Wayne County Regional Educational Service Agency

Financial Report
with Supplemental Information
June 30, 2022

Contents

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Independent Auditor's Report

To the Board of Education
Wayne County Regional Educational Service Agency

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2022 and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying 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 the Agency as of June 30, 2022 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Education
Wayne County Regional Educational Service Agency

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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. Such 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. The 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.

To the Board of Education
Wayne County Regional Educational Service Agency

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2022 on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 25, 2022

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, 2022. 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 and 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, where funds are collected and then distributed to local school districts, other organizations, and agencies. 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.

In addition, decreases in net position that emanate from those funds that are primarily distributive would not affect the Agency's operating financial health or financial position and would not hinder its ability to continue to provide services.

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 ISD categorical funding, 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 and enhancement millage 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 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, 2022 and 2021:

	Governmental Activities	
	2022	2021
	(in millions)	
Assets		
Current and other assets	$ 422.5	$ 403.7
Capital assets	16.4	16.3
Total assets	438.9	420.0
Deferred Outflows of Resources	20.2	29.7
Liabilities		
Current liabilities	114.0	99.7
Noncurrent liabilities	0.2	0.2
Net pension liability	53.0	77.3
Net OPEB liability	3.3	12.1
Total liabilities	170.5	189.3
Deferred Inflows of Resources	34.2	12.3
Net Position		
Net investment in capital assets	16.4	16.3
Restricted	283.3	277.0
Unrestricted	(45.3)	(45.2)
Total net position	**$ 254.4**	**$ 248.1**

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 $254.4 million at June 30, 2022. Net investment in capital assets totaling $16.4 million compares the original cost, less depreciation of the Agency's capital assets, to long-term debt used to finance the acquisition of those assets. As of June 30, 2022, there was no outstanding debt. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Agency's ability to use that net position for day-to-day operations. The remaining amount of net position ($(45.3) million) was unrestricted.

The $(45.3) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations, mainly attributable to the impact of the recognition of the net pension and net OPEB liabilities. The unrestricted net position balance enables the Agency to meet working capital and cash flow requirements and 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, 2022 and 2021:

	Governmental Activities	
	2022	2021
	(in millions)	
Revenue		
Program revenue:		
Charges for services	$ 8.9	$ 9.3
Operating grants	253.0	216.1
General revenue:		
Taxes	244.4	239.1
State aid not restricted to specific purposes	13.3	12.5
Other	5.7	6.9
Total revenue	525.3	483.9
Expenses		
Instruction	0.7	1.1
Support services	44.1	50.4
Community services	0.1	0.3
Interdistrict payments	473.1	416.5
Depreciation expense (unallocated)	1.0	1.0
Total expenses	519.0	469.3
Change in Net Position	6.3	14.6
Net Position - Beginning of year	248.1	233.5
Net Position - End of year	**$ 254.4**	**$ 248.1**

As reported in the statement of activities, the cost of all of our governmental activities this year was $519.0 million. Certain activities were partially funded from those who benefited from the programs ($8.9 million) or by other governments and organizations that subsidized certain programs with grants and contributions ($253.0 million). We paid for the remaining public benefit portion of our governmental activities with $244.4 million in taxes, $13.3 million in state unrestricted categorical funding, and 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 $304.9 million, which is an increase of $8.6 million from last year. The primary reasons for the increase are as follows:

In the General Fund, our principal operating fund, fund balance increased by $2.7 million to $19.3 million. The change is mainly due to better than expected state revenue, the timing of tax collections from the Wayne County Treasurer's Office, lower than anticipated salaries, benefits and purchased services that resulted mainly from unfilled positions, continued remote work as a response to the COVID-19 pandemic, increased indirect cost allocations resulting from increased grant funding, and reduced subsidies to the Cooperative Education Services Fund.

In the Act 18 Fund, fund balance increased by $6.3 million to $283.3 million. The change is due to the increased tax collections from the special education millage received from the Wayne County Treasurer's Office, increased Medicaid prior year settlements, and lower than predicted reimbursements to local school districts for actual costs for special education center program operating expenses.

