# Wayne County Regional Educational Service Agency

**Financial Report**
**with Supplemental Information**
**June 30, 2019**

# Contents

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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, 2019 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, 2019 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Education
Wayne County Regional Educational Service Agency

***Required Supplemental Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 24, 2019 on our consideration of Wayne County Regional Educational Service Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wayne County Regional Educational Service Agency's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 24, 2019

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, 2019. 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-though 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

Schedules of Proportionate Share of the Net Pension and Net OPEB Liabilities

Schedules of Pension and OPEB Contributions

**Other Supplemental Information**

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

One question 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.

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 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.

## 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, 2019 and 2018:

| | Governmental Activities | |
|---|---|---|
| | 2019 | 2018 |
| | (in millions) | |
| **Assets** | | |
| Current and other assets | $ 351.4 | $ 302.0 |
| Capital assets | 14.1 | 14.3 |
| Total assets | 365.5 | 316.3 |
| **Deferred Outflows of Resources** | 23.8 | 13.5 |
| **Liabilities** | | |
| Current liabilities | 90.2 | 79.5 |
| Noncurrent liabilities | 0.1 | 0.1 |
| Net pension liability | 57.8 | 48.8 |
| Net OPEB liability | 15.5 | 16.7 |
| Total liabilities | 163.6 | 145.1 |
| **Deferred Inflows of Resources** | 10.2 | 5.1 |
| **Net Position** | | |
| Net investment in capital assets | 14.1 | 14.3 |
| Restricted | 244.1 | 207.7 |
| Unrestricted | (42.7) | (42.4) |
| Total net position | **$ 215.5** | **$ 179.6** |

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 $215.5 million at June 30, 2019. Net investment in capital assets totaling $14.1 million compares the original cost, less depreciation of the Agency's capital assets, to long-term debt used to finance the acquisition of those assets. As of June 30, 2019, there was no outstanding debt. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Agency's ability to use that net position for day-to-day operations. The remaining amount of net position ($(42.7) million) was unrestricted.

The $(42.7) 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.

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, 2019 and 2018:

| | Governmental Activities | |
|---|---|---|
| | 2019 | 2018 |
| | (in millions) | |
| **Revenue** | | |
| Program revenue: | | |
| Charges for services | $ 11.2 | $ 11.4 |
| Operating grants | 205.7 | 193.5 |
| General revenue: | | |
| Taxes | 232.9 | 201.6 |
| State aid not restricted to specific purposes | 11.1 | 11.1 |
| Other | 12.7 | 8.6 |
| Total revenue | 473.6 | 426.2 |
| **Expenses** | | |
| Instruction | 1.4 | 1.4 |
| Support services | 45.8 | 42.1 |
| Community services | 0.2 | 0.3 |
| Interdistrict payments | 389.4 | 374.3 |
| Depreciation expense (unallocated) | 0.9 | 1.0 |
| Total expenses | 437.7 | 419.1 |
| **Change in Net Position** | 35.9 | 7.1 |
| **Net Position** - Beginning of year | 179.6 | 172.5 |
| **Net Position** - End of year | **$ 215.5** | **$ 179.6** |

As reported in the statement of activities, the cost of all of our governmental activities this year was $437.7 million. Certain activities were partially funded from those who benefited from the programs ($11.2 million) or by other governments and organizations that subsidized certain programs with grants and contributions ($205.7 million). We paid for the remaining "public benefit" portion of our governmental activities with $232.9 million in taxes, $11.1 million in state foundation allowance, and our other revenue (i.e., interest and general entitlements).

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.

As the Agency completed this year, the governmental funds reported a combined fund balance of $257.8 million, which is an increase of $35.3 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 by $2.1 million to $13.9 million. The change is mainly due to the timing of tax collections from the Wayne County Treasurer's Office, favorable interest rates on investment balances, and lower than anticipated subsidies to the Cooperative Education Services Fund.

In the Act 18 Fund, the fund balance increased by $36.4 million to $244.1 million. The change is mainly due to the timing of tax collections from the special education millage received from the Wayne County Treasurer's Office. Reimbursements to districts for actual costs were also lower than predicted to special education center program operating districts.

## 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 2019. 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 reimbursements to districts for actual costs that were lower than predicted to special education center program operating districts. Variances in the Act 18 Fund between the final budget and actual revenue amounts relate primarily to the timing of tax collections from the special education millage received from the Wayne County Treasurer's Office.

Variances in the Enhancement Millage Fund between the final budget and actual expenditure and revenue amounts relate primarily to the same timing of tax collections from Wayne County.

Variances in the Funded Projects Fund between the final budget and actual revenue and expenditure amounts relate primarily to the Board of Education's philosophy regarding budgeting in this fund. Because many of the projects that make up this fund cover multiple years and operating periods that are not in sync with the Agency's 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 with the finalization of actual carryover budgets that cross multiple periods.

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

There were significant positive variances between the actual amounts and the final budget amounts. In the Act 18 Fund, actual revenue received was approximately $17.4 million higher than budgeted revenue. In the Enhancement Millage Fund, actual revenue received was approximately $7.0 million higher than budgeted revenue, and actual expenditures were approximately $7.0 million higher than budgeted expenditures. Both of these are a result of ongoing issues with the timing of tax distributions from the Wayne County Treasurer's Office.

