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Wayne County Regional Educational Service  
Agency

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**Financial Report  
with Supplemental Information  
June 30, 2017**

# 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 fund information of Wayne County Regional Educational Service Agency (the "Agency") as of and for the year ended June 30, 2017, 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 remaining fund information of Wayne County Regional Educational Service Agency as of June 30, 2017 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

**Other Matters**

*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 supplemental 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 supplemental information is the responsibility of management and was derived from and relates 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 supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2017 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.



October 6, 2017

# Wayne County Regional Educational Service Agency

## Management's Discussion and Analysis

This section of Wayne County Regional Educational Service Agency (the "Agency") annual financial report presents our discussion and analysis of the Agency's financial performance during the year ended June 30, 2017. 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 the 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, Enhancement Millage 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, Enhancement Millage Fund, 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. This report is comprised of the following elements:

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

Schedule of Proportionate Share of the Net Pension Liability

Schedule of the Agency's Pension Plan Contributions

Other Supplemental Information

## Wayne County Regional Educational Service Agency

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# Management's Discussion and Analysis (Continued)

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

One of the most important 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, deferred outflows of resources, liabilities, and deferred inflows of resources, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. These two statements report the Agency's net position - the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, 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 revenue 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 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. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants 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 many 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.

## Wayne County Regional Educational Service Agency

# Management's Discussion and Analysis (Continued)

### The Agency as a Whole

Recall that 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 of June 30, 2017 and 2016:

TABLE 1	Governmental Activities	
	June 30	
	2017	2016
	(in millions)	
<b>Assets</b>		
Current and other assets	\$ 284	\$ 283.9
Capital assets	<u>14.8</u>	<u>14.6</u>
Total assets	299.0	298.5
<b>Deferred Outflows of Resources</b>	<u>8.9</u>	<u>6.4</u>
Total assets and deferred outflows of resources	307.9	304.9
<b>Liabilities</b>		
Current liabilities	70.5	81.9
Long-term liabilities	<u>46.4</u>	<u>43.1</u>
Total liabilities	116.9	125.0
<b>Deferred Inflows of Resources</b>	<u>1.6</u>	<u>1.3</u>
Total liabilities and deferred inflows of resources	118.5	126.3
<b>Net Position</b>		
Net investment in capital assets	14.8	14.6
Restricted	195.9	189.4
Unrestricted	<u>(21.3)</u>	<u>(25.4)</u>
Total net position	<u>\$ 189.4</u>	<u>\$ 178.6</u>

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 \$189.4 million and \$178.6 million at June 30, 2017 and 2016, respectively. Capital assets totaling \$14.8 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, 2017, there was no outstanding debt. Effective July 1, 2014, the Agency adopted GASB 68 and 71, as required by the Government Accounting Standards Board (GASB), and began recording its proportionate share of the net pension liability of the Michigan Public School Employees Retirement System within its financial statements. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Agency's ability to use those net position for day-to-day operations. The remaining amount of net position was unrestricted.

The unrestricted net position of governmental activities represents the accumulated results of all past years' operations. 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 position from year to year.

## Wayne County Regional Educational Service Agency

### Management's Discussion and Analysis (Continued)

The results of this year's operations for the Agency as a whole are reported in the statement of activities (Table 2), which shows the changes in net position for fiscal years 2017 and 2016.

TABLE 2	Governmental Activities	
	2017	2016
	(in millions)	
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 12.4	\$ 12.3
Operating grants and contributions	192.2	190.6
General revenue:		
Property taxes	209.8	141.0
State foundation allowance	10.7	10.8
Other	<u>6.8</u>	<u>1.8</u>
Total revenue	431.9	356.5
<b>Functions/Program Expenses</b>		
Instruction	1.9	1.3
Support services	42.8	40.2
Interdistrict payments	375.0	299.6
Community services	0.4	0.4
Depreciation (unallocated)	<u>1</u>	<u>0.9</u>
Total functions/program expenses	<u>421.1</u>	<u>342.4</u>
<b>Change in Net Position</b>	10.8	14.1
<b>Net Position - Beginning of year</b>	<u>178.6</u>	<u>164.5</u>
<b>Net Position - End of year</b>	<u><b>\$ 189.4</b></u>	<u><b>\$ 178.6</b></u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$421.1 million. 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 (\$204.6 million). We paid for the remaining "public benefit" portion of our governmental activities with \$209.8 million in taxes, \$10.7 million in State foundation allowance, and with our other revenue (i.e., interest and general entitlements).

The Agency experienced an increase in net position of \$10.8 million. The most significant reason for the change in net position is due to revenue recognition in the Funded projects fund that relate to timing of revenue collections that relate to 2015-16 fiscal year expenditures. Those expenditures were recognized in the prior period while the revenue was recognized in the current year.

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 district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the Agency and balance those needs with State-prescribed available unrestricted resources.



## **Wayne County Regional Educational Service Agency**

# **Management's Discussion and Analysis (Continued)**

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### **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 accountable for the resources taxpayers and others provide to it and may provide more insight into the Agency's overall financial health.

As the Agency completed this year, the governmental funds reported a combined fund balance of \$203.0 million, which is an increase of \$8.9 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 \$0.2 million. The decrease resulted primarily from a budgeted use of fund balance to finance ongoing operations.
- The Act 18 Fund fund balance increased by \$.9 million primarily due to decreased distributions to local school districts for special education independence aides due to lower than anticipated reported expenditures.
- The resolution of the negative fund balance in the Funded Projects fund of \$7.9 million comes from cash that was received in the current year which related to 16-17 expenses that could not be recorded as revenue in 2015-16 under GASB rules. This amount was collected and recognized in the year ending June 30, 2017.