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 for all funds, except the Special Education Fund, was adopted in February 2022. A schedule showing the Agency's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

There were no significant revisions made to the 2021-2022 original General Fund, Enhancement Millage Fund, or Medicaid Fund revenue budgets. There were significant revisions made to the 2021-2022 original Act 18 Fund and Funded Projects Fund budgets. Budgeted state revenue for the Act 18 Fund was increased by $9.23 million to match additional funding in State Aid, and budgeted tax revenue was increased by $4.14 million to match updated estimates. Budgeted state revenue for the Funded Projects Fund was increased by $34.73 million to match additional grant funding in State Aid and $52.55 million to match additional funding in federal grants.

Budgeted expenditures in the General Fund were decreased to account for the expected decreases in salaries and benefits resulting from the Agency's revised actual staffing plan. The amount of transfers to other funds established in the amended budget was $5.8 million and represents support provided by the General Fund to other functions and funds. Budgeted expenditures in the Act 18 Fund were decreased by $11.85 million to match updated estimates of expenditures by operating districts. Budgeted expenditures in the Funded Projects Fund were increased to match additional revenue received through state and federal grants.

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

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2022 and 2021, the Agency had $16.4 million and $16.3 million, respectively, invested in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount represents a net increase (including additions, disposals, and depreciation) of approximately $0.1 million, or 0.7 percent, from last year.

	2022	2021
Land	$ 137,200	$ 137,200
Construction in progress	842,482	56,179
Buildings and improvements	25,662,854	25,490,416
Furniture and equipment	5,321,513	5,158,523
Land improvements	3,112,158	3,104,178
Total capital assets	35,076,207	33,946,496
Less accumulated depreciation	18,702,493	17,685,704
Total capital assets - Net of accumulated depreciation	**$ 16,373,714**	**$ 16,260,792**

This year's additions of $1,142,711 included roofing improvements, HVAC upgrades, library remodel, garage door replacement, and lighting upgrades at the Education Center and exterior and interior building improvements at the Burger-Baylor campus. In addition, assistive technology equipment was added. Some of these capital projects are in progress and will continue into the 2022-2023 fiscal year, including roofing improvements, building automated systems, and security improvements to the Education Center. We anticipate capital additions will be approximately $500,000 in the coming year. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

Debt obligations include accrued vacation pay and sick leave. There were no outstanding bond obligations at June 30, 2022 and 2021.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the Agency’s 2022-2023 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, 2023 budget was adopted in June 2022 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. The State periodically holds a Revenue Estimating Conference to estimate revenue. The currently approved budget at the state, which was approved after the original budget development process, will provide for a modest increase to the Agency’s unrestricted categorical funding in the coming year and additional small increases to special education reimbursements. The Agency has budgeted based on information available at the time but will revise accordingly to reflect these changes. Economic conditions and the ongoing effects of the COVID-19 pandemic have the potential to further impact state revenue in coming years. Reductions in programs and services could be required in order to bring future expenditures in line with projected future revenue if current increases are not maintained.

Contacting the Agency's Management

This financial report is intended to provide our taxpayers, investors, and other stakeholders 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, 2022

	Governmental Activities
Assets	
Cash and investments (Note 4)	$ 10,732,450
Receivables:	
Taxes	8,332,762
Accounts	532,407
Due from other governmental units	80,797,340
Prepaids	278,721
Restricted assets (Note 4)	321,872,202
Capital assets - Net (Note 6)	16,373,714
Total assets	438,919,596
Deferred Outflows of Resources (Note 9)	
Deferred pension costs	14,507,142
Deferred OPEB costs	5,650,504
Total deferred outflows of resources	20,157,646
Liabilities	
Accounts payable	72,878,680
Due to other governmental units	3,036,611
Accrued liabilities and other	1,228,492
Unearned revenue (Note 5)	36,874,727
Noncurrent liabilities:	
Due within one year	19,473
Due in more than one year	146,140
Net pension liability (Note 9)	53,023,385
Net OPEB liability (Note 9)	3,343,999
Total liabilities	170,551,507
Deferred Inflows of Resources (Note 9)	
Revenue in support of pension contributions made subsequent to the measurement date	3,441,487
Deferred pension cost reductions	17,726,683
Deferred OPEB cost reductions	12,989,327
Total deferred inflows of resources	34,157,497
Net Position	
Net investment in capital assets	16,373,714
Restricted for special education	283,333,551
Unrestricted	(45,339,027)
Total net position	**$ 254,368,238**

See notes to financial statements.