## Capital Assets and Debt Administration

### *Capital Assets*

As of June 30, 2019 and 2018, the Agency had $14.1 million and $14.3 million, respectively, invested in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount represents a net decrease (including additions, disposals, and depreciation) of approximately $200,000, or 1.4 percent, from last year.

| | 2019 | 2018 |
|---|---|---|
| Land | $ 137,200 | $ 137,200 |
| Construction in progress | 248,089 | 371,734 |
| Buildings and improvements | 24,169,356 | 23,904,871 |
| Furniture and equipment | 4,838,447 | 5,505,165 |
| Land improvements | 585,085 | 569,440 |
| Total capital assets | 29,978,177 | 30,488,410 |
| Less accumulated depreciation | 15,863,760 | 16,167,856 |
| Total capital assets - Net of accumulated depreciation | **$ 14,114,417** | **$ 14,320,554** |

This year's additions of $1,327,477 included elevator improvements, exterior site improvements at the Burger-Baylor campus, and interior building improvements. Several capital projects are planned for the 2019-2020 fiscal year, including additional interior building improvements, electrical upgrades, and roofing improvements to the Education Center and site improvements to the Burger-Baylor campus. We anticipate capital additions will be approximately $4.5 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, 2019 and 2018.

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

Our elected officials and administration consider many factors when setting the Agency’s 2019-2020 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, 2020 budget was adopted in June 2019 based on early estimates of property tax revenue, state aid, and grant funding. State law requires the Agency to amend the budget if actual agency resources are not sufficient to fund original appropriations. The primary source of revenue for both the Act 18 Fund and the Enhancement Millage Fund is property taxes. As changes to taxable value and taxability occur, these funds will be directly affected. Any reductions due to personal property tax legislation will be made up in the Act 18 Fund via an allocation from the Michigan Department of Treasury.

Since the Agency's revenue is partially dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue to fund its appropriations to public school districts, intermediate school districts, and regional educational service agencies. Economic conditions have the potential to further impact state revenue. Reductions in programs and services will be required in order to bring future expenditures in line with projected future revenue.

## 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.

# Statement of Net Position

**June 30, 2019**

| | Governmental Activities |
|---|---|
| **Assets** | |
| Cash and investments (Note 4) | $ 11,973,151 |
| Receivables: | |
| Taxes | 9,472,202 |
| Accounts | 2,168,541 |
| Due from other governmental units | 50,741,481 |
| Prepaids | 238,104 |
| Restricted assets | 276,732,235 |
| Capital assets - Net (Note 6) | 14,114,417 |
| Total assets | 365,440,131 |
| **Deferred Outflows of Resources** (Note 9) | |
| Deferred pension costs | 20,589,253 |
| Deferred OPEB costs | 3,251,344 |
| Total deferred outflows of resources | 23,840,597 |
| **Liabilities** | |
| Accounts payable | 63,943,643 |
| Due to other governmental units | 3,021,770 |
| Accrued liabilities and other | 921,744 |
| Unearned revenue (Note 5) | 22,289,203 |
| Noncurrent liabilities: | |
| Due within one year | 18,118 |
| Due in more than one year | 107,419 |
| Net pension liability (Note 9) | 57,807,667 |
| Net OPEB liability (Note 9) | 15,494,819 |
| Total liabilities | 163,604,383 |
| **Deferred Inflows of Resources** (Note 9) | |
| Revenue in support of pension contributions made subsequent to the measurement date | 2,150,416 |
| Deferred pension cost reductions | 4,522,774 |
| Deferred OPEB cost reductions | 3,521,767 |
| Total deferred inflows of resources | 10,194,957 |
| **Net Position** | |
| Net investment in capital assets | 14,114,417 |
| Restricted for special education | 244,118,179 |
| Unrestricted | (42,751,208) |
| Total net position | **$ 215,481,388** |

See notes to financial statements.

**Year Ended June 30, 2019**

| | Expenses | Program Revenue: Charges for Services | Program Revenue: Operating Grants and Contributions | Governmental Activities: Net (Expense) Revenue and Changes in Net Position |
|---|---|---|---|---|
| **Functions/Programs** | | | | |
| Primary government - Governmental activities: | | | | |
| Instruction | $ 1,404,051 | $ - | $ 1,404,051 | $ - |
| Support services | 45,783,660 | 11,184,194 | 21,895,712 | (12,703,754) |
| Community services | 237,677 | - | 237,677 | - |
| Interdistrict payments | 389,444,718 | - | 182,117,477 | (207,327,241) |
| Depreciation expense (unallocated) | 925,491 | - | - | (925,491) |
| Total primary government | **$ 437,795,597** | **$ 11,184,194** | **$ 205,654,917** | (220,956,486) |
| General revenue: | | | | |
| Taxes: | | | | |
| Levied for general purposes | | | | 4,128,446 |
| Levied for special education (ISD) | | | | 143,861,223 |
| Levied for enhancement millage | | | | 84,885,655 |
| State aid not restricted to specific purposes | | | | 11,087,875 |
| Interest and investment earnings | | | | 7,022,266 |
| Loss on sale of capital assets | | | | (726,162) |
| Payment in lieu of taxes from the Treasury | | | | 5,031,422 |
| Other | | | | 1,519,226 |
| Total general revenue | | | | 256,809,951 |
| **Change in Net Position** | | | | 35,853,465 |
| **Net Position** - Beginning of year | | | | 179,627,923 |
| **Net Position** - End of year | | | | **$ 215,481,388** |

