
Wayne County Regional Educational Service
Agency

**Financial Report
with Supplemental Information
June 30, 2018**

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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, 2018 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, 2018 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.

Emphasis of Matter

As discussed in Note 2 to the basic financial statements, as of July 1, 2017, the Agency adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The Agency's unrestricted net position has been restated as of July 1, 2017 as a result of this change in accounting principle. Our opinion is not modified with respect to this matter.

To the Board of Education
Wayne County Regional Educational Service Agency

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 an opinion 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 16, 2018 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 16, 2018

Wayne County Regional Educational Service Agency

Management's Discussion and Analysis

This section of Wayne County Regional Educational Service Agency's (the "Agency") annual financial report presents our discussion and analysis of the Agency's financial performance during the year ended June 30, 2018. 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 financial statements. These statements are organized so the reader can understand Wayne County Regional Educational Service Agency financially as a whole. The Agency-wide financial statements provide information about the activities of the whole Agency, presenting both an aggregate view of the Agency's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term, as well as what remains for future spending. The fund financial statements look at the Agency's operations in more detail than the Agency-wide financial statements by providing information about the Agency's most significant funds - the General Fund, Act 18 Fund, 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 Medicaid Fund function primarily as flow-through funds, whereby funds are collected and then distributed to local 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 composed 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 Financial Statements

Required Supplemental Information

Budgetary Information for Major Funds

Schedule of Proportionate Share of the Net Pension and Net OPEB Liability

Schedule of Pension and OPEB Contributions

Other Supplemental Information

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 the constituent school districts, to assess the overall health of the Agency.

Wayne County Regional Educational Service Agency

Management's Discussion and Analysis (Continued)

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).

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 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. The following table provides a summary of the Agency's net position as of June 30, 2018 and 2017:

	Governmental Activities	
	2018	2017
	(in millions)	
Assets		
Current and other assets	\$ 302.0	\$ 284.2
Capital assets	14.3	14.8
Total assets	316.3	299.0
Deferred Outflows of Resources	13.5	8.9
Liabilities		
Current liabilities	79.5	70.5
Noncurrent liabilities	0.1	0.1
Net pension liability	48.8	46.3
Net OPEB liability	16.7	-
Total liabilities	145.1	116.9
Deferred Inflows of Resources	5.1	1.6
Net Position		
Net investment in capital assets	14.3	14.8
Restricted	207.7	195.9
Unrestricted	(42.4)	(21.3)
Total net position	<u>\$ 179.6</u>	<u>\$ 189.4</u>

The above analysis focuses on net position. The change in net position of the Agency's governmental activities is discussed below. The Agency's net position was \$179.6 million at June 30, 2018. Net investment in capital assets totaling \$14.3 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. As of June 30, 2018, there was no outstanding debt. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Agency's ability to use that net position for day-to-day operations. The remaining amount of net position (\$42.4 million) was unrestricted.

The \$42.4 million in 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.

As required by the Governmental Accounting Standards Board (GASB), the School District adopted GASB Statement No. 75. This standard required the inclusion of the Agency's proportionate share of the Michigan Public School Employees' Retiree Health Care Plan within the Agency's financial statements, effective July 1, 2017. The effect of the adoption was to decrease July 1, 2017 beginning net position by \$16.9 million and to include the net OPEB obligation and related deferred inflows and outflows of resources in the June 30, 2018 financial statements. All governments participating in the plan were required to adopt this new standard.

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 condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2018 and 2017.

	Governmental Activities	
	2018	2017
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 11.4	\$ 12.4
Operating grants	193.5	192.2
General revenue:		
Taxes	201.6	209.8
State aid not restricted to specific purposes	11.1	10.7
Other	8.6	6.8
Total revenue	426.2	431.9
Expenses		
Instruction	1.4	1.9
Support services	42.0	42.8
Community services	0.3	0.4
Interdistrict payments	374.4	375.0
Depreciation expense (unallocated)	1.0	1.0
Total expenses	419.1	421.1
Change in Net Position	7.1	10.8
Net Position - Beginning of year, as previously reported	189.4	178.6
Cumulative Effect of Change in Accounting	(16.9)	-
Net Position - Beginning of year	172.5	178.6
Net Position - End of year	\$ 179.6	\$ 189.4

As reported in the statement of activities, the cost of all of our governmental activities this year was \$419.1 million. Certain activities were partially funded from those who benefited from the programs (\$11.4 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$193.5 million). We paid for the remaining "public benefit" portion of our governmental activities with \$201.6 million in taxes, \$11.1 million in state foundation allowance, and with our other revenue (i.e., interest and general entitlements).

With the effect of GASB Statement No. 75, which restates beginning net position, as explained above, the Agency realized a \$9.8 million decrease in net position from the total net position originally reported in 2017.

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.

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.

Wayne County Regional Educational Service Agency

Management's Discussion and Analysis (Continued)

As the Agency completed this year, the governmental funds reported a combined fund balance of \$222.5 million, which is an increase of \$19.6 million from last year. The primary reasons for the increase are as follows:

In the General Fund, our principal operating fund, the fund balance increased \$1.3 million to \$11.8 million. The change is mainly due to lower than anticipated staffing costs that are a result of unfilled positions, lower than anticipated capital outlay costs due to timing of projects, as well reduced outgoing transfers to the Cooperative Fund, which are also a result of lower than anticipated staffing costs.