### **General Fund Budgetary Highlights**

Over the course of the year, the Agency revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in mid June of 2017. A schedule showing the Agency's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

Variations in the ACT 18 Fund between the final budget and actual expenditure amounts relate primarily to lower than anticipated reimbursements to districts for costs related to special education.

Variations in the Enhancement Millage Fund between the original budget and expenditure actual amounts relate primarily to Collection rates and taxable value fluctuations in Wayne County for the enhancement millage levy

Variations in the Funded Projects Fund between the final budgeted and actual revenue and expenditure amounts relate primarily 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 are not in sync with the Agency's reporting cycle, the board relies on the individual project budgets to provide management information and controls. The original budget was adopted to recognize the size & magnitude of the current operating allocations and is amended when actual carryover budgets that cross multiple periods are finalized.

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

There were no significant variations between the final budget and actual amounts.

## Wayne County Regional Educational Service Agency

# Management's Discussion and Analysis (Continued)

### Capital Assets and Debt Administration

#### **Capital Assets**

As of June 30, 2017, the Agency had \$14.8 million invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, disposals, and depreciation) of approximately \$0.2 million, or 1.4 percent, from last year.

	<u>2017</u>	<u>2016</u>
Land	\$ 137,200	\$ 137,200
Construction in progress	45,000	374,250
Land improvements	569,440	479,190
Buildings and building improvements	23,779,590	23,308,453
Vehicles	-	23,024
Furniture and equipment	<u>6,346,456</u>	<u>7,907,765</u>
Total capital assets	30,877,686	32,229,882
Less accumulated depreciation	<u>(16,060,131)</u>	<u>(17,611,462)</u>
Net capital assets	<u><b>\$ 14,817,555</b></u>	<u><b>\$ 14,618,420</b></u>

This year's additions of \$1,267,027 included computer equipment and exterior building & site improvements. No new debt was issued for these additions.

No major capital projects are planned for the 2017-2018 fiscal year. We anticipate capital additions will be comparable to the 2016-2017 fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

#### **Debt**

Debt obligations include accrued vacation pay and sick leave. There were no outstanding bond obligations at June 30, 2017 and 2016.

### Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the Agency's June 30, 2018 fiscal year budget. One of the most important factors affecting the budget is the State of Michigan's allocation to the School Aid Fund. The June 30, 2018 budget was adopted in June 2017 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 source of revenue for both the Act 18 Fund and the Enhancement Millage Fund is property taxes. As changes to taxable value and taxability occur, these funds will be directly affected. Any reductions due to Personal Property tax legislation will be made up in the Act 18 fund via an allocation from the Michigan Department of Treasury. 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. 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.

## **Wayne County Regional Educational Service Agency**

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### **Management's Discussion and Analysis (Continued)**

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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, the Agency 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 and 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, 2017

Governmental  
Activities

### Assets

Cash and investments (Note 4)	\$ 35,531,611
Receivables:	
Taxes	10,702,711
Accounts	2,428,657
Due from other governmental units	41,814,862
Prepays	198,865
Restricted assets (Note 4)	193,473,551
Capital assets - Net (Note 6)	14,817,555

Total assets 298,967,812

**Deferred Outflows of Resources** - Deferred outflows related to pensions (Note 9) 8,857,910

### Liabilities

Accounts payable	51,308,565
Due to other governmental units	294,173
Accrued liabilities and other	824,966
Unearned revenue (Note 5)	18,051,913
Compensated absences:	
Due within one year	12,712
Due in more than one year	119,171
Net pension liability (Note 9)	46,257,485

Total liabilities 116,868,985

**Deferred Inflows of Resources** - Deferred inflows (Note 9) 1,591,144

### Net Position

Net investment in capital assets	14,817,555
Restricted for special education	195,883,102
Unrestricted	(21,335,064)

Total net position **\$ 189,365,593**

# Wayne County Regional Educational Service Agency

## Statement of Activities

Year Ended June 30, 2017

	Program Revenue			Governmental
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
<b>Functions/Programs</b>				
Primary government - Governmental activities:				
Instruction	\$ 1,865,642	\$ -	\$ 1,865,642	\$ -
Support services	42,849,666	12,391,204	18,732,328	(11,726,134)
Community services	394,102	-	394,102	-
Interdistrict payments	374,971,841	-	171,240,461	(203,731,380)
Depreciation expense (unallocated)	1,001,998	-	-	(1,001,998)
Total primary government	<u>\$ 421,083,249</u>	<u>\$ 12,391,204</u>	<u>\$ 192,232,533</u>	(216,459,512)
General revenue:				
Property taxes:				
Levied for general purposes				3,720,519
Levied for special education (ISD)				129,635,372
Levied for enhancement millage				76,469,322
State aid not restricted to specific purposes				10,713,852
Interest and investment earnings				1,521,203
Loss on disposal of capital assets				(65,894)
Payment in lieu of taxes from Treasury				3,854,237
Other				1,386,452
Total general revenue				<u>227,235,063</u>
<b>Change in Net Position</b>				10,775,551
<b>Net Position - Beginning of year</b>				<u>178,590,042</u>
<b>Net Position - End of year</b>				<u>\$ 189,365,593</u>