Statement of Activities

Year Ended June 30, 2022

	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Governmental Activities: Net Revenue (Expense) and Changes in Net Position
Functions/Programs				
Primary government - Governmental activities:				
Instruction	$ 705,364	$ -	$ 705,364	$ -
Support services	44,136,169	8,910,349	38,466,276	3,240,456
Community services	60,753	-	60,753	-
Interdistrict payments	473,089,851	-	213,734,657	(259,355,194)
Depreciation expense (unallocated)	1,029,789	-	-	(1,029,789)
Total primary government	**$ 519,021,926**	**$ 8,910,349**	**$ 252,967,050**	(257,144,527)

General revenue (expense):	
Taxes:	
Levied for general purposes	4,255,803
Levied for special education (ISD)	151,254,073
Levied for enhancement millage	88,856,207
State aid not restricted to specific purposes	13,321,643
Interest and investment losses	(621,409)
Payment in lieu of taxes from the Treasury	4,778,646
Other	1,536,792
Total general revenue (expense)	263,381,755
Change in Net Position	6,237,228
Net Position - Beginning of year	248,131,010
Net Position - End of year	**$ 254,368,238**

Governmental Funds Balance Sheet

June 30, 2022

	General Fund	Act 18 Fund	Enhancement Millage Fund	Funded Projects Fund	Medicaid Fund	Nonmajor Funds	Total Governmental Funds
Assets							
Cash and investments (Note 4)	$ 10,487,886	$ -	$ -	$ -	$ -	$ 244,564	$ 10,732,450
Receivables:							
Taxes	154,988	5,401,807	2,775,967	-	-	-	8,332,762
Accounts	14,386	91,129	-	37,764	-	389,128	532,407
Due from other governmental units	2,080,742	7,334,184	-	70,881,291	-	501,123	80,797,340
Due from other funds (Note 7)	8,276,648	10,235,561	3,198,636	14,404,623	-	4,298,635	40,414,103
Prepaids	278,721	-	-	-	-	-	278,721
Restricted assets (Note 4)	29,807,992	272,500,275	-	-	19,563,935	-	321,872,202
Total assets	**$ 51,101,363**	**$ 295,562,956**	**$ 5,974,603**	**$ 85,323,678**	**$ 19,563,935**	**$ 5,433,450**	**$ 462,959,985**
Liabilities							
Accounts payable	$ 152,693	$ 4,822,795	$ 3,567,743	$ 46,252,045	$ 17,684,878	$ 398,526	$ 72,878,680
Due to other governmental units	72,652	2,531,346	-	197,286	-	235,327	3,036,611
Due to other funds (Note 7)	29,807,992	2,329,463	-	6,253,376	5,942	2,017,330	40,414,103
Accrued liabilities and other	946,065	-	-	131,638	-	150,789	1,228,492
Unearned revenue (Note 5)	678,530	44	1,378,081	32,489,333	1,873,115	455,624	36,874,727
Total liabilities	31,657,932	9,683,648	4,945,824	85,323,678	19,563,935	3,257,596	154,432,613
Deferred Inflows of Resources - Unavailable revenue (Note 5)	72,722	2,545,757	1,028,779	-	-	-	3,647,258
Total liabilities and deferred inflows of resources	31,730,654	12,229,405	5,974,603	85,323,678	19,563,935	3,257,596	158,079,871
Fund Balances							
Nonspendable - Prepaids	278,721	-	-	-	-	-	278,721
Restricted - Special education center program	-	283,333,551	-	-	-	-	283,333,551
Committed:							
Capital projects	-	-	-	-	-	864,895	864,895
Cooperative educational activities	-	-	-	-	-	1,310,959	1,310,959
Custodial funds	64,950	-	-	-	-	-	64,950
Assigned:							
Budgeted appropriations	731,200	-	-	-	-	-	731,200
Encumbrances	286,298	-	-	-	-	-	286,298
Unassigned	18,009,540	-	-	-	-	-	18,009,540
Total fund balances	19,370,709	283,333,551	-	-	-	2,175,854	304,880,114
Total liabilities, deferred inflows of resources, and fund balances	**$ 51,101,363**	**$ 295,562,956**	**$ 5,974,603**	**$ 85,323,678**	**$ 19,563,935**	**$ 5,433,450**	**$ 462,959,985**