In the Act 18 Fund, fund, the fund balance increased \$17.5 million to \$207.7 million. The change is mainly due to reduced expenditures. Reimbursements to districts for actual costs were lower than predicted to Special Education Center Program operating districts. Higher than anticipated tax collections from the Special Education tax millage also contributed to the increase.

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 June 2018. 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.

Variances 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.

Variances in the Enhancement Millage Fund between the final budget and expenditure actual amounts relate primarily to distribution rates from Wayne County, Michigan for the enhancement millage levy due to significant staff turnover at the Wayne County Treasurer's office.

Variances 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 and 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. Variances between what budgeted and actual outcomes result from the unpredictable nature of local district activity in this area.

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

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2018 and 2017, the Agency had \$14.3 million and \$14.8 million, respectively, invested in a broad range of capital assets, including land, buildings, furniture and equipment. This amount represents a net decrease (including additions, disposals, and depreciation) of approximately \$500,000, or 3.4 percent, from last year.

Wayne County Regional Educational Service Agency

Management's Discussion and Analysis (Continued)

	2018	2017
Land	\$ 137,200	\$ 137,200
Construction in progress	371,734	45,000
Buildings and improvements	23,904,871	23,779,590
Furniture and equipment	5,505,165	6,346,456
Land improvements	569,440	569,440
Total capital assets	30,488,410	30,877,686
Less accumulated depreciation	16,167,856	16,060,131
Total capital assets - Net of accumulated depreciation	\$ 14,320,554	\$ 14,817,555

This year's additions of \$506,970 included elevator improvements, exterior site improvements, interior building improvements, and computer equipment. Several capital projects are planned for the 2018-2019 fiscal year, including upgrades to our electrical systems, interior renovations, site renovations at the Burger-Baylor campus and disaster recovery equipment upgrades. We anticipate capital additions will be approximately \$1.5 million. 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, 2018 and 2017.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the Agency's 2018-2019 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, 2019 budget was adopted in June 2018 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 appropriation 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.

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, 2018

Governmental
Activities

Assets

Cash and investments (Note 4)	\$ 36,136,412
Receivables:	
Taxes	15,422,066
Accounts	1,817,651
Due from other governmental units	44,785,874
Prepays	273,011
Restricted assets (Note 4)	203,607,827
Capital assets - Net (Note 6)	14,320,554
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Total assets	316,363,395

Deferred Outflows of Resources (Note 9)

Deferred pension costs	12,546,618
Deferred OPEB costs	928,008
	<hr/>
Total deferred outflows of resources	13,474,626

Liabilities

Accounts payable	57,556,414
Due to other governmental units	313,963
Accrued liabilities and other	834,346
Unearned revenue (Note 5)	20,802,661
Noncurrent liabilities:	
Due within one year	10,251
Due in more than one year	107,485
Net pension liability (Note 9)	48,833,390
Net OPEB liability (Note 9)	16,655,894
	<hr/>
Total liabilities	145,114,404

Deferred Inflows of Resources (Note 9)

Revenue in support of pension contributions made subsequent to the measurement date	1,928,921
Deferred pension cost reductions	2,603,683
Deferred OPEB cost reductions	563,090
	<hr/>
Total deferred inflows of resources	5,095,694

Net Position

Net investment in capital assets	14,320,554
Restricted for special education	207,746,474
Unrestricted	(42,439,105)
	<hr/>
Total net position	<u><u>\$ 179,627,923</u></u>

Wayne County Regional Educational Service Agency

Statement of Activities

Year Ended June 30, 2018

Functions/Programs	Program Revenue			Governmental
	Expenses	Charges for Services	Operating Grants and Contributions	Activities
				Net (Expense) Revenue and Changes in Net Position
Primary government - Governmental activities:				
Instruction	\$ 1,397,472	\$ -	\$ 1,397,472	\$ -
Support services	41,974,810	11,368,031	18,693,036	(11,913,743)
Community services	295,554	-	295,554	-
Interdistrict payments	374,364,823	-	173,146,543	(201,218,280)
Depreciation expense (unallocated)	1,003,971	-	-	(1,003,971)
Total primary government	\$ 419,036,630	\$ 11,368,031	\$ 193,532,605	(214,135,994)
General revenue:				
Taxes:				
Levied for general purposes				3,586,805
Levied for special education (ISD)				124,967,819
Levied for enhancement millage				73,015,989
State aid not restricted to specific purposes				11,126,830
Interest and investment earnings				3,020,590
Gain on sale of capital assets				310
Payment in lieu of taxes from Treasury				4,179,966
Other				1,374,253
Total general revenue				<u>221,272,562</u>
Change in Net Position				7,136,568
Net Position - Beginning of year, as previously reported				189,365,593
Cumulative Effect of Change in Accounting				<u>(16,874,238)</u>
Net Position - Beginning of year				<u>172,491,355</u>
Net Position - End of year				<u>\$ 179,627,923</u>