# Wayne County Regional Educational Service Agency

## Governmental Funds Balance Sheet

June 30, 2017

	General Fund	Act 18 Fund	Enhancement Millage Fund	Funded Projects Fund	Medicaid Fund	Nonmajor Funds	Total Governmental Funds
<b>Assets</b>							
Cash and investments (Note 4)	\$ 21,785,533	\$ -	\$ -	\$ -	\$ 13,472,113	\$ 273,965	\$ 35,531,611
Receivables:							
Taxes	159,771	5,566,797	4,976,143	-	-	-	10,702,711
Accounts	110,228	141,955	-	2,012,850	-	163,624	2,428,657
Due from other governmental units	1,604,446	4,559,705	-	34,817,402	-	833,309	41,814,862
Due from other funds (Note 7)	1,742,259	4,586	4,983,932	6,471,802	2,316	3,673,496	16,878,391
Prepays	198,865	-	-	-	-	-	198,865
Restricted assets (Note 4)	-	193,473,551	-	-	-	-	193,473,551
<b>Total assets</b>	<b>\$ 25,601,102</b>	<b>\$ 203,746,594</b>	<b>\$ 9,960,075</b>	<b>\$ 43,302,054</b>	<b>\$ 13,474,429</b>	<b>\$ 4,944,394</b>	<b>\$ 301,028,648</b>
<b>Liabilities</b>							
Accounts payable	\$ 211,532	\$ 6,403,364	\$ 4,983,932	\$ 25,398,226	\$ 13,451,579	\$ 782,541	\$ 51,231,174
Due to other governmental units	216	-	-	30,630	-	263,327	294,173
Due to other funds (Note 7)	13,753,395	1,460,128	-	457,956	20,793	1,263,510	16,955,782
Accrued liabilities and other	524,543	-	-	77,888	2,057	220,478	824,966
Unearned revenue (Note 5)	434,931	-	-	17,337,354	-	279,628	18,051,913
<b>Total liabilities</b>	<b>14,924,617</b>	<b>7,863,492</b>	<b>4,983,932</b>	<b>43,302,054</b>	<b>13,474,429</b>	<b>2,809,484</b>	<b>87,358,008</b>
<b>Deferred Inflows of Resources</b> - Unavailable revenue (Note 5)	<b>159,769</b>	<b>5,600,513</b>	<b>4,976,143</b>	<b>35,841</b>	<b>-</b>	<b>-</b>	<b>10,772,266</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>15,084,386</b>	<b>13,464,005</b>	<b>9,960,075</b>	<b>43,337,895</b>	<b>13,474,429</b>	<b>2,809,484</b>	<b>98,130,274</b>
<b>Fund Balances</b>							
Nonspendable - Prepays	198,865	-	-	-	-	-	198,865
Restricted - Special education center program	-	190,282,589	-	-	-	-	190,282,589
Committed:							
Capital projects	-	-	-	-	-	823,965	823,965
Cooperative educational activities	-	-	-	-	-	1,310,945	1,310,945
Assigned:							
Budgeted appropriations	505,500	-	-	-	-	-	505,500
Encumbrances	158,244	-	-	-	-	-	158,244
Unassigned	9,654,107	-	-	(35,841)	-	-	9,618,266
<b>Total fund balances</b>	<b>10,516,716</b>	<b>190,282,589</b>	<b>-</b>	<b>(35,841)</b>	<b>-</b>	<b>2,134,910</b>	<b>202,898,374</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 25,601,102</b>	<b>\$ 203,746,594</b>	<b>\$ 9,960,075</b>	<b>\$ 43,302,054</b>	<b>\$ 13,474,429</b>	<b>\$ 4,944,394</b>	<b>\$ 301,028,648</b>

See notes to financial statements.

# Wayne County Regional Educational Service Agency

## Governmental Funds

### Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2017

<b>Fund Balances Reported in Governmental Funds</b>	<b>\$ 202,898,374</b>
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	30,877,686
Accumulated depreciation	<u>(16,060,131)</u>
Net capital assets used in governmental activities	14,817,555
Property taxes and other receivables not available to pay current period expenditures are therefore deferred in the funds	10,772,266
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(131,883)
Net pension liability and related deferred inflows and outflows	(37,537,156)
Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position and is not reported in the funds	<u>(1,453,563)</u>
<b>Net Position of Governmental Activities</b>	<b><u><u>\$ 189,365,593</u></u></b>

# Wayne County Regional Educational Service Agency

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances

**Year Ended June 30, 2017**

	General Fund	Act 18 Fund	Enhancement Millage Fund	Funded Projects Fund	Medicaid Fund	Nonmajor Funds	Total Governmental Funds
<b>Revenue</b>							
Local sources	\$ 4,519,438	\$ 125,276,424	\$ 71,493,179	\$ 72,709	\$ 14,258,347	\$ 153,961	\$ 215,774,058
State sources	10,836,235	29,005,390	-	71,312,776	-	1,106,689	112,261,090
Federal sources	-	-	-	87,991,010	525,076	-	88,516,086
Interdistrict sources	493,620	349,485	-	4,684,879	-	7,376,504	12,904,488
<b>Total revenue</b>	<b>15,849,293</b>	<b>154,631,299</b>	<b>71,493,179</b>	<b>164,061,374</b>	<b>14,783,423</b>	<b>8,637,154</b>	<b>429,455,722</b>
<b>Expenditures</b>							
Current:							
Instruction	-	-	-	1,865,642	-	-	1,865,642
Support services	10,523,210	435,928	-	17,375,327	461,877	13,162,518	41,958,860
Community services	-	-	-	394,102	-	-	394,102
Capital outlay	391,526	161,826	-	27,984	-	767,287	1,348,623
Interdistrict payments	59,236	156,958,134	71,493,179	135,738,346	9,136,740	1,586,206	374,971,841
<b>Total expenditures</b>	<b>10,973,972</b>	<b>157,555,888</b>	<b>71,493,179</b>	<b>155,401,401</b>	<b>9,598,617</b>	<b>15,516,011</b>	<b>420,539,068</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>4,875,321</b>	<b>(2,924,589)</b>	<b>-</b>	<b>8,659,973</b>	<b>5,184,806</b>	<b>(6,878,857)</b>	<b>8,916,654</b>
<b>Other Financing Sources (Uses)</b>							
Transfers in (Note 7)	332,482	5,137,651	-	207	-	7,225,800	12,696,140
Transfers out (Note 7)	(5,446,162)	(1,302,274)	-	(750,998)	(5,184,806)	(11,900)	(12,696,140)
<b>Total other financing (uses) sources</b>	<b>(5,113,680)</b>	<b>3,835,377</b>	<b>-</b>	<b>(750,791)</b>	<b>(5,184,806)</b>	<b>7,213,900</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(238,359)</b>	<b>910,788</b>	<b>-</b>	<b>7,909,182</b>	<b>-</b>	<b>335,043</b>	<b>8,916,654</b>
<b>Fund Balances - Beginning of year</b>	<b>10,755,075</b>	<b>189,371,801</b>	<b>-</b>	<b>(7,945,023)</b>	<b>-</b>	<b>1,799,867</b>	<b>193,981,720</b>
<b>Fund Balances - End of year</b>	<b>\$ 10,516,716</b>	<b>\$ 190,282,589</b>	<b>\$ -</b>	<b>\$ (35,841)</b>	<b>\$ -</b>	<b>\$ 2,134,910</b>	<b>\$ 202,898,374</b>



