funds			
	Special Services Fund	Cooperative Education Services Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	$ -	$ -	$ 18,523	$ 18,523
Receivables:				
Accounts	-	152,878	-	152,878
Due from other governmental units	119,252	2,454,016	-	2,573,268
Due from other funds	3,182,185	-	161,718	3,343,903
Total assets	**$3,301,437**	**$2,606,894**	**$ 180,241**	**$ 6,088,572**
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 253,642	$ 452,498	$ -	$ 706,140
Accrued payroll-related liabilities	19,289	48,051	-	67,340
Due to other governmental units	197,999	-	-	197,999
Other current liabilities	-	135,231	-	135,231
Due to other funds	2,830,507	1,330,134	-	4,160,641
Unearned revenue	-	158,073	-	158,073
Total liabilities	3,301,437	2,123,987	-	5,425,424
Fund Balances				
Committed - Capital projects	-	-	180,241	180,241
Assigned - Budget appropriations	-	482,907	-	482,907
Total fund balances	-	482,907	180,241	663,148
Total liabilities and fund balances	**$3,301,437**	**$2,606,894**	**$ 180,241**	**$ 6,088,572**

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2015

	Special Revenue Funds			
	Special Services Fund	Cooperative Education Services Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
Revenue				
Local sources	$ -	$ 115,148	$ 20	$ 115,168
State sources	670,455	-	-	670,455
Interdistrict sources	-	8,361,671	-	8,361,671
Total revenue	670,455	8,476,819	20	9,147,294
Expenditures				-
Support services:				
Salaries	1,094,196	4,763,945	-	5,858,141
Employee benefits	575,455	2,457,993	-	3,033,448
Purchased services	224,897	4,202,833	-	4,427,730
Supplies and materials	6,636	425,713	-	432,349
Other	2,771	16,119	-	18,890
Capital outlay	-	33,441	90,319	123,760
Interdistrict payments	499,966	971,026	-	1,470,992
Total expenditures	2,403,921	12,871,070	90,319	15,365,310
Excess of Expenditures Over Revenue	(1,733,466)	(4,394,251)	(90,299)	(6,218,016)
Other Financing Sources (Uses)				
Transfers in	1,840,818	4,397,859	-	6,238,677
Transfers out	(107,352)	(3,608)	-	(110,960)
Total other financing sources	1,733,466	4,394,251	-	6,127,717
Net Change in Fund Balances	-	-	(90,299)	(90,299)
Fund Balances - Beginning of year	-	482,907	270,540	753,447
Fund Balances - End of year	**$ -**	**$ 482,907**	**$ 180,241**	**$ 663,148**