See notes to financial statements.

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

June 30, 2022

Fund Balances Reported in Governmental Funds	$ 304,880,114
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	35,076,207
Accumulated depreciation	(18,702,493)
Net capital assets used in governmental activities	16,373,714
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.	3,647,258
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	(165,613)
Net pension liability and related deferred inflows and outflows	(56,242,926)
Net OPEB liability and related deferred inflows and outflows	(10,682,822)
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	(3,441,487)
Net Position of Governmental Activities	**$ 254,368,238**

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

Year Ended June 30, 2022

	General Fund	Act 18 Fund	Enhancement Millage Fund	Funded Projects Fund	Medicaid Fund	Nonmajor Funds	Total Governmental Funds
Revenue							
Local sources	$ 5,082,713	$ 150,715,694	$ 92,693,044	$ 3,556,243	$ 19,320,460	$ 122,216	$ 271,490,370
State sources	13,222,805	40,266,998	-	87,024,991	-	1,499,379	142,014,173
Federal sources	-	-	-	107,013,899	-	-	107,013,899
Interdistrict sources	510,730	593,915	-	1,199,677	-	7,132,800	9,437,122
Total revenue	18,816,248	191,576,607	92,693,044	198,794,810	19,320,460	8,754,395	529,955,564
Expenditures							
Current:							
Instruction	-	-	-	705,414	-	-	705,414
Support services	12,023,795	617,313	-	17,296,665	438,238	14,592,928	44,968,939
Community services	-	-	-	60,753	-	-	60,753
Capital outlay	341,020	885,934	-	7,600	-	1,315,985	2,550,539
Interdistrict payments	216,425	192,353,463	92,693,044	179,274,133	8,061,906	490,880	473,089,851
Total expenditures	12,581,240	193,856,710	92,693,044	197,344,565	8,500,144	16,399,793	521,375,496
Excess of Revenue Over (Under) Expenditures	6,235,008	(2,280,103)	-	1,450,245	10,820,316	(7,645,398)	8,580,068
Other Financing Sources (Uses)							
Transfers in (Note 7)	1,388,455	10,764,263	-	-	-	7,382,299	19,535,017
Transfers out (Note 7)	(4,918,499)	(2,197,988)	-	(1,351,899)	(10,820,316)	(246,315)	(19,535,017)
Total other financing (uses) sources	(3,530,044)	8,566,275	-	(1,351,899)	(10,820,316)	7,135,984	-
Net Change in Fund Balances	2,704,964	6,286,172	-	98,346	-	(509,414)	8,580,068
Fund Balances (Deficit) - Beginning of year	16,665,745	277,047,379	-	(98,346)	-	2,685,268	296,300,046
Fund Balances - End of year	**$ 19,370,709**	**$ 283,333,551**	**$ -**	**$ -**	**$ -**	**$ 2,175,854**	**$ 304,880,114**

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, 2022

Net Change in Fund Balances Reported in Governmental Funds	$ 8,580,068
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	1,142,711
Depreciation expense	(1,029,789)
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	(4,197,228)
Revenue in support of pension contributions made subsequent to the measurement date	(499,182)
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	2,240,648
Change in Net Position of Governmental Activities	**$ 6,237,228**

Note 1 - Nature of Business

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

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

The Agency follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (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. 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 health care-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.