Wayne County Regional Educational Service Agency

Governmental Funds Balance Sheet

June 30, 2018

	General Fund	Act 18 Fund	Enhancement Millage Fund	Funded Projects Fund	Medicaid Fund	Nonmajor Funds	Total Governmental Funds
Assets							
Cash and investments (Note 4)	\$ 20,878,323	\$ -	\$ -	\$ -	\$ 14,617,785	\$ 640,304	\$ 36,136,412
Receivables:							
Taxes	290,724	10,129,505	5,001,837	-	-	-	15,422,066
Accounts	67,072	135,184	58,251	1,471,267	-	85,877	1,817,651
Due from other governmental units	1,678,192	5,177,463	-	37,160,678	275	769,266	44,785,874
Due from other funds (Note 7)	1,571,091	347,689	6,841,478	8,412,778	14,464	4,005,000	21,192,500
Prepays	273,011	-	-	-	-	-	273,011
Restricted assets (Note 4)	-	203,607,827	-	-	-	-	203,607,827
Total assets	\$ 24,758,413	\$ 219,397,668	\$ 11,901,566	\$ 47,044,723	\$ 14,632,524	\$ 5,500,447	\$ 323,235,341
Liabilities							
Accounts payable	\$ 206,488	\$ 3,789,582	\$ 11,901,566	\$ 26,372,277	\$ 14,603,410	\$ 606,300	\$ 57,479,623
Due to other governmental units	-	-	-	29,379	-	284,584	313,963
Due to other funds (Note 7)	11,836,588	7,861,612	-	448,069	27,829	1,095,193	21,269,291
Accrued liabilities and other	521,129	-	-	70,577	1,285	241,355	834,346
Unearned revenue (Note 5)	404,295	-	-	20,124,425	-	273,941	20,802,661
Total liabilities	12,968,500	11,651,194	11,901,566	47,044,727	14,632,524	2,501,373	100,699,884
Deferred Inflows of Resources - Unavailable revenue (Note 5)	-	-	-	37,479	-	-	37,479
Total liabilities and deferred inflows of resources	12,968,500	11,651,194	11,901,566	47,082,206	14,632,524	2,501,373	100,737,363
Fund Balances							
Nonspendable - Prepays	273,011	-	-	-	-	-	273,011
Restricted - Special education center program	-	207,746,474	-	-	-	-	207,746,474
Committed:							
Capital projects	-	-	-	-	-	1,688,129	1,688,129
Cooperative educational activities	-	-	-	-	-	1,310,945	1,310,945
Assigned:							
Budgeted appropriations	202,600	-	-	-	-	-	202,600
Encumbrances	117,117	-	-	-	-	-	117,117
Unassigned	11,197,185	-	-	(37,483)	-	-	11,159,702
Total fund balances	11,789,913	207,746,474	-	(37,483)	-	2,999,074	222,497,978
Total liabilities, deferred inflows of resources, and fund balances	\$ 24,758,413	\$ 219,397,668	\$ 11,901,566	\$ 47,044,723	\$ 14,632,524	\$ 5,500,447	\$ 323,235,341

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, 2018

Fund Balances Reported in Governmental Funds	\$ 222,497,978
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	30,488,410
Accumulated depreciation	<u>(16,167,856)</u>
Net capital assets used in governmental activities	14,320,554
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	37,479
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	(117,736)
Net pension liability and related deferred inflows and outflows	(38,890,455)
Net OPEB liability and related deferred inflows and outflows	(16,290,976)
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>(1,928,921)</u>
Net Position of Governmental Activities	<u><u>\$ 179,627,923</u></u>

Wayne County Regional Educational Service Agency

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

Year Ended June 30, 2018

	General Fund	Act 18 Fund	Enhancement Millage Fund	Funded Projects Fund	Medicaid Fund	Nonmajor Funds	Total Governmental Funds
Revenue							
Local sources	\$ 4,940,321	\$ 132,832,921	\$ 77,992,132	\$ 1,624,412	\$ 15,489,816	\$ 135,311	\$ 233,014,913
State sources	11,259,251	28,754,743	-	69,462,160	-	1,028,200	110,504,354
Federal sources	-	-	-	81,345,048	-	-	81,345,048
Interdistrict sources	505,220	414,344	-	3,989,997	-	7,068,259	11,977,820
Total revenue	16,704,792	162,002,008	77,992,132	156,421,617	15,489,816	8,231,770	436,842,135
Expenditures							
Current:							
Instruction	-	-	-	1,397,472	-	-	1,397,472
Support services	10,355,104	440,716	-	16,501,031	376,029	12,840,821	40,513,701
Community services	-	-	-	295,554	-	-	295,554
Capital outlay	174,625	196,274	-	49,692	-	250,700	671,291
Interdistrict payments	81,858	147,555,237	77,992,132	136,953,502	10,423,529	1,358,565	374,364,823
Total expenditures	10,611,587	148,192,227	77,992,132	155,197,251	10,799,558	14,450,086	417,242,841
Excess of Revenue (Under) Over Expenditures	6,093,205	13,809,781	-	1,224,366	4,690,258	(6,218,316)	19,599,294
Other Financing Sources (Uses)							
Proceeds from sale of capital assets	310	-	-	-	-	-	310
Transfers in (Note 7)	910,376	4,982,906	-	-	-	7,185,277	13,078,559
Transfers out (Note 7)	(5,730,694)	(1,328,802)	-	(1,226,008)	(4,690,258)	(102,797)	(13,078,559)
Total other financing (uses) sources	(4,820,008)	3,654,104	-	(1,226,008)	(4,690,258)	7,082,480	310
Net Change in Fund Balances	1,273,197	17,463,885	-	(1,642)	-	864,164	19,599,604
Fund Balances - Beginning of year	10,516,716	190,282,589	-	(35,841)	-	2,134,910	202,898,374
Fund Balances - End of year	\$ 11,789,913	\$ 207,746,474	\$ -	\$ (37,483)	\$ -	\$ 2,999,074	\$ 222,497,978