# Governmental Funds Balance Sheet

**June 30, 2019**

| | General Fund | Act 18 Fund | Enhancement Millage Fund | Funded Projects Fund | Medicaid Fund | Nonmajor Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash and investments (Note 4) | $ 9,141,713 | $ - | $ - | $ - | $ - | $ 2,831,438 | $ 11,973,151 |
| Receivables: | | | | | | | |
| Taxes | 185,142 | 6,450,780 | 2,836,280 | - | - | - | 9,472,202 |
| Accounts | 138,935 | 118,080 | 653,596 | 1,145,621 | - | 112,309 | 2,168,541 |
| Due from other governmental units | 1,953,552 | 4,596,786 | - | 43,787,759 | - | 403,384 | 50,741,481 |
| Due from other funds (Note 7) | 3,467,412 | - | 6,430,012 | 10,639,678 | - | 3,736,639 | 24,273,741 |
| Prepaids | 238,104 | - | - | - | - | - | 238,104 |
| Restricted assets | 15,122,366 | 245,709,903 | - | - | 15,899,966 | - | 276,732,235 |
| Total assets | **$ 30,247,224** | **$ 256,875,549** | **$ 9,919,888** | **$ 55,573,058** | **$ 15,899,966** | **$ 7,083,770** | **$ 375,599,455** |
| **Liabilities** | | | | | | | |
| Accounts payable | $ 77,744 | $ 4,262,938 | $ 9,919,888 | $ 33,557,116 | $ 15,838,150 | $ 212,228 | $ 63,868,064 |
| Due to other governmental units | 71,824 | 2,502,503 | - | 216,662 | - | 230,781 | 3,021,770 |
| Due to other funds (Note 7) | 15,122,366 | 5,991,929 | - | 481,557 | 54,647 | 2,698,821 | 24,349,320 |
| Accrued liabilities and other | 560,549 | - | - | 135,613 | 7,169 | 218,413 | 921,744 |
| Unearned revenue (Note 5) | 500,353 | - | - | 21,182,112 | - | 606,738 | 22,289,203 |
| Total liabilities | 16,332,836 | 12,757,370 | 9,919,888 | 55,573,060 | 15,899,966 | 3,966,981 | 114,450,101 |
| **Deferred Inflows of Resources** - Unavailable revenue (Note 5) | - | - | - | 3,336,743 | - | - | 3,336,743 |
| Total liabilities and deferred inflows of resources | 16,332,836 | 12,757,370 | 9,919,888 | 58,909,803 | 15,899,966 | 3,966,981 | 117,786,844 |
| **Fund Balances (Deficit)** | | | | | | | |
| Nonspendable - Prepaids | 238,104 | - | - | - | - | - | 238,104 |
| Restricted - Special education center program | - | 244,118,179 | - | - | - | - | 244,118,179 |
| Committed: | | | | | | | |
| Capital projects | - | - | - | - | - | 1,805,844 | 1,805,844 |
| Cooperative educational activities | - | - | - | - | - | 1,310,945 | 1,310,945 |
| Assigned - Encumbrances | 47,113 | - | - | - | - | - | 47,113 |
| Unassigned | 13,629,171 | - | - | (3,336,745) | - | - | 10,292,426 |
| Total fund balances (deficit) | 13,914,388 | 244,118,179 | - | (3,336,745) | - | 3,116,789 | 257,812,611 |
| Total liabilities, deferred inflows of resources, and fund balances (deficit) | **$ 30,247,224** | **$ 256,875,549** | **$ 9,919,888** | **$ 55,573,058** | **$ 15,899,966** | **$ 7,083,770** | **$ 375,599,455** |

See notes to financial statements.

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

| | June 30, 2019 |
|---|---|
| **Fund Balances Reported in Governmental Funds** | $ 257,812,611 |
| 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 | 29,978,177 |
| Accumulated depreciation | (15,863,760) |
| Net capital assets used in governmental activities | 14,114,417 |
| 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 | 3,336,743 |
| 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 | (125,537) |
| Net pension liability and related deferred inflows and outflows | (41,741,188) |
| Net OPEB liability and related deferred inflows and outflows | (15,765,242) |
| 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 | (2,150,416) |
| **Net Position of Governmental Activities** | **$ 215,481,388** |

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

**Year Ended June 30, 2019**

| | General Fund | Act 18 Fund | Enhancement Millage Fund | Funded Projects Fund | Medicaid Fund | Nonmajor Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | |
| Local sources | $ 5,770,956 | $ 149,577,252 | $ 84,885,655 | $ 2,379,488 | $ 17,849,480 | $ 152,865 | $ 260,615,696 |
| State sources | 11,173,552 | 28,044,835 | 2,408,258 | 71,830,386 | - | 1,218,739 | 114,675,770 |
| Federal sources | - | - | - | 84,241,135 | - | - | 84,241,135 |
| Interdistrict sources | 564,720 | 336,551 | - | 4,016,237 | - | 6,847,346 | 11,764,854 |
| Total revenue | 17,509,228 | 177,958,638 | 87,293,913 | 162,467,246 | 17,849,480 | 8,218,950 | 471,297,455 |
| **Expenditures** | | | | | | | |
| Current: | | | | | | | |
| Instruction | - | - | - | 1,404,051 | - | - | 1,404,051 |
| Support services | 10,745,495 | 512,583 | - | 18,353,174 | 403,157 | 13,287,987 | 43,302,396 |
| Community services | - | - | - | 237,677 | - | - | 237,677 |
| Capital outlay | 293,757 | 35,881 | - | 17,768 | - | 1,251,624 | 1,599,030 |
| Interdistrict payments | 64,158 | 145,255,188 | 87,293,913 | 144,490,684 | 11,311,640 | 1,029,135 | 389,444,718 |
| Total expenditures | 11,103,410 | 145,803,652 | 87,293,913 | 164,503,354 | 11,714,797 | 15,568,746 | 435,987,872 |
| **Excess of Revenue Over (Under) Expenditures** | 6,405,818 | 32,154,986 | - | (2,036,108) | 6,134,683 | (7,349,796) | 35,309,583 |
| **Other Financing Sources (Uses)** | | | | | | | |
| Proceeds from sale of capital assets | 5,050 | - | - | - | - | - | 5,050 |
| Transfers in (Note 7) | 985,923 | 6,082,098 | - | - | - | 7,579,093 | 14,647,114 |
| Transfers out (Note 7) | (5,272,316) | (1,865,379) | - | (1,263,154) | (6,134,683) | (111,582) | (14,647,114) |
| Total other financing (uses) sources | (4,281,343) | 4,216,719 | - | (1,263,154) | (6,134,683) | 7,467,511 | 5,050 |
| **Net Change in Fund Balances** | 2,124,475 | 36,371,705 | - | (3,299,262) | - | 117,715 | 35,314,633 |
| **Fund Balances (Deficit)** - Beginning of year | 11,789,913 | 207,746,474 | - | (37,483) | - | 2,999,074 | 222,497,978 |
| **Fund Balances (Deficit)** - End of year | **$ 13,914,388** | **$ 244,118,179** | **$ -** | **$ (3,336,745)** | **$ -** | **$ 3,116,789** | **$ 257,812,611** |

See notes to financial statements.