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 Fund** - The Act 18 Fund is a special revenue fund 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 Fund** - The Funded Projects Fund is a special revenue fund 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 Fund** - The Medicaid Fund is a special revenue fund 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 Fund** - The Special Services Fund is a special revenue fund that provides consultant and staff development support for constituent districts to foster free and appropriate special education services for the eligible handicapped population of Wayne County. The fund derives its revenue primarily from state aid special education categorical revenue. Any operating deficit generated by these activities is the responsibility of the General Fund.
- **Cooperative Education Services Fund** - The Cooperative Education Services Fund is a special revenue fund 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.

Note 2 - Significant Accounting Policies (Continued)

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

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 pooled investments in MILAF and commercial paper with a maturity of less than 270 days, 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.

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	20-50
Furniture and other equipment	5-10

Note 2 - Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet 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 and/or balance sheet 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, deferred pension and OPEB plan cost reductions, and unavailable property tax revenue.

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.

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.

Note 2 - Significant Accounting Policies (Continued)

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, 2022, 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.

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.

Note 2 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncements

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. 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, 2023.

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the Agency's financial statements for the year ending June 30, 2025.

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 $286,000 at June 30, 2022.

Excess of Revenue and Expenditures Over Appropriations in Budgeted Funds

During the year, the Agency incurred expenditures that differed significantly from the amounts budgeted as follows:

	Budget	Actual
Enhancement Millage Fund - Interdistrict payments	$ 86,100,000	$ 92,693,044
Act 18 Fund - Supplies and materials	129,000	140,513

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 no more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Agency’s deposits are in accordance with statutory authority.

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

Note 4 - Deposits and Investments (Continued)

There are no limitations or restrictions on participant withdrawals for the investment pools that are recorded at amortized cost except for a 1-day minimum investment period on MILAF cash management funds and a 14-day redemption limitation on MILAF MAX Class funds.

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Agency's deposits may not be returned to it. The Agency's investment policy requires that financial institutions be evaluated and only those institutions with an acceptable estimated risk level be used as depositories. At year end, the Agency had no bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. Investments held through MILAF are not insured.

Custodial Credit Risk of Investments

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

Interest Rate Risk

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

At year end, the Agency had the following investments:

Investment	Carrying Value	Weighted-average Maturity (Years)
Primary Government		
U.S. Treasury	$ 39,514,398	0.62
National agency bonds	11,537,942	0.75
Federal collateralized mortgage obligations	2,725,670	1.25
Federal agency bonds	10,100,465	1.17
Commercial paper	20,544,397	0.34
Total	$ 84,422,872	

Note 4 - Deposits and Investments (Continued)

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. As of June 30, 2022, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Carrying Value	Rating	Rating Organization
Michigan Liquid Asset Fund (MILAF) - MAX Class	$ 243,611,214	AAAm	Standard & Poor's
Michigan Liquid Asset Fund (MILAF) - Cash Management Class	4,517,085	AAAm	Standard & Poor's
National agency bonds	11,537,942	AAA	Standard & Poor's
Federal collateralized mortgage obligations	2,725,670	AA+	Standard & Poor's
Federal agency bond	10,100,465	AA+	Standard & Poor's
Commercial paper	20,544,397	A-1	Standard & Poor's
Total	$ 293,036,773		

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. The Agency does not have any investments subject to concentration of credit risk.

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.

Fair Value Measurements

The Agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Agency’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Note 4 - Deposits and Investments (Continued)

The Agency has the following recurring fair value measurements as of June 30, 2022:

	Assets Measured at Carrying Value on a Recurring Basis at June 30, 2022		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available-for-sale debt securities:			
U.S. Treasury	$ -	$ 39,514,398	$ -
National agency bonds	-	11,537,942	-
Federal collateralized mortgage obligations	-	2,725,670	-
Federal agency bonds	-	10,100,465	-
Total	$ -	$ 63,878,475	$ -

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, 2022, the various components of unearned and unavailable revenue were as follows:

	Governmental Funds	
	Deferred Inflow - Unavailable	Liability - Unearned
Property taxes unavailable for use in the current period	$ 3,647,258	$ -
Grant and categorical aid payment received prior to meeting all eligibility requirements	-	32,489,333
Other	-	4,385,394
Total	$ 3,647,258	$ 36,874,727

Note 6 - Capital Assets

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

Governmental Activities

	Balance July 1, 2021	Transfers	Additions	Disposals and Adjustments	Balance June 30, 2022
Capital assets not being depreciated:					
Land	$ 137,200	$ -	$ -	$ -	$ 137,200
Construction in progress	56,179	(52,059)	838,362	-	842,482
Subtotal	193,379	(52,059)	838,362	-	979,682
Capital assets being depreciated:					
Buildings and improvements	25,490,416	52,059	120,379	-	25,662,854
Furniture and equipment	5,158,523	-	175,990	(13,000)	5,321,513
Land improvements	3,104,178	-	7,980	-	3,112,158
Subtotal	33,753,117	52,059	304,349	(13,000)	34,096,525
Accumulated depreciation:					
Buildings and improvements	13,039,890	-	561,099	-	13,600,989
Furniture and equipment	4,330,790	-	317,597	(13,000)	4,635,387
Land improvements	315,024	-	151,093	-	466,117
Subtotal	17,685,704	-	1,029,789	(13,000)	18,702,493
Net capital assets being depreciated	16,067,413	52,059	(725,440)	-	15,394,032
Net governmental activities capital assets	$ 16,260,792	$ -	$ 112,922	$ -	$ 16,373,714

Depreciation expense was not charged to activities, as the Agency's assets benefit multiple activities, and allocation is impractical.

Note 7 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

	Fund Due From						
Fund Due To	General Fund	Act 18 Fund	Funded Projects Fund	Enhancement Millage Fund	Medicaid Fund	Nonmajor Governmental Funds	Total
General Fund	$ -	$ -	$ 6,253,376	$ -	$ 5,942	$ 2,017,330	$ 8,276,648
Act 18 Fund	10,235,561	-	-	-	-	-	10,235,561
Enhancement Millage Fund	3,106,442	92,194	-	-	-	-	3,198,636
Funded Projects Fund	14,404,623	-	-	-	-	-	14,404,623
Nonmajor governmental funds	2,061,366	2,237,269	-	-	-	-	4,298,635
Total	$ 29,807,992	$ 2,329,463	$ 6,253,376	$ -	$ 5,942	$ 2,017,330	$ 40,414,103

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.

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

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	$ 4,918,499
Act 18 Fund	Nonmajor governmental funds	2,197,988
Funded Projects Fund	General Fund	1,087,279
	Nonmajor governmental funds	264,620
	Total Funded Projects Fund	1,351,899
Medicaid Fund	General Fund	55,242
	Act 18 Fund	10,764,263
	Nonmajor governmental funds	811
	Total Medicaid Fund	10,820,316
Nonmajor governmental funds	General Fund	245,934
	Nonmajor governmental funds	381
	Total nonmajor governmental funds	246,315
	Total	$ 19,535,017

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 Fund, 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 (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 health care benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment health care benefits to retirees and beneficiaries who elect to receive those benefits.

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

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 health care plans. That report is available on the web at http://www.michigan.gov/orsschools.

Benefits Provided

Benefit provisions of the defined benefit (DB) pension plan and the postemployment health care 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 health care plan.

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

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

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 health care 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.

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

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 participants in the Personal Healthcare Fund (PHF), a portable tax-deferred fund that can be used to pay health care expenses in retirement. Participants in the PHF are automatically enrolled in a 2 percent employee contribution into their 457 accounts 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 retiree health care as of the day before their transition date, and their prior contributions were deposited into their 401(k) accounts.

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

The ranges of rates are as follows:

	Pension	OPEB
October 1, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.43%
October 1, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%

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, 2022 were $7,479,518, which includes 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 $3,441,487 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, 2022.

The Agency's required and actual OPEB contributions to the plan for the year ended June 30, 2022 were $1,700,486, which includes the Agency's contributions required for those members with a defined contribution benefit.