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

Year Ended June 30, 2018

Net Change in Fund Balance Reported in Governmental Funds	\$ 19,599,604
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	506,970
Depreciation expense	<u>(1,003,971)</u>
Total	(497,001)
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	(10,734,787)
Revenue in support of pension contributions made subsequent to the measurement date	(475,358)
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	<u>(755,890)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 7,136,568</u></u>

Wayne County Regional Educational Service Agency

Fiduciary Funds Statement of Fiduciary Assets and Liabilities

June 30, 2018

	<u>Agency Funds</u>
Assets - Due from other funds (Note 7)	<u>\$ 76,791</u>
Liabilities	
Due to internal groups	\$ 58,939
Due to outside groups	<u>17,852</u>
Total liabilities	<u>\$ 76,791</u>

June 30, 2018

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 Governmental 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 government 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, unrestricted intergovernmental receipts, 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 the Agency-wide financial 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.

June 30, 2018

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 not recognized until it is collected, or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the Agency considers amounts collected within 60 days of year end to be available for recognition. Revenue not meeting this definition is classified as a deferred inflow of resources.

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 projects 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.

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.

June 30, 2018

Note 2 - Significant Accounting Policies (Continued)

- **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 are not used to operate the Agency'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 stated at fair value, except for investments in MILAF, which are valued 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, and equipment, are reported in the applicable governmental activities 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:

	Depreciable Life - Years
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 and OPEB 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 revenue in support of pension contributions made subsequent to the measurement date and deferred pension and OPEB plan cost reductions

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 Agency 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

Properties 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. As of June 30, 2018, the allowance for uncollectible amounts is insignificant.

Grants and Contributions

The Agency receives federal, state, and local grants as well as contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) is recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

Note 2 - Significant Accounting Policies (Continued)

Pension and Other Postemployment Benefit (OPEB) Plans

For purposes of measuring the net pension and net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to each plan, and pension and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPERS) and additions to/deductions from 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.

Compensated Absences (Vacation and Sick Leave)

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.

Adoption of New Accounting Pronouncement

As of June 30, 2018, the Agency adopted GASB 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 Michigan Public School Employees' Retirement System (MPERS). The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI).

In accordance with the statement, the Agency has reported a net OPEB liability of \$17,568,278, deferred outflows of financial resources for OPEB contributions of \$1,234,938 made subsequent to the measurement date, and deferred inflows of financial resources for revenue received from state aid in support of OPEB contributions of \$540,898 that was received subsequent to the measurement date as the effects of these changes in accounting principles on the Agency's net position as of July 1, 2017.

Upcoming Accounting Pronouncements

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.

Note 2 - Significant Accounting Policies (Continued)

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 were previously 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 and 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 \$117,000 at June 30, 2018.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the Agency incurred expenditures in the Enhancement Millage Fund, which were in excess of the amount budgeted, as follows:

	Budget	Actual
Interdistrict payments	\$ 76,655,000	\$ 77,992,132

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

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

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

Note 4 - Deposits and Investments (Continued)

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.

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 prequalifying 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 \$240,328,507 at June 30, 2018, has a S&P rating of AAAM.

Concentration of Credit Risk

The Agency's investment 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. A total of 100 percent of the Agency's investments is in the Michigan Liquid Asset Fund.

Note 4 - Deposits and Investments (Continued)

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 investment policy prohibit investments 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, 2018, the various components of unavailable and unearned revenue were as follows:

	Governmental Funds	
	Deferred Inflow - Unavailable	Liability - Unearned
Grant receivables unavailable for use in the current period	\$ 37,479	\$ -
Grant and categorical aid payment received prior to meeting all eligibility requirements	-	20,124,425
Other	-	678,236
Total	\$ 37,479	\$ 20,802,661

Note 6 - Capital Assets

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

	Balance July 1, 2017	Additions	Disposals and Adjustments	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$ 137,200	\$ -	\$ -	\$ 137,200
Construction in progress	45,000	326,734	-	371,734
Subtotal	182,200	326,734	-	508,934
Capital assets being depreciated:				
Buildings and improvements	23,779,590	125,281	-	23,904,871
Furniture and equipment	6,346,456	54,955	(896,246)	5,505,165
Land improvements	569,440	-	-	569,440
Subtotal	30,695,486	180,236	(896,246)	29,979,476
Accumulated depreciation:				
Buildings and improvements	10,934,864	563,621	-	11,498,485
Furniture and equipment	4,974,185	415,921	(896,246)	4,493,860
Land improvements	151,082	24,429	-	175,511
Subtotal	16,060,131	1,003,971	(896,246)	16,167,856
Net capital assets being depreciated	14,635,355	(823,735)	-	13,811,620
Net governmental activities capital assets	\$ 14,817,555	\$ (497,001)	\$ -	\$ 14,320,554