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

**Year Ended June 30, 2019**

| | |
|---|---|
| **Net Change in Fund Balances Reported in Governmental Funds** | $ 35,314,633 |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation: | |
| Capitalized capital outlay | 1,450,566 |
| Depreciation expense | (925,491) |
| Net book value of assets disposed of | (731,212) |
| Total | (206,137) |
| 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 | 3,299,264 |
| Revenue in support of pension contributions made subsequent to the measurement date | (221,495) |
| 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 | (2,332,800) |
| **Change in Net Position of Governmental Activities** | **$ 35,853,465** |

# Fiduciary Fund
## Statement of Fiduciary Assets and Liabilities

**June 30, 2019**

| | Agency Fund |
|---|---|
| **Assets** - Due from other funds (Note 7) | **$ 75,579** |
| **Liabilities** | |
| Due to internal groups | $ 58,939 |
| Due to outside groups | 16,640 |
| Total liabilities | **$ 75,579** |

See notes to financial statements.

## 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) applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB). 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.

## 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***

***<u>Governmental Funds</u>***

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.

## Note 2 - Significant Accounting Policies (Continued)

- **Cooperative Education Services Special Revenue Fund** - The Cooperative Education Services 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 the Wayne County Salaried Staff Federation (WCSSF) group employee withholding and to record other amounts due to outside student groups. 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 and are classified as restricted assets. Additionally, the portion of General Fund cash that is due to other funds, as well as the cash and investments included in the Medicaid Special Revenue Fund, has 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 the 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 |
| Buses and other vehicles | 5 to 10 |
| Furniture and other equipment | 5 to 10 |

***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 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 exist only 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 on 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, 2019, 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 (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. MPSERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as 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.

***Upcoming Accounting Pronouncements***

In January 2017, the GASB 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 has evaluated the impact the standard will have on the financial statements. As of July 1, 2019, the Agency will report the activities and related balances currently reported as fiduciary in the General Fund.

In June 2017, the GASB issued 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 $47,000 at June 30, 2019.

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

During the year, the Agency incurred revenue and expenditures in the Enhancement Millage Fund, Act 18 Fund, and Medicaid Fund that differed significantly from the amounts budgeted as follows:

| | Budget | Actual |
|---|---|---|
| Act 18 Fund - Revenue - Local sources | $ 132,229,000 | $ 149,577,252 |
| Enhancement Millage Fund - Revenue - Local sources | 80,340,000 | 84,855,655 |
| Enhancement Millage Fund - Interdistrict payments | 80,340,000 | 87,293,913 |
| Medicaid Fund - Interdistrict payments | 9,931,800 | 11,311,640 |

***Fund Deficit***

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. The funds were requested, and reimbursement was received in September 2019.

## 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.

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.

## Note 4 - Deposits and Investments (Continued)

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 $289,018,441 at June 30, 2019, has an 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. All of the Agency's investments are 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, 2019, the various components of unearned and unavailable revenue were as follows:

| | Governmental Funds | |
|---|---|---|
| | Deferred Inflow - Unavailable | Liability - Unearned |
| Grant receivables unavailable for use in the current period | $ 3,336,743 | $ - |
| Grant and categorical aid payment received prior to meeting all eligibility requirements | - | 21,182,112 |
| Other | - | 1,107,091 |
| Total | $ 3,336,743 | $ 22,289,203 |

## Note 6 - Capital Assets

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

***Governmental Activities***

| | Balance July 1, 2018 | Additions | Disposals and Adjustments | Balance June 30, 2019 |
|---|---|---|---|---|
| Capital assets not being depreciated: | | | | |
| Land | $ 137,200 | $ - | $ - | $ 137,200 |
| Construction in progress | 371,734 | 123,089 | (246,734) | 248,089 |
| Subtotal | 508,934 | 123,089 | (246,734) | 385,289 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 23,904,871 | 408,235 | (143,750) | 24,169,356 |
| Furniture and equipment | 5,505,165 | 903,597 | (1,570,315) | 4,838,447 |
| Land improvements | 569,440 | 15,645 | - | 585,085 |
| Subtotal | 29,979,476 | 1,327,477 | (1,714,065) | 29,592,888 |
| Accumulated depreciation: | | | | |
| Buildings and improvements | 11,498,485 | 569,819 | (143,749) | 11,924,555 |
| Furniture and equipment | 4,493,860 | 330,891 | (1,085,838) | 3,738,913 |
| Land improvements | 175,511 | 24,781 | - | 200,292 |
| Subtotal | 16,167,856 | 925,491 | (1,229,587) | 15,863,760 |
| Net capital assets being depreciated | 13,811,620 | 401,986 | (484,478) | 13,729,128 |
| Net governmental activities capital assets | $ 14,320,554 | $ 525,075 | $ (731,212) | $ 14,114,417 |