## Wayne County Regional Educational Service Agency

### Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities

June 30, 2017

<b>Net Change in Fund Balances Reported in Governmental Funds</b>	<b>\$ 8,916,654</b>
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:	
Capitalized capital outlay	1,267,027
Depreciation expense	(1,001,998)
Net book value of assets disposed of	<u>(65,894)</u>
Total	199,135
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	2,752,483
Revenue in support of pension contributions made subsequent to the measurement date	(283,511)
Some employee costs (pension and compensated absences) do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds	<u>(809,210)</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ 10,775,551</u></u></b>

# Wayne County Regional Educational Service Agency

## Statement of Fiduciary Assets and Liabilities

June 30, 2017

Agency Fund

**Assets** - Due from other funds (Note 7)

**\$ 77,391**

**Liabilities**

Due to internal groups

\$ 58,939

Due to outside groups

18,452

Total liabilities

**\$ 77,391**

June 30, 2017

### **Note 1 - Nature of Business**

Wayne County Regional Educational Service Agency (the "Agency") is a regional educational service agency in the state of Michigan that provides a broad spectrum of services and support to various school districts within Wayne County.

### **Note 2 - Significant Accounting Policies**

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

The Agency follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Government Accounting Standards Board. 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. In accordance with governmental accounting principles, there are no separate legal entities appropriate to be reported within these financial statements.

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.

#### ***Report Presentation***

Governmental accounting principles require that financial reports include two different perspectives: the agency-wide perspective and the fund-based perspective. 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. The agency-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

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 or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions. Taxes and other items not properly included among program revenue are reported instead as general revenue.

As a general rule, the effect of interfund activity has been removed from these statements.

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

#### ***Basis of Accounting***

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the Agency has spent its resources.

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

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree healthcare-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

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 revenue to be available if it is collected within 60 days of year end.

Fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows.

***Fund Accounting***

**Governmental Funds**

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, and a capital project fund. The Agency reports the following funds as “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. Any operating deficit generated by these activities is the responsibility of the General Fund.
- **Enhancement Millage Fund** - The Enhancement Millage Fund is used to account for all specific resources relating to the collection and remittance of the voter-approved millage fund to the local districts. The fund derives its revenue from property taxes. Any operating deficit generated by these activities is the responsibility of the General Fund.
- **Funded Projects Special Revenue Fund** - The Funded Projects Special Revenue Fund is used to record all transactions associated with federal and state grants. Any operating deficit generated by these activities is the responsibility of the General Fund.
- **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. Any operating deficit generated by these activities is the responsibility of the General Fund.

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

Additionally, the Agency reports the following nonmajor governmental 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 nonroutine capital items and is funded through transfers from the General Fund.

**Fiduciary Funds**

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our government's programs. 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.

**Interfund Activity**

During the course of operations, the Agency has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the agency-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the agency-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

**Specific Balances and Transactions**

**Cash and Investments**

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are reported at fair value, except for the investments in MILAF, which are at amortized cost.

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both agency-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.

**Note 2 - 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 one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition 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.

Capital assets are depreciated using the straight-line method over the following useful lives:

	<u>Depreciable Life - Years</u>
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

**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 will not be recognized as an outflow of resources (expense/expenditure) until then. The Agency has deferred outflows of resources related to deferred pension plan expenses.

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 will not be recognized as an inflow of resources (revenue) until that time. The Agency has deferred inflows of resources related to its pension plan and revenue in support of pension payments made subsequent to the measurement date.

**Net Position**

Net position of the Agency is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

**Net Position Flow Assumption**

The Agency will sometimes fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the Agency-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Agency's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

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

**Fund Balance Flow Assumptions**

The Agency will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Agency's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Agency's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the Agency that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Board of Education may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**Property Tax Revenue**

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.

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.

**Pension**

For purposes 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 (MPERS) and additions to/deductions from the MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. MPERS 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 expenses when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value.

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

**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.

**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.

**Upcoming Accounting Pronouncements**

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.

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. 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, 2020.

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. 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, 2021.



**Note 3 - 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 districts 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 \$160,000 at June 30, 2017.

***Excess of Expenditures Over Appropriations in Budgeted Funds***

The Agency did not have significant expenditure budget variances.