Wayne County Regional Educational Service Agency

Notes to Financial Statements

June 30, 2018

Note 6 - Capital Assets (Continued)

Government Activities

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	\$ -	\$ -	\$ 448,069	\$ 27,829	\$ 1,095,193	\$ 1,571,091
Act 18 Fund	347,689	-	-	-	-	347,689
Enhancement Millage Fund	328,073	6,513,405	-	-	-	6,841,478
Funded Projects Fund	8,412,778	-	-	-	-	8,412,778
Medicaid Fund	14,464	-	-	-	-	14,464
Nonmajor Fund	2,656,793	1,348,207	-	-	-	4,005,000
Fiduciary Fund	76,791	-	-	-	-	76,791
Total	\$ 11,836,588	\$ 7,861,612	\$ 448,069	\$ 27,829	\$ 1,095,193	\$ 21,269,291

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 composed of the following:

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Act 18 Fund	\$ 340,668
	Nonmajor funds	5,390,026
	Total General Fund	5,730,694
Act 18 Fund	Nonmajor funds	1,328,802
Funded Projects Fund	General Fund	771,920
	Nonmajor funds	454,088
	Total Funded Projects Fund	1,226,008
Medicaid Fund	General Fund	46,949
	Act 18 Fund	4,642,238
	Nonmajor funds	1,071
Total Medicaid Fund	4,690,258	
Nonmajor funds	General Fund	91,507
	Nonmajor funds	11,290
	Total nonmajor funds	102,797
Total	Total	\$ 13,078,559

June 30, 2018

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

Transfers represented General Fund support for Act 18 Fund, cooperative service programs, special education and capital projects, Act 18 Fund support for special education services in the nonmajor funds, financial support to the General Fund, cooperative service programs and special education from the Funded Projects Fund, Medicaid Fund, and nonmajor funds 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. Certain Agency employees also receive defined contribution retirement and healthcare benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The System is administered by the Office of Retirement Services (ORS). 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 and the postemployment healthcare 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 and the postemployment healthcare 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 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.

Depending on the member's date of hire, MPSERS offers the option of participating in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

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

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. Some members who do not receive an annual increase are eligible to receive a supplemental payment in the years in which investment earnings exceed actuarial assumptions.

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS with the balance deducted from the monthly pension of each retiree healthcare recipient. Depending on the member's date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

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.

Under the OPEB plan, 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. Participating employers are required to contribute at that rate.

Under Public Act 300 of 2012, members were given the choice between continuing the 3 percent contribution to the retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3 percent contribution and, instead, opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date, earning them a 2 percent employer match into a 401(k) account. Members who selected this option stop paying the 3 percent contribution to the retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

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

The range of rates is as follows:

	Pension	OPEB
October 1, 2017 - January 31, 2018	13.54% - 17.89%	7.42% - 7.67%
February 1, 2018 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%

June 30, 2018

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

Depending on the plan selected, member pension contributions range from 0 percent up to 7.0 percent of gross wages. For certain plan members, a 4 percent employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3 percent employer match is provided to the defined contribution pension plan.

The Agency's required and actual pension contributions to the plan for the year ended June 30, 2018 were \$5,254,425, which include the Agency's contributions required for those members with a defined contribution benefit. The Agency's required and actual pension contributions include an allocation of \$1,928,921 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, 2018. For the year ended June 30, 2018, the contributions also include a one-time payment to the Agency received under Section 147c(2) of the State Aid Act, which the Agency then remitted as a contribution to the plan.

The Agency's required and actual OPEB contributions to the plan for the year ended June 30, 2018 were \$1,205,318, which include the Agency's contributions required for those members with a defined contribution benefit.

Net Pension Liability

At June 30, 2018, the Agency reported a liability of \$48,833,390 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016, which used updated procedures to roll forward the estimated liability to September 30, 2017. 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, 2017 and 2016, the Agency's proportion was 0.188442 percent and 0.185407 percent, respectively.

Net OPEB Liability

At June 30, 2018, the Agency reported a liability of \$16,655,894 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2018 was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2016, which used updated procedures to roll forward the estimated liability to September 30, 2017. The Agency's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017 and 2016, the Agency's proportion was 0.188086 percent.

June 30, 2018

Note 9 - Michigan Public School Employees' Retirement System (Continued)***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the year ended June 30, 2018, the Agency recognized pension expense of \$6,173,703, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2018, 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	\$ 424,395	\$ 239,615
Changes in assumptions	5,350,086	-
Net difference between projected and actual earnings on pension plan investments	-	2,334,557
Changes in proportion and differences between the Agency's contributions and proportionate share of contributions	2,694,301	29,511
The Agency's contributions to the plan subsequent to the measurement date	4,077,836	-
	<u>4,077,836</u>	<u>-</u>
Total	<u>\$ 12,546,618</u>	<u>\$ 2,603,683</u>

The \$1,928,921 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2019. 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
2019	\$ 2,001,713
2020	2,683,217
2021	1,200,188
2022	(20,019)
Total	<u>\$ 5,865,099</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.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the Agency recognized OPEB expense of \$1,114,260.