## Note 6 - Capital Assets (Continued)

***Governmental Activities (Continued)***

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:

| | Primary Government | | | | | |
|---|---|---|---|---|---|---|
| | Fund Due From | | | | | |
| Fund Due To | General Fund | Act 18 Fund | Funded Projects Fund | Medicaid Fund | Nonmajor Governmental Funds | Total |
| General Fund | $ - | $ 232,387 | $ 481,557 | $ 54,647 | $ 2,698,821 | $ 3,467,412 |
| Enhancement Millage Fund | 2,520,465 | 3,909,547 | - | - | - | 6,430,012 |
| Funded Projects Fund | 10,639,678 | - | - | - | - | 10,639,678 |
| Nonmajor governmental funds | 1,886,644 | 1,849,995 | - | - | - | 3,736,639 |
| Agency Fund | 75,579 | - | - | - | - | 75,579 |
| Total | $ 15,122,366 | $ 5,991,929 | $ 481,557 | $ 54,647 | $ 2,698,821 | $ 24,349,320 |

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 | Nonmajor governmental funds | $ 5,272,316 |
| Act 18 Fund | Nonmajor governmental funds | 1,865,379 |
| Funded Projects Fund | General Fund | 829,056 |
| | Nonmajor governmental funds | 434,098 |
| | Total Funded Projects Fund | 1,263,154 |
| Medicaid Fund | General Fund | 51,070 |
| | Act 18 Fund | 6,082,098 |
| | Nonmajor governmental funds | 1,515 |
| | Total Medicaid Fund | 6,134,683 |
| Nonmajor governmental funds | General Fund | 105,797 |
| | Nonmajor governmental funds | 5,785 |
| | Total nonmajor governmental funds | 111,582 |
| | Total | $ 14,647,114 |

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

Transfers primarily represent the following activities:

- General Fund support for cooperative service programs and capital projects

- Act 18 Fund support for special education services in the nonmajor governmental funds

- Financial support to the General Fund, cooperative service programs, Act 18, and special education from the Funded Projects Fund and Medicaid 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 in 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 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 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.

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

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.

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 those years when 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 health care 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 stopped paying the 3 percent contribution to the retiree health care 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.

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

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% |
| October 1, 2018 - September 30, 2019 | 13.39% - 19.59% | 7.57% - 7.93% |

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, 2019 were $5,547,874, 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 $2,150,416 in revenue received from the State of Michigan and remitted to the System to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2019.

The Agency's required and actual OPEB contributions to the plan for the year ended June 30, 2019 were $1,510,007, which include the Agency's contributions required for those members with a defined contribution benefit.

***Net Pension Liability***

At June 30, 2019, the Agency reported a liability of $57,807,667 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017, which used updated procedures to roll forward the estimated liability to September 30, 2018. 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, 2018 and 2017, the Agency's proportion was 0.19 percent.

***Net OPEB Liability***

At June 30, 2019, the Agency reported a liability of $15,494,819 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2019 was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2017, which used updated procedures to roll forward the estimated liability to September 30, 2018. 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, 2018 and 2017, the Agency’s proportion was 0.19 percent.

## 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 2019, the Agency recognized pension expense of $8,259,435, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2019, 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 | $ 268,238 | $ 420,078 |
| Changes in assumptions | 13,388,208 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 3,952,575 |
| Changes in proportion and differences between the Agency's contributions and proportionate share of contributions | 2,278,777 | 150,121 |
| The Agency's contributions to the plan subsequent to the measurement date | 4,654,030 | - |
| Total | $ 20,589,253 | $ 4,522,774 |

The $2,150,416 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, 2020. 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 |
|---|---|
| 2020 | $ 4,927,556 |
| 2021 | 3,425,100 |
| 2022 | 2,187,645 |
| 2023 | 872,148 |
| Total | $ 11,412,449 |

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, 2019, the Agency recognized OPEB expense of $859,202.

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

At June 30, 2019, 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 | $ - | $ 2,883,984 |
| Changes in assumptions | 1,640,909 | - |
| Net difference between projected and actual earnings on OPEB plan investments | - | 595,503 |
| Changes in proportionate share or difference between amount contributed and proportionate share of contributions | 515,296 | 42,280 |
| Employer contributions to the plan subsequent to the measurement date | 1,095,139 | - |
| Total | $ 3,251,344 | $ 3,521,767 |

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 |
|---|---|
| 2020 | $ (351,218) |
| 2021 | (351,218) |
| 2022 | (351,218) |
| 2023 | (229,782) |
| 2024 | (82,126) |
| Total | $ (1,365,562) |

***Actuarial Assumptions***

The total pension liability and total OPEB liability as of September 30, 2018 are based on the results of an actuarial valuation as of September 30, 2017 and rolled forward. The total pension liability and OPEB liability were determined using the following actuarial assumptions:

| | | |
|---|---|---|
| Actuarial cost method | | Entry age normal |
| Investment rate of return - Pension | 6.00% - 7.05% | Net of investment expenses based on the groups |
| Investment rate of return - OPEB | 7.15% | Net of investment expenses based on the groups |
| Salary increases | 2.75% - 11.55% | Including wage inflation of 2.75% for 2019 and 3.50% for 2018 |
| Healthcare cost trend rate - OPEB | 7.50% | Year 1 graded to 3.0% year 12 |
| Mortality basis | | RP2014 Male and Female Employee Annuitant Mortality tables, scaled 100% (retirees: 82% for males and 78% for females) and adjusted for mortality improvements using projection scale MP2017 from 2006 |
| Cost of living pension adjustments | 3.00% | Annual noncompounded for MIP members |

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

Assumption changes as a result of an experience study for the periods from 2012 to 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2017 valuation.

***Discount Rate***

The discount rate used to measure the total pension liability was 6.00 to 7.05 percent as of September 30, 2018 depending on the plan option. The discount rate used to measure the total OPEB liability was 7.15 percent as of September 30, 2018. 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 the Agency's 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.