***Fund Deficits***

The Agency has accumulated a fund balance deficit in the Funded Projects Fund due to the timing of revenue not collected to fund expenditures due to local districts.

**Note 4 - Deposits and Investments**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes the Agency to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The Agency is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Agency's deposits are in accordance with statutory authority.

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

There are no limitations or restrictions on participant withdrawals for the investment pools that are recorded at amortized cost, except for a one-day minimum investment period on MILAF cash management funds and a 14-day redemption limitation on MILAF MAX Class 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 institutions with an acceptable estimated risk level be used as depositories. At year end, the Agency had no bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. Investments held through MILAF are not insured.

**Note 4 - Deposits and Investments (Continued)**

***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.

***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. The Agency's investment in the Michigan Liquid Asset Fund, which totaled \$217,270,445 at June 30, 2017, has a S&P rating of AAAM.

***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 5 - 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 report unearned revenue recognition in connection with resources that have been received but not yet earned. At June 30, 2017, the various components of unearned and unavailable revenue were as follows:

	Governmental Funds	
	Deferred Inflow - Unavailable	Liability - Unearned
Delinquent property taxes	\$ 10,702,630	\$ -
Grant receivables unavailable for use in the current period	35,841	-
Grant and categorical aid payment received	-	17,337,354
Other	33,795	714,559
Total	<u>\$ 10,772,266</u>	<u>\$ 18,051,913</u>

# Wayne County Regional Educational Service Agency

## Notes to Financial Statements

June 30, 2017

### Note 6 - Capital Assets

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

	Balance July 1, 2016	Additions/ Transfers	Disposals	Balance June 30, 2017
Capital assets not being depreciated:				
Land	\$ 137,200	\$ -	\$ -	\$ 137,200
Construction in progress	374,250	(329,250)	-	45,000
Subtotal	511,450	(329,250)	-	182,200
Capital assets being depreciated:				
Buildings and improvements	23,308,453	618,587	(147,450)	23,779,590
Furniture and equipment	7,907,765	887,440	(2,448,749)	6,346,456
Vehicles	23,024	-	(23,024)	-
Land improvements	479,190	90,250	-	569,440
Subtotal	31,718,432	1,596,277	(2,619,223)	30,695,486
Accumulated depreciation:				
Buildings and improvements	10,432,566	584,584	(82,286)	10,934,864
Furniture and equipment	7,027,188	395,016	(2,448,019)	4,974,185
Vehicles	23,024	-	(23,024)	-
Land improvements	128,684	22,398	-	151,082
Subtotal	17,611,462	1,001,998	(2,553,329)	16,060,131
Net capital assets being depreciated	14,106,970	594,279	(65,894)	14,635,355
Net capital assets	\$ 14,618,420	\$ 265,029	\$ (65,894)	\$ 14,817,555

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

### Note 7 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From					Total
	General Fund	Act 18 Fund	Funded Projects Fund	Medicaid Fund	Nonmajor Funds	
General Fund	\$ -	\$ -	\$ 457,956	\$ 20,793	\$ 1,263,510	\$ 1,742,259
Act 18 Fund	4,586	-	-	-	-	4,586
Enhancement Millage Fund	4,983,932	-	-	-	-	4,983,932
Funded Projects Fund	6,471,802	-	-	-	-	6,471,802
Medicaid Fund	2,316	-	-	-	-	2,316
Nonmajor funds	2,213,368	1,460,128	-	-	-	3,673,496
Fiduciary Fund	77,391	-	-	-	-	77,391
Total	\$ 13,753,395	\$ 1,460,128	\$ 457,956	\$ 20,793	\$ 1,263,510	\$ 16,955,782

**Note 7 - Interfund Receivables, Payables, and Transfers (Continued)**

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are comprised of the following:

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Nonmajor funds	\$ 5,446,162
Act 18 Fund	Nonmajor funds	1,302,274
Funded Projects Fund	General Fund	276,816
	Nonmajor funds	474,182
	Total Funded Projects Fund	750,998
Medicaid Fund	General Fund	45,944
	Act 18 Fund	5,137,651
	Funded Projects Fund	207
	Nonmajor funds	1,004
	Total Medicaid Fund	5,184,806
Nonmajor funds	General Fund	9,722
	Nonmajor funds	2,178
	Total nonmajor funds	11,900
	Total	<u>\$ 12,696,140</u>

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

**Note 8 - 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 9 - 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.

**Note 9 - Michigan Public School Employees' Retirement System (Continued)**

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.

**Benefits Provided**

Benefit provisions of the defined benefit (DB) 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 pension plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of services 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 to 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 nonduty 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.

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.

**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 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.

The range of rates is as follows:

October 1, 2015 - September 30, 2016	14.56% - 18.95%
October 1, 2016 - June 30, 2017	15.27% - 19.03%

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 contributions plan are not required to make additional contributions.

June 30, 2017

**Note 9 - Michigan Public School Employees' Retirement System (Continued)**

The Agency's required and actual contributions to the plan for the year ended June 30, 2017 were \$4,467,471. The Agency's required and actual contributions include an allocation of \$1,453,563 in revenue received from the State of Michigan, and remitted to the System, to fund the MPERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2017.

**Net Pension Liability**

At June 30, 2017, the Agency reported a liability of \$46,257,485 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2015, which used updated procedures to roll forward the estimated liability to September 30, 2016. 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, 2016, the Agency's proportion was 0.185407 percent.