At June 30, 2018, the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 177,336
Net difference between projected and actual earnings on OPEB plan investments	-	385,754
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	839	-
Employer contributions to the plan subsequent to the measurement date	927,169	-
	<u>927,169</u>	<u>-</u>
Total	<u>\$ 928,008</u>	<u>\$ 563,090</u>

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

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future OPEB expense):

Years Ending	Amount
2019	\$ (135,884)
2020	(135,884)
2021	(135,884)
2022	(135,884)
2023	(18,715)
Total	<u>\$ (562,251)</u>

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2017 is based on the results of an actuarial valuation as of September 30, 2016 and rolled forward. The total pension and OPEB liability was determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal cost actuarial cost method
Investment rate of return - Pension	7.00% - 7.50%	Net of investment expenses based on the groups
Investment rate of return - OPEB	7.50%	Net of investment expenses based on the groups
Salary increases	3.50% - 12.30%	Including wage inflation of 3.50%
Healthcare cost trend rate	7.50%	Year 1 graded to 3.5% year 12
Mortality basis		RP2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB
Cost of living pension adjustments	3.00%	Annual noncompounded for MIP members

Assumption changes as a result of an experience study for the periods from 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 - 7.50 percent as of September 30, 2017 depending on the plan option. The discount rate used to measure the total OPEB liability was 7.50 percent as of September 30, 2017. 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 district contributions will be made at statutorily required rates.

Based on those assumptions, the pension plan's fiduciary net position and the OPEB plan's fiduciary net position were 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 and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

June 30, 2018

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

The long-term expected rate of return on pension plan and OPEB 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 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 %	5.60 %
Private equity pools	18.00	8.70
International equity pools	16.00	7.20
Fixed-income pools	10.50	(0.10)
Real estate and infrastructure pools	10.00	4.20
Real return, opportunistic, and absolute pool	15.50	5.00
Short-term investment pools	2.00	(0.90)
Total	100.00 %	

MPSERS approved a decrease in the discount rate for the September 30, 2017 annual actuarial valuation for the pension plan and the OPEB plan to 7.05 percent and 7.15 percent, respectively. As a result, the actuarial computed employer contributions, net pension liability, and net OPEB liability will increase for the measurement period ended September 30, 2018.

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 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 or 1 percentage point higher than the current rate:

	1 Percent Decrease (6.00 - 6.50%)	Current Discount Rate (7.00 - 7.50%)	1 Percent Increase (8.00 - 8.50%)
Net pension liability of the Agency	\$ 63,613,665	\$ 48,833,390	\$ 36,389,340

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Agency, calculated using the current discount rate. It also reflects what the Agency's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (6.50%)	Current Discount Rate (7.50%)	1 Percent Increase (8.50%)
Net OPEB liability of the Agency	\$ 19,508,866	\$ 16,655,894	\$ 14,234,614

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the School District, calculated using the current healthcare cost trend rate. It also reflects what the School District's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

June 30, 2018

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

	1 Percent Decrease (6.50%)	Current Discount Rate (7.50%)	1 Percent Increase (8.50%)
Net OPEB liability of the Agency	\$ 14,105,303	\$ 16,655,894	\$ 19,551,912

Pension Plan and OPEB 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 and OPEB Plan

At June 30, 2018, the Agency reported a payable of \$350,678 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

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) and 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 the Agency. 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. Finally, the Renaissance Zone is a collaborative program between the City of Detroit, Michigan; the County of Wayne, Michigan; 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, 2018, the Agency's property tax revenue was reduced under these programs. The impact of these programs to the Agency is not known due to lack of information provided by the taxing authority; however, in the prior year, revenue was reduced by approximately \$4.3 million, and the impact in the current year is assumed to be approximately the same.

Required Supplemental Information

Wayne County Regional Educational Service Agency

Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 4,343,000	\$ 4,918,700	\$ 4,940,321	\$ 21,621
State sources	10,779,200	11,236,300	11,259,251	22,951
Interdistrict sources	430,000	496,200	505,220	9,020
Total revenue	15,552,200	16,651,200	16,704,792	53,592
Expenditures				
Current:				
Support services:				
Salaries	5,608,000	5,523,700	5,277,447	(246,253)
Employee benefits	3,186,800	3,227,700	3,145,763	(81,937)
Purchased services	1,685,300	1,760,000	1,536,361	(223,639)
Supplies and materials	417,000	393,500	308,291	(85,209)
Other expense	151,000	104,500	87,242	(17,258)
Capital outlay	335,000	335,000	174,625	(160,375)
Interdistrict payments	68,100	83,000	81,858	(1,142)
Total expenditures	11,451,200	11,427,400	10,611,587	(815,813)
Excess of Revenue Over Expenditures	4,101,000	5,223,800	6,093,205	869,405
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	310	310
Transfers in	600,000	827,400	910,376	82,976
Transfers out	(5,206,500)	(6,436,700)	(5,730,694)	706,006
Total other financing uses	(4,606,500)	(5,609,300)	(4,820,008)	789,292
Net Change in Fund Balance	(505,500)	(385,500)	1,273,197	1,658,697
Fund Balance - Beginning of year	10,516,716	10,516,716	10,516,716	-
Fund Balance - End of year	<u>\$ 10,011,216</u>	<u>\$ 10,131,216</u>	<u>\$ 11,789,913</u>	<u>\$ 1,658,697</u>