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 % | 5.70 % |
| Private equity pools | 18.00 | 9.20 |
| International equity pools | 16.00 | 7.20 |
| Fixed-income pools | 10.50 | 0.50 |
| Real estate and infrastructure pools | 10.00 | 3.90 |
| Absolute return pools | 15.50 | 5.20 |
| Short-term investment pools | 2.00 | - |
| Total | 100.00 % | |

***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 (5.00 - 6.05%) | Current Discount Rate (6.00 - 7.05%) | 1 Percent Increase (7.00 - 8.05%) |
|---|---|---|---|
| Net pension liability of the Agency | $ 75,897,002 | $ 57,807,667 | $ 42,778,370 |

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

***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 (6.15%) | Current Discount Rate (7.15%) | 1 Percent Increase (8.15%) |
|---|---|---|---|
| Net OPEB liability of the Agency | $ 18,601,215 | $ 15,494,819 | $ 12,881,960 |

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

The following presents the net OPEB liability of the Agency, calculated using the current healthcare cost trend rate. It also reflects what the Agency'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:

| | 1 Percent Decrease (6.50%) | Current Rate (7.50%) | 1 Percent Increase (8.50%) |
|---|---|---|---|
| Net OPEB liability of the Agency | $ 12,744,318 | $ 15,494,819 | $ 18,650,205 |

***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, 2019, the Agency reported a payable of $391,161 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019. There was no payable for the OPEB plan for the year ended June 30, 2019.

## 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 the 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.

## Note 11 - Tax Abatements (Continued)

For the fiscal year ended June 30, 2019, the Agency's property tax revenue was reduced by $4,807,036 under these programs.

# Required Supplemental Information

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

**Year Ended June 30, 2019**

| | Original Budget | Final Budget | Actual | Over (Under) Final Budget |
|---|---|---|---|---|
| **Revenue** | | | | |
| Local sources | $ 4,633,100 | $ 5,087,700 | $ 5,770,956 | $ 683,256 |
| State sources | 11,045,500 | 11,286,200 | 11,173,552 | (112,648) |
| Interdistrict sources | 477,000 | 481,000 | 564,720 | 83,720 |
| Total revenue | 16,155,600 | 16,854,900 | 17,509,228 | 654,328 |
| **Expenditures** | | | | |
| Current - | | | | |
| Support services: | | | | |
| Salaries | 5,484,800 | 5,708,600 | 5,670,809 | (37,791) |
| Employee benefits | 3,223,200 | 3,196,300 | 3,106,146 | (90,154) |
| Purchased services | 1,635,900 | 1,654,200 | 1,555,947 | (98,253) |
| Supplies and materials | 392,000 | 434,100 | 325,124 | (108,976) |
| Other expense | 97,300 | 101,400 | 87,469 | (13,931) |
| Capital outlay | 336,500 | 400,700 | 293,757 | (106,943) |
| Interdistrict payments | 81,900 | 81,900 | 64,158 | (17,742) |
| Total expenditures | 11,251,600 | 11,577,200 | 11,103,410 | (473,790) |
| **Excess of Revenue Over Expenditures** | 4,904,000 | 5,277,700 | 6,405,818 | 1,128,118 |
| **Other Financing Sources (Uses)** | | | | |
| Proceeds from sale of capital assets | - | - | 5,050 | 5,050 |
| Transfers in | 616,500 | 1,030,000 | 985,923 | (44,077) |
| Transfers out | (5,723,100) | (5,865,700) | (5,272,316) | 593,384 |
| Total other financing uses | (5,106,600) | (4,835,700) | (4,281,343) | 554,357 |
| **Net Change in Fund Balance** | (202,600) | 442,000 | 2,124,475 | 1,682,475 |
| **Fund Balance** - Beginning of year | 11,789,913 | 11,789,913 | 11,789,913 | - |
| **Fund Balance** - End of year | **$ 11,587,313** | **$ 12,231,913** | **$ 13,914,388** | **$ 1,682,475** |

See notes to required supplemental information.

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

**Year Ended June 30, 2019**

| | Original Budget | Final Budget | Actual | Over (Under) Final Budget |
|---|---|---|---|---|
| **Revenue** | | | | |
| Local sources | $ 131,229,000 | $ 132,229,000 | $ 149,577,252 | $ 17,348,252 |
| State sources | 27,997,000 | 28,044,200 | 28,044,835 | 635 |
| Interdistrict sources | 300,000 | 300,000 | 336,551 | 36,551 |
| Total revenue | 159,526,000 | 160,573,200 | 177,958,638 | 17,385,438 |
| **Expenditures** | | | | |
| Current - | | | | |
| Support services: | | | | |
| Purchased services | 392,000 | 442,000 | 397,333 | (44,667) |
| Supplies and materials | 113,000 | 121,000 | 115,250 | (5,750) |
| Capital outlay | 600,000 | 800,000 | 35,881 | (764,119) |
| Interdistrict payments | 159,900,000 | 153,536,600 | 145,255,188 | (8,281,412) |
| Total expenditures | 161,005,000 | 154,899,600 | 145,803,652 | (9,095,948) |
| **Excess of Revenue (Under) Over Expenditures** | (1,479,000) | 5,673,600 | 32,154,986 | 26,481,386 |
| **Other Financing Sources (Uses)** | | | | |
| Transfers in | 5,000,000 | 4,500,000 | 6,082,098 | 1,582,098 |
| Transfers out | (1,905,100) | (2,360,200) | (1,865,379) | 494,821 |
| Total | 3,094,900 | 2,139,800 | 4,216,719 | 2,076,919 |
| **Net Change in Fund Balance** | 1,615,900 | 7,813,400 | 36,371,705 | 28,558,305 |
| **Fund Balance** - Beginning of year | 207,746,474 | 207,746,474 | 207,746,474 | - |
| **Fund Balance** - End of year | **$ 209,362,374** | **$ 215,559,874** | **$ 244,118,179** | **$ 28,558,305** |

## Wayne County Regional Educational Service Agency

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

**Year Ended June 30, 2019**

| | Original Budget | Final Budget | Actual | Over Final Budget |
|---|---|---|---|---|
| **Revenue** | | | | |
| Local sources | $ 76,690,000 | $ 80,340,000 | $ 84,885,655 | $ 4,545,655 |
| State sources | - | - | 2,408,258 | 2,408,258 |
| Total revenue | 76,690,000 | 80,340,000 | 87,293,913 | 6,953,913 |
| **Expenditures** - Interdistrict payments | 76,690,000 | 80,340,000 | 87,293,913 | 6,953,913 |
| **Net Change in Fund Balance** | - | - | - | - |
| **Fund Balance** - Beginning of year | - | - | - | - |
| **Fund Balance** - End of year | $ - | $ - | $ - | $ - |

See notes to required supplemental information.