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2017, the Agency recognized pension expense of \$5,383,451, inclusive of payments to fund the MPERS UAAL stabilization rate. At June 30, 2017, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 576,490	\$ 109,631
Changes in assumptions	723,200	-
Net difference between projected and actual earnings on pension plan investments	768,799	-
Changes in proportion and differences between the Agency's contributions and proportionate share of contributions	3,111,835	27,950
The Agency's contributions to the plan subsequent to the measurement date	3,677,586	-
Total	<u>\$ 8,857,910</u>	<u>\$ 137,581</u>

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	Amount
2018	\$ 1,338,810
2019	1,278,378
2020	1,946,641
2021	478,914
Total	<u>\$ 5,042,743</u>

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

**Note 9 - Michigan Public School Employees' Retirement System (Continued)**

**Actuarial Assumptions**

The total pension liability as of September 30, 2016 is based on the results of an actuarial valuation as of September 30, 2015 and rolled forward. The total pension liability was determined using the following actuarial assumptions:

Actuarial cost method	Entry age normal cost actuarial cost method
Investment rate of return	7.00 to 8.00 percent, net of investment expenses based on the groups
Salary increases	3.50 - 12.30 percent, including wage inflation of 3.5 percent
Mortality basis	RP2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB
Cost of living pension adjustments	3.00 percent annual noncompounded for MIP members

Assumption changes as a result of an experience study for the periods 2007 to 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

**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 Agency contributions will be made at statutorily 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 of 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:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	28.00 %	5.90 %
Private equity pools	18.00	9.20
International equity pools	16.00	7.20
Fixed-income pools	10.50	0.90
Real estate and infrastructure pools	10.00	4.30
Real return, opportunistic, and absolute pool	15.50	6.00
Short-term investment pools	2.00	-
Total	100.00 %	

On February 23, 2017, MPERS approved a decrease in the discount rate for the September 30, 2016 annual actuarial valuation of 0.5 percent. As a result, the actuarial computed employer contributions and the net pension liability will increase for the measurement period ending September 30, 2017.

**June 30, 2017**

**Note 9 - 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 percentage point lower (6.00 - 7.00 percent) or 1 percentage point higher (8.00 - 9.00 percent) than the current rate:

	1.00 Percent Decrease (6.00 - 7.00 Percent)	Current Discount Rate (7.00 - 8.00 percent)	1.00 Percent Increase (8.00 - 9.00 percent)
Net pension liability of the Agency	\$ 59,567,997	\$ 46,257,485	\$ 35,035,443

***Pension Plan Fiduciary Net Position***

Detailed information about the plan's fiduciary net position is available in the separately issued MPSERS financial report.

***Payable to the Pension Plan***

At June 30, 2017, the Agency reported a payable of \$264,403 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

***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 6.40 percent to 6.83 percent of covered payroll for the period from July 1, 2016 to September 30, 2016 and from 5.69 percent to 5.91 percent of covered payroll for the period from October 1, 2016 through June 30, 2017 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, 2017, 2016, and 2015 were \$941,117, \$841,440, and \$684,357, respectively. In addition, a portion ranging from 35-100 percent of the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate is considered a contribution to the retiree healthcare plan.

**Note 10 - Operating Leases**

The Agency leases a building under a noncancelable operating lease. The future minimum lease payments for the lease are \$135,000 annually, payable in equal monthly installments. The lease terminates on October 30, 2025.



**Note 11 - Tax Abatements**

The Agency receives reduced property tax revenue as a result of Industrial Facilities Tax exemptions (PA 198 of 1974), Brownfield Redevelopment Agreements, Neighborhood Enterprise Zone Tax Relief, Obsolete Property Rehabilitation Act, and Renaissance Zone Agreements granted by cities, villages, and townships within the boundaries of Wayne RESA (Wayne County). Industrial facility exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities. Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties. Neighborhood Enterprise Zone Tax Relief is intended to offer homeowners in specific geographic areas a tax abatement if they have completed qualifying improvements to their homes. The Obsolete Property Rehabilitation Act (PA 146 of 2000) provides property tax exemptions for commercial and commercial housing properties that are rehabilitated and meet the requirements of the act. And finally, the Renaissance Zone is a collaborative program between the City of Detroit, the County of Wayne, and State of Michigan to give tax incentives to residents and business owners. The program works to encourage economic stability and development within these designated areas.

For the fiscal year ended June 30, 2017, the Agency's property tax revenue was reduced by \$4,338,695 under these programs.

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## Required Supplemental Information

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## Wayne County Regional Educational Service Agency

### Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
<b>Revenue</b>				
Local sources	\$ 4,342,750	\$ 4,333,400	\$ 4,519,438	\$ 186,038
State sources	10,825,700	10,832,900	10,836,235	3,335
Interdistrict sources	470,000	471,400	493,620	22,220
Total revenue	15,638,450	15,637,700	15,849,293	211,593
<b>Expenditures</b>				
Current:				
Support services:				
Salaries	5,480,400	5,313,000	5,252,493	(60,507)
Employee benefits	3,023,300	2,885,500	2,871,057	(14,443)
Purchased services	1,877,300	2,019,300	2,025,591	6,291
Supplies and materials	417,500	336,700	294,454	(42,246)
Other expenses	147,500	102,400	79,615	(22,785)
Capital outlay	506,000	430,700	391,526	(39,174)
Interdistrict payments	218,100	76,200	59,236	(16,964)
Total expenditures	11,670,100	11,163,800	10,973,972	(189,828)
<b>Excess of Revenue Over Expenditures</b>	3,968,350	4,473,900	4,875,321	401,421
<b>Other Financing Sources (Uses)</b>				
Transfers in	600,000	675,000	332,482	(342,518)
Transfers out	(4,798,600)	(5,479,800)	(5,446,162)	33,638
Total other financing uses	(4,198,600)	(4,804,800)	(5,113,680)	(308,880)
<b>Net Change in Fund Balances</b>	(230,250)	(330,900)	(238,359)	92,541
<b>Fund Balances - Beginning of year</b>	10,755,075	10,755,075	10,755,075	-
<b>Fund Balances - End of year</b>	<b>\$ 10,524,825</b>	<b>\$ 10,424,175</b>	<b>\$ 10,516,716</b>	<b>\$ 92,541</b>