Wayne County Regional Educational Service Agency

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

Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 126,250,000	\$ 129,629,000	\$ 132,832,921	\$ 3,203,921
State sources	29,035,000	27,997,000	28,754,743	757,743
Interdistrict sources	240,000	300,000	414,344	114,344
Total revenue	155,525,000	157,926,000	162,002,008	4,076,008
Expenditures				
Current:				
Support services:				
Purchased services	355,500	375,500	343,425	(32,075)
Supplies and materials	110,000	110,000	97,291	(12,709)
Capital outlay	500,000	500,000	196,274	(303,726)
Interdistrict payments	156,329,500	157,608,300	147,555,237	(10,053,063)
Total expenditures	157,295,000	158,593,800	148,192,227	(10,401,573)
Excess of Revenue (Under) Over Expenditures	(1,770,000)	(667,800)	13,809,781	14,477,581
Other Financing Sources (Uses)				
Transfers in	3,000,000	4,300,000	4,982,906	682,906
Transfers out	(2,211,400)	(2,211,400)	(1,328,802)	882,598
Total other financing sources	788,600	2,088,600	3,654,104	1,565,504
Net Change in Fund Balance	(981,400)	1,420,800	17,463,885	16,043,085
Fund Balance - Beginning of year	190,282,589	190,282,589	190,282,589	-
Fund Balance - End of year	\$ 189,301,189	\$ 191,703,389	\$ 207,746,474	\$ 16,043,085

Wayne County Regional Educational Service Agency

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

Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over Final Budget</u>
Revenue - Local sources	\$ 79,000,000	\$ 76,655,000	\$ 77,992,132	\$ 1,337,132
Expenditures - Interdistrict payments	<u>79,000,000</u>	<u>76,655,000</u>	<u>77,992,132</u>	<u>1,337,132</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of year	-	-	-	-
Fund Balance - 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, 2018

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 577,000	\$ 254,076	\$ 1,624,412	\$ 1,370,336
State sources	70,240,000	85,877,686	69,462,160	(16,415,526)
Federal sources	86,469,000	98,839,710	81,345,048	(17,494,662)
Interdistrict sources	4,772,000	6,611,760	3,989,997	(2,621,763)
Total revenue	162,058,000	191,583,232	156,421,617	(35,161,615)
Expenditures				
Current:				
Salaries	6,647,600	7,405,405	5,861,314	(1,544,091)
Employee benefits	3,383,900	4,406,207	3,342,777	(1,063,430)
Purchased services	18,770,100	21,565,895	8,430,900	(13,134,995)
Supplies and materials	2,154,800	1,356,084	497,181	(858,903)
Other expenses	156,900	270,215	61,885	(208,330)
Capital outlay	1,500	31,000	49,692	18,692
Interdistrict payments	129,755,500	154,194,210	136,953,502	(17,240,708)
Total expenditures	160,870,300	189,229,016	155,197,251	(34,031,765)
Excess of Revenue Over Expenditures	1,187,700	2,354,216	1,224,366	(1,129,850)
Other Financing Uses - Transfers out	(1,187,700)	(2,318,375)	(1,226,008)	1,092,367
Net Change in Fund Balance	-	35,841	(1,642)	(37,483)
Fund Balance - Beginning of year	(35,841)	(35,841)	(35,841)	-
Fund Balance - End of year	<u>\$ (35,841)</u>	<u>\$ -</u>	<u>\$ (37,483)</u>	<u>\$ (37,483)</u>

Wayne County Regional Educational Service Agency

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

Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 12,550,000	\$ 15,431,000	\$ 15,489,816	\$ 58,816
Federal sources	400,000	-	-	-
Total revenue	12,950,000	15,431,000	15,489,816	58,816
Expenditures				
Current:				
Salaries	217,900	217,900	194,477	(23,423)
Employee benefits	140,400	147,200	146,972	(228)
Purchased services	152,100	31,600	32,162	562
Supplies and materials	3,500	3,500	2,306	(1,194)
Other expense	800	800	112	(688)
Interdistrict payments	9,235,300	10,339,800	10,423,529	83,729
Total expenditures	9,750,000	10,740,800	10,799,558	58,758
Excess of Revenue Over Expenditures	3,200,000	4,690,200	4,690,258	58
Other Financing Uses - Transfer out	(3,200,000)	(4,690,200)	(4,690,258)	(58)
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of year	-	-	-	-
Fund Balance - End of year	\$ -	\$ -	\$ -	\$ -

Wayne County Regional Educational Service Agency

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

Last Four Plan Years Plan Year Ended September 30

	2017	2016	2015	2014
Agency's proportion of the net pension liability	0.18844 %	0.18541 %	0.17592 %	0.16605 %
Agency's proportionate share of the net pension liability	\$ 48,833,390	\$ 46,257,485	\$ 42,969,665	\$ 36,575,174
Agency's covered employee payroll	\$ 15,683,655	\$ 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	311.36 %	290.20 %	293.17 %	253.97 %
Plan fiduciary net position as a percentage of total pension liability	63.96 %	63.01 %	62.92 %	66.15 %