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

**Year Ended June 30, 2019**

| | Original Budget | Final Budget | Actual | Over (Under) Final Budget |
|---|---|---|---|---|
| **Revenue** | | | | |
| Local sources | $ 321,500 | $ 2,156,095 | $ 2,379,488 | $ 223,393 |
| State sources | 72,018,000 | 88,651,030 | 71,830,386 | (16,820,644) |
| Federal sources | 87,728,800 | 111,168,457 | 84,241,135 | (26,927,322) |
| Interdistrict sources | 4,210,000 | 7,288,454 | 4,016,237 | (3,272,217) |
| Total revenue | 164,278,300 | 209,264,036 | 162,467,246 | (46,796,790) |
| **Expenditures** | | | | |
| Current - | | | | |
| Support services: | | | | |
| Salaries | 5,750,000 | 10,717,995 | 7,296,687 | (3,421,308) |
| Employee benefits | 3,250,000 | 6,363,762 | 4,279,418 | (2,084,344) |
| Purchased services | 9,600,000 | 26,026,094 | 7,915,260 | (18,110,834) |
| Supplies and materials | 950,000 | 1,283,637 | 404,012 | (879,625) |
| Other expenses | 156,900 | 89,611 | 99,525 | 9,914 |
| Capital outlay | 1,500 | 42,566 | 17,768 | (24,798) |
| Interdistrict payments | 143,369,900 | 161,479,995 | 144,490,684 | (16,989,311) |
| Total expenditures | 163,078,300 | 206,003,660 | 164,503,354 | (41,500,306) |
| **Excess of Revenue Over (Under) Expenditures** | 1,200,000 | 3,260,376 | (2,036,108) | (5,296,484) |
| **Other Financing Uses** - Transfers out | (1,200,000) | (3,222,893) | (1,263,154) | 1,959,739 |
| **Net Change in Fund Balance** | - | 37,483 | (3,299,262) | (3,336,745) |
| **Fund Balance (Deficit)** - Beginning of year | (37,483) | (37,483) | (37,483) | - |
| **Fund Balance (Deficit)** - End of year | **$ (37,483)** | **$ -** | **$ (3,336,745)** | **$ (3,336,745)** |

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

**Year Ended June 30, 2019**

| | Original Budget | Final Budget | Actual | (Under) Over Final Budget |
|---|---|---|---|---|
| **Revenue** - Local sources | $ 14,211,000 | $ 14,900,000 | $ 17,849,480 | $ 2,949,480 |
| **Expenditures** | | | | |
| Current - | | | | |
| Support services: | | | | |
| Salaries | 229,300 | 252,800 | 194,420 | (58,380) |
| Employee benefits | 149,900 | 151,000 | 145,809 | (5,191) |
| Purchased services | 11,400 | 14,600 | 60,792 | 46,192 |
| Supplies and materials | 2,500 | 2,500 | 1,686 | (814) |
| Other expenses | 800 | 800 | 450 | (350) |
| Interdistrict payments | 8,770,600 | 9,931,800 | 11,311,640 | 1,379,840 |
| Total expenditures | 9,164,500 | 10,353,500 | 11,714,797 | 1,361,297 |
| **Excess of Revenue Over Expenditures** | 5,046,500 | 4,546,500 | 6,134,683 | 1,588,183 |
| **Other Financing Uses** - Transfer out | (5,046,500) | (4,546,500) | (6,134,683) | (1,588,183) |
| **Net Change in Fund Balance** | - | - | - | - |
| **Fund Balance** - Beginning of year | - | - | - | - |
| **Fund Balance** - End of year | $ - | $ - | $ - | $ - |

See notes to required supplemental information.

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

**Last Five Plan Years**

**Plan Years Ended September 30**

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Agency's proportion of the net pension liability | 0.19230 % | 0.18844 % | 0.18541 % | 0.17592 % | 0.16605 % |
| Agency's proportionate share of the net pension liability | $ 57,807,667 | $ 48,833,390 | $ 46,257,485 | $ 42,969,665 | $ 36,575,174 |
| Agency's covered payroll | $ 16,571,440 | $ 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 | 348.84 % | 311.36 % | 290.20 % | 293.17 % | 253.97 % |
| Plan fiduciary net position as a percentage of total pension liability | 62.12 % | 63.96 % | 63.01 % | 62.92 % | 66.15 % |

See notes to required supplemental information.

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

**Last Five Fiscal Years**

**Years Ended June 30**

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Statutorily required contribution | $ 5,472,678 | $ 4,840,836 | $ 4,415,050 | $ 4,165,866 | $ 3,191,933 |
| Contributions in relation to the statutorily required contribution | 5,472,678 | 4,840,836 | 4,415,050 | 4,165,866 | 3,191,933 |
| **Contribution Deficiency** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** |
| **Agency's Covered Employee Payroll** | $ 18,438,547 | $ 16,133,454 | $ 15,675,485 | $ 15,093,099 | $ 14,878,808 |
| **Contributions as a Percentage of Covered Employee Payroll** | 29.68 % | 30.00 % | 28.17 % | 27.60 % | 21.45 % |

See notes to required supplemental information.