## Wayne County Regional Educational Service Agency

### Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Act 18 Fund

Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
<b>Revenue</b>				
Local sources	\$ 126,196,900	\$ 125,283,000	\$ 125,276,424	\$ (6,576)
State sources	29,035,800	29,044,000	29,005,390	(38,610)
Interdistrict sources	240,000	250,000	349,485	99,485
Total revenue	155,472,700	154,577,000	154,631,299	54,299
<b>Expenditures</b>				
Current:				
Support services:				
Purchased services	345,000	347,000	341,598	(5,402)
Supplies and materials	112,000	112,000	94,330	(17,670)
Capital outlay	400,000	200,000	161,826	(38,174)
Interdistrict payments	158,485,100	161,841,000	156,958,134	(4,882,866)
Total expenditures	159,342,100	162,500,000	157,555,888	(4,944,112)
<b>Excess of Expenditures Over Revenue</b>	(3,869,400)	(7,923,000)	(2,924,589)	4,998,411
<b>Other Financing Sources (Uses)</b>				
Transfers in	3,000,000	4,510,000	5,137,651	627,651
Transfers out	(2,225,000)	(2,045,200)	(1,302,274)	742,926
Total other financing sources	775,000	2,464,800	3,835,377	1,370,577
<b>Net Change in Fund Balances</b>	(3,094,400)	(5,458,200)	910,788	6,368,988
<b>Fund Balances - Beginning of year</b>	189,371,801	189,371,801	189,371,801	-
<b>Fund Balances - End of year</b>	<b>\$ 186,277,401</b>	<b>\$ 183,913,601</b>	<b>\$ 190,282,589</b>	<b>\$ 6,368,988</b>

## Wayne County Regional Educational Service Agency

### Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Enhancement Millage Fund

Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over Final Budget</u>
<b>Revenue</b> - Local sources	\$ 82,100,000	\$ 71,000,000	\$ 71,493,179	\$ 493,179
<b>Expenditures</b> - Interdistrict payments	82,100,000	71,000,000	71,493,179	493,179
<b>Net Change in Fund Balances</b>	-	-	-	-
<b>Fund Balances</b> - Beginning of year	-	-	-	-
<b>Fund Balances</b> - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## Wayne County Regional Educational Service Agency

### Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Funded Projects Fund

Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
<b>Revenue</b>				
Local sources	\$ 752,000	\$ 823,600	\$ 72,709	\$ (750,891)
State sources	69,745,000	90,987,700	71,312,776	(19,674,924)
Federal sources	82,728,500	103,613,023	87,991,010	(15,622,013)
Interdistrict sources	4,101,357	7,161,800	4,684,879	(2,476,921)
<b>Total revenue</b>	<b>157,326,857</b>	<b>202,586,123</b>	<b>164,061,374</b>	<b>(38,524,749)</b>
<b>Expenditures</b>				
Current:				
Support services:				
Salaries	4,969,000	7,954,500	5,723,596	(2,230,904)
Employee benefits	2,667,400	4,052,900	3,165,507	(887,393)
Purchased services	14,352,000	22,269,900	9,594,757	(12,675,143)
Supplies and materials	956,700	2,603,700	1,088,326	(1,515,374)
Other expenses	156,900	262,400	62,885	(199,515)
Capital outlay	1,500	6,400	27,984	21,584
Interdistrict payments	133,035,657	156,041,400	135,738,346	(20,303,054)
<b>Total expenditures</b>	<b>156,139,157</b>	<b>193,191,200</b>	<b>155,401,401</b>	<b>(37,789,799)</b>
<b>Excess of Revenue Over Expenditures</b>	<b>1,187,700</b>	<b>9,394,923</b>	<b>8,659,973</b>	<b>(734,950)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	118,300	207	(118,093)
Transfers out	(1,187,700)	(1,568,200)	(750,998)	817,202
<b>Total other financing uses</b>	<b>(1,187,700)</b>	<b>(1,449,900)</b>	<b>(750,791)</b>	<b>699,109</b>
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>7,945,023</b>	<b>7,909,182</b>	<b>(35,841)</b>
<b>Fund Balances - Beginning of year</b>	<b>(7,945,023)</b>	<b>(7,945,023)</b>	<b>(7,945,023)</b>	<b>-</b>
<b>Fund Balances - End of year</b>	<b>\$ (7,945,023)</b>	<b>\$ -</b>	<b>\$ (35,841)</b>	<b>\$ (35,841)</b>

## Wayne County Regional Educational Service Agency

### Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Medicaid Fund

Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenue</b>				
Local sources	\$ 11,908,100	\$ 12,394,700	\$ 14,258,347	\$ 1,863,647
Federal sources	500,000	400,000	525,076	125,076
Total revenue	12,408,100	12,794,700	14,783,423	1,988,723
<b>Expenditures</b>				
Current:				
Support services:				
Salaries	249,600	213,700	202,802	(10,898)
Employee benefits	143,800	124,800	127,801	3,001
Purchased services	157,050	158,150	130,421	(27,729)
Supplies and materials	500	3,500	197	(3,303)
Other expenses	100	1,100	656	(444)
Interdistrict payments	7,625,750	7,165,050	9,136,740	1,971,690
Total expenditures	8,176,800	7,666,300	9,598,617	1,932,317
<b>Excess of Revenue Over Expenditures</b>	4,231,300	5,128,400	5,184,806	56,406
<b>Other Financing Uses</b> - Transfers out	(4,231,300)	(5,128,400)	(5,184,806)	(56,406)
<b>Net Change in Fund Balance</b>	-	-	-	-
<b>Fund Balances</b> - Beginning of year	-	-	-	-
<b>Fund Balances</b> - End of year	\$ -	\$ -	\$ -	\$ -