Wayne County Regional Educational Service Agency

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

Last Four Fiscal Years Years Ended June 30

	2018	2017	2016	2015
Statutorily required contribution	\$ 4,840,836	\$ 4,415,050	\$ 4,165,866	\$ 3,191,933
Contributions in relation to the statutorily required contribution	4,840,836	4,415,050	4,165,866	3,191,933
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -
Agency's Covered Employee Payroll	\$ 16,133,454	\$ 15,675,485	\$ 15,093,099	\$ 14,878,808
Contributions as a Percentage of Covered Employee Payroll	30.00 %	28.17 %	27.60 %	21.45 %

Wayne County Regional Educational Service Agency

Required Supplemental Information Schedule of Proportionate Share of the Net OPEB Liability Michigan Public School Employees' Retirement System

**Last One Plan Year
Plan Year Ended September 30**

	<u>2017</u>
Agency's proportion of the net OPEB liability	0.18809 %
Agency's proportionate share of the net OPEB liability	\$ 16,655,894
Agency's covered employee payroll	\$ 15,683,655
Agency's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	106.20 %
Plan fiduciary net position as a percentage of total OPEB liability	36.53 %

Wayne County Regional Educational Service Agency

Required Supplemental Information Schedule of OPEB Contributions Michigan Public Schools Employees' Retirement System

**Last One Fiscal Year
Year Ended June 30**

	<u>2018</u>
Statutorily required contribution	\$ 1,165,275
Contributions in relation to the statutorily required contribution	<u>1,165,275</u>
Contribution Deficiency	\$ -
Agency's Covered Employee Payroll	\$ 16,133,454
Contributions as a Percentage of Covered Employee Payroll	7.22 %

June 30, 2018

Pension Information

Ultimately, 10 years of data will be presented in both of the pension-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

Benefit Changes

There were no changes of benefit terms in 2017.

Changes in Assumptions

There were no changes of benefit assumptions in 2017.

Covered Payroll

The employers' covered payroll to be reported in the required supplemental information is defined by GASB 82, *Pension Issues - an amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based, and by GASB 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For the Agency, covered payroll represents payroll on which contributions to both plans are based.

OPEB Information

Ultimately, 10 years of data will be presented in both of the OPEB-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

Benefit Changes

There were no changes of benefit terms in 2017.

Changes in Assumptions

There were no changes of benefit assumptions in 2017.

Covered Payroll

The employers' covered payroll to be reported in the required supplemental information is defined by GASB 82, *Pension Issues - an amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based, and by GASB 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For the Agency, covered payroll represents payroll on which contributions to both plans are based.

Other Supplemental Information

Wayne County Regional Educational Service Agency

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2018

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Special Services Fund	Cooperative Services Fund	Capital Projects Fund	
Assets				
Cash and investments	\$ -	\$ -	\$ 640,304	\$ 640,304
Receivables:				
Accounts	-	85,877	-	85,877
Due from other governmental units	158,382	610,884	-	769,266
Due from other funds	1,348,207	1,607,793	1,049,000	4,005,000
Total assets	\$ 1,506,589	\$ 2,304,554	\$ 1,689,304	\$ 5,500,447
Liabilities				
Accounts payable	\$ 86,633	\$ 518,492	\$ 1,175	\$ 606,300
Due to other governmental units	284,584	-	-	284,584
Due to other funds	1,095,193	-	-	1,095,193
Accrued liabilities and other	40,179	201,176	-	241,355
Unearned revenue	-	273,941	-	273,941
Total liabilities	1,506,589	993,609	1,175	2,501,373
Fund Balances				
Committed:				
Capital projects	-	-	1,688,129	1,688,129
Cooperative educational activities	-	1,310,945	-	1,310,945
Total fund balances	-	1,310,945	1,688,129	2,999,074
Total liabilities and fund balances	\$ 1,506,589	\$ 2,304,554	\$ 1,689,304	\$ 5,500,447

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, 2018

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Special Services Fund	Cooperative Services Fund	Capital Projects Fund	
Revenue				
Local sources	\$ -	\$ 132,345	\$ 2,966	\$ 135,311
State sources	1,028,200	-	-	1,028,200
Interdistrict sources	83,608	6,984,651	-	7,068,259
Total revenue	1,111,808	7,116,996	2,966	8,231,770
Expenditures				
Current:				
Support services:				
Salaries	961,503	4,694,869	-	5,656,372
Employee benefits	595,311	2,834,001	-	3,429,312
Purchased services	144,194	3,166,687	-	3,310,881
Supplies and materials	9,538	377,758	-	387,296
Other	3,955	53,005	-	56,960
Capital outlay	-	62,898	187,802	250,700
Interdistrict payments	1,091,238	267,327	-	1,358,565
Total expenditures	2,805,739	11,456,545	187,802	14,450,086
Excess of Expenditures Over Revenue	(1,693,931)	(4,339,549)	(184,836)	(6,218,316)
Other Financing Sources (Uses)				
Transfers in	1,794,187	4,342,090	1,049,000	7,185,277
Transfers out	(100,256)	(2,541)	-	(102,797)
Total other financing sources	1,693,931	4,339,549	1,049,000	7,082,480
Net Change in Fund Balances	-	-	864,164	864,164
Fund Balances - Beginning of year	-	1,310,945	823,965	2,134,910
Fund Balances - End of year	\$ -	\$ 1,310,945	\$ 1,688,129	\$ 2,999,074