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

**Last Two Plan Years**

**Plan Years Ended September 30**

| | 2018 | 2017 |
|---|---|---|
| Agency's proportion of the net OPEB liability | 0.19493 % | 0.18809 % |
| Agency's proportionate share of the net OPEB liability | $ 15,494,819 | $ 16,655,894 |
| Agency's covered employee payroll | $ 16,571,440 | $ 15,683,655 |
| Agency's proportionate share of the net OPEB liability as a percentage of its covered employee payroll | 93.50 % | 106.20 % |
| Plan fiduciary net position as a percentage of total OPEB liability | 43.10 % | 36.53 % |

See notes to required supplemental information.

# Wayne County Regional Educational Service Agency

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

**Last Two Fiscal Years**

**Years Ended June 30**

| | 2019 | 2018 |
|---|---|---|
| Statutorily required contribution | $ 1,448,353 | $ 1,165,275 |
| Contributions in relation to the statutorily required contribution | 1,448,353 | 1,165,275 |
| **Contribution Deficiency** | **$ -** | **$ -** |
| **Agency's Covered Employee Payroll** | $ 18,438,547 | $ 16,133,454 |
| **Contributions as a Percentage of Covered Employee Payroll** | 7.86 % | 7.22 % |

See notes to required supplemental information.

***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 for each of the reported plan years ended September 30.

***Changes in Assumptions***

There were no significant changes of assumptions for each of the reported plan years ended September 30, except for the following:

- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percent.

- 2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percent.

***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 for each of the reported plan years ended September 30.

***Changes in Assumptions***

There were no significant changes of assumptions for each of the reported plan years ended September 30, except for the following:

- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percent.

# Other Supplemental Information

# Other Supplemental Information
# Combining Balance Sheet
# Nonmajor Governmental Funds

**June 30, 2019**

| | Special Revenue Funds | | | |
|---|---|---|---|---|
| | Special Services Fund | Cooperative Education Services Fund | Capital Projects Fund | Total Nonmajor Governmental Funds |
| **Assets** | | | | |
| Cash and investments | $ - | $ - | $ 2,831,438 | $ 2,831,438 |
| Receivables: | | | | |
| Accounts | - | 112,309 | - | 112,309 |
| Due from other governmental units | 190,797 | 212,587 | - | 403,384 |
| Due from other funds | 1,849,995 | 1,886,644 | - | 3,736,639 |
| Total assets | **$ 2,040,792** | **$ 2,211,540** | **$ 2,831,438** | **$ 7,083,770** |
| **Liabilities** | | | | |
| Accounts payable | $ 81,590 | $ 114,993 | $ 15,645 | $ 212,228 |
| Due to other governmental units | 230,781 | - | - | 230,781 |
| Due to other funds | 1,688,872 | - | 1,009,949 | 2,698,821 |
| Accrued liabilities and other | 39,549 | 178,864 | - | 218,413 |
| Unearned revenue | - | 606,738 | - | 606,738 |
| Total liabilities | 2,040,792 | 900,595 | 1,025,594 | 3,966,981 |
| **Fund Balances** | | | | |
| Committed: | | | | |
| Capital projects | - | - | 1,805,844 | 1,805,844 |
| Cooperative educational activities | - | 1,310,945 | - | 1,310,945 |
| Total fund balances | - | 1,310,945 | 1,805,844 | 3,116,789 |
| Total liabilities and fund balances | **$ 2,040,792** | **$ 2,211,540** | **$ 2,831,438** | **$ 7,083,770** |

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

**Year Ended June 30, 2019**

| | Special Revenue Funds | | | |
|---|---|---|---|---|
| | Special Services Fund | Cooperative Education Services Fund | Capital Projects Fund | Total Nonmajor Governmental Funds |
| **Revenue** | | | | |
| Local sources | $ - | $ 136,765 | $ 16,100 | $ 152,865 |
| State sources | 1,218,739 | - | - | 1,218,739 |
| Interdistrict sources | - | 6,847,346 | - | 6,847,346 |
| Total revenue | 1,218,739 | 6,984,111 | 16,100 | 8,218,950 |
| **Expenditures** | | | | |
| Current: | | | | |
| Support services: | | | | |
| Salaries | 1,283,612 | 4,920,969 | - | 6,204,581 |
| Employee benefits | 763,455 | 2,911,126 | - | 3,674,581 |
| Purchased services | 62,777 | 2,775,002 | - | 2,837,779 |
| Supplies and materials | 57,085 | 432,390 | - | 489,475 |
| Other | 27,511 | 54,060 | - | 81,571 |
| Capital outlay | 45,933 | 807,306 | 398,385 | 1,251,624 |
| Interdistrict payments | 1,027,255 | 1,880 | - | 1,029,135 |
| Total expenditures | 3,267,628 | 11,902,733 | 398,385 | 15,568,746 |
| **Excess of Expenditures Over Revenue** | (2,048,889) | (4,918,622) | (382,285) | (7,349,796) |
| **Other Financing Sources (Uses)** | | | | |
| Transfers in | 2,155,605 | 4,923,488 | 500,000 | 7,579,093 |
| Transfers out | (106,716) | (4,866) | - | (111,582) |
| Total other financing sources | 2,048,889 | 4,918,622 | 500,000 | 7,467,511 |
| **Net Change in Fund Balances** | - | - | 117,715 | 117,715 |
| **Fund Balances** - Beginning of year | - | 1,310,945 | 1,688,129 | 2,999,074 |
| **Fund Balances** - End of year | **$ -** | **$ 1,310,945** | **$ 1,805,844** | **$ 3,116,789** |