## Wayne County Regional Educational Service Agency

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### Required Supplemental Information Schedule of the Agency's Proportionate Share of the Net Pension Liability Michigan Public School Employees' Retirement System

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#### For the Plan Year Ended September 30

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Agency's proportion of the net pension liability	0.18541 %	0.17592 %	0.16605 %
Agency's proportionate share of the net pension liability	\$ 46,257,485	\$ 42,969,665	\$ 36,575,174
Agency's covered employee payroll	\$ 15,939,963	\$ 14,656,761	\$ 14,401,332
Agency's proportionate share of the net pension liability as a percentage of its covered employee payroll	290.20 %	293.00 %	253.97 %
Plan fiduciary net position as a percentage of total pension liability	63.01 %	62.92 %	66.20 %



## Wayne County Regional Educational Service Agency

### Required Supplemental Information Schedule of Pension Contributions Michigan Public School Employees' Retirement System

	Last Three Fiscal Years		
	Year Ended June 30		
	2017	2016	2015
Statutorily required contribution	\$ 4,415,050	\$ 4,165,866	\$ 3,191,933
Contributions in relation to the statutorily required contribution	<u>4,415,050</u>	<u>4,165,866</u>	<u>3,191,933</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Agency's covered employee payroll	\$ 15,675,485	\$ 15,093,099	\$ 14,878,808
Contributions as a percentage of covered employee payroll	28.17 %	27.60 %	21.45 %

## Wayne County Regional Educational Service Agency

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### Notes to Pension Required Supplemental Information Schedules

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June 30, 2017

#### ***Benefit Changes***

There were no changes of benefit terms for the plan year ended September 30, 2016.

#### ***Changes in Assumptions***

There were no changes of benefit assumptions for the plan year ended September 30, 2016.

#### ***Changes in Size or Composition of the Covered Population***

There were no significant changes in size or composition of the covered population for the plan year ended September 30, 2016.

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## Other Supplemental Information

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# Wayne County Regional Educational Service Agency

## Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2017

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Special Services Fund	Cooperative Services Fund	Capital Projects Fund	
<b>Assets</b>				
Cash and investments	\$ -	\$ -	\$ 273,965	\$ 273,965
Receivables:				
Accounts	-	163,624	-	163,624
Due from other governmental units	181,590	651,719	-	833,309
Due from other funds	1,460,128	1,663,368	550,000	3,673,496
<b>Total assets</b>	<b>\$ 1,641,718</b>	<b>\$ 2,478,711</b>	<b>\$ 823,965</b>	<b>\$ 4,944,394</b>
<b>Liabilities</b>				
Accounts payable	\$ 88,359	\$ 694,182	\$ -	\$ 782,541
Due to other governmental units	263,327	-	-	263,327
Due to other funds	1,263,510	-	-	1,263,510
Accrued liabilities and other	26,522	193,956	-	220,478
Unearned revenue	-	279,628	-	279,628
<b>Total liabilities</b>	<b>1,641,718</b>	<b>1,167,766</b>	<b>-</b>	<b>2,809,484</b>
<b>Fund Balances</b>				
Committed:				
Capital projects	-	-	823,965	823,965
Cooperative educational activities	-	1,310,945	-	1,310,945
<b>Total fund balances</b>	<b>-</b>	<b>1,310,945</b>	<b>823,965</b>	<b>2,134,910</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,641,718</b>	<b>\$ 2,478,711</b>	<b>\$ 823,965</b>	<b>\$ 4,944,394</b>

# Wayne County Regional Educational Service Agency

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds

**Year Ended June 30, 2017**

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Special Services Fund	Cooperative Services Fund	Capital Projects Fund	
<b>Revenue</b>				
Local sources	\$ -	\$ 151,771	\$ 2,190	\$ 153,961
State sources	1,106,689	-	-	1,106,689
Interdistrict sources	-	7,376,504	-	7,376,504
Total revenue	1,106,689	7,528,275	2,190	8,637,154
<b>Expenditures</b>				
Current:				
Support services:				
Salaries	918,205	4,596,079	-	5,514,284
Employee benefits	543,963	2,605,248	-	3,149,211
Purchased services	18,216	3,863,674	-	3,881,890
Supplies and materials	8,747	571,879	-	580,626
Other	3,978	32,529	-	36,507
Capital outlay	-	550,140	217,147	767,287
Interdistrict payments	1,214,757	371,449	-	1,586,206
Total expenditures	2,707,866	12,590,998	217,147	15,516,011
<b>Excess of Expenditures Over Revenue</b>	(1,601,177)	(5,062,723)	(214,957)	(6,878,857)
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,611,118	5,064,682	550,000	7,225,800
Transfers out	(9,941)	(1,959)	-	(11,900)
Total other financing sources	1,601,177	5,062,723	550,000	7,213,900
<b>Net Change in Fund Balances</b>	-	-	335,043	335,043
<b>Fund Balances - Beginning of year</b>	-	1,310,945	488,922	1,799,867
<b>Fund Balances - End of year</b>	\$ -	\$ 1,310,945	\$ 823,965	\$ 2,134,910