Net Pension Liability

At June 30, 2022, the Agency reported a liability of $53,023,385 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2020, which used update procedures to roll forward the estimated liability to September 30, 2021. 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, 2021 and 2020, the Agency's proportion was 0.22 and 0.23 percent, representing a change of 0.52 percent.

Net OPEB Liability

At June 30, 2022, the Agency reported a liability of $3,343,999 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2022 was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2020, which used update procedures to roll forward the estimated liability to September 30, 2021. 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, 2021 and 2020, the Agency’s proportion was 0.22 and 0.23 percent, representing a change of 3.68 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 2022, the Agency recognized pension expense of $7,983,633, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2022, 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	$ 821,355	$ (312,245)
Changes in assumptions	3,342,405	-
Net difference between projected and actual earnings on pension plan investments	-	(17,046,848)
Changes in proportion and differences between the Agency's contributions and proportionate share of contributions	3,951,912	(367,590)
The Agency's contributions to the plan subsequent to the measurement date	6,391,470	-
Total	$ 14,507,142	$ (17,726,683)

The $3,441,487 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, 2023. 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
2023	$ 418,681
2024	(1,638,125)
2025	(3,748,323)
2026	(4,643,244)
Total	$ (9,611,011)

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

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

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

For the year ended June 30, 2022, the Agency recognized OPEB recovery of $1,374,533.

At June 30, 2022, 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	$ -	$ (9,545,207)
Changes in assumptions	2,795,417	(418,299)
Net difference between projected and actual earnings on OPEB plan investments	-	(2,520,432)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	1,662,506	(505,389)
Employer contributions to the plan subsequent to the measurement date	1,192,581	-
Total	$ 5,650,504	$ (12,989,327)

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
2023	$ (2,025,571)
2024	(1,854,546)
2025	(1,830,838)
2026	(1,944,891)
2027	(774,005)
Thereafter	(101,553)
Total	$ (8,531,404)

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2021 are based on the results of an actuarial valuation as of September 30, 2020 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% - 6.80%	Net of investment expenses based on the groups
Investment rate of return - OPEB	6.95%	Net of investment expenses based on the groups
Salary increases	2.75% - 11.55%	Including wage inflation of 2.75%
Health care cost trend rate - OPEB	5.25% - 7.75%	Year 1 graded to 3.5% in year 15, 3.0% in year 120
Mortality basis		RP-2014 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 MP-2017 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, 2018 valuation.

Significant assumption changes since the prior measurement date, September 30, 2020, for the OPEB plan include an increase in the health care cost trend rate of 0.75 percentage points for members under 65 and a reduction from 7.0 percent to 5.25 percent for members over 65. There were no significant changes in assumptions for the pension actuarial valuation. There were no significant benefit terms changes for the pension or OPEB plans since the prior measurement date of September 30, 2020.

Significant assumption changes since the measurement date, September 30, 2021, for the pension and OPEB plan include a reduction of both plans' discount rates to 6.0 percent. The change increases the total plan's net pension liability by approximately $8.1 billion and the total plan's net OPEB liability by approximately $1.1 billion.

Discount Rate

The discount rate used to measure the total pension liability was 6.00 to 6.80 percent as of September 30, 2021 depending on the plan option. The discount rate used to measure the total OPEB liability was 6.95 percent as of September 30, 2021. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

Based on those assumptions, the pension plan's fiduciary net position and the OPEB plan’s fiduciary net position were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

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	25.00 %	5.40 %
Private equity pools	16.00	9.10
International equity pools	15.00	7.50
Fixed-income pools	10.50	(0.70)
Real estate and infrastructure pools	10.00	5.40
Absolute return pools	9.00	2.60
Real return/opportunistic pools	2.00	(1.30)
Short-term investment pools	12.50	6.10
Total	100.00 %	

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

Long-term rates of return are net of administrative expense and inflation of 2.0 percent.

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 Percentage Point Decrease (5.00 - 5.80%)	Current Discount Rate (6.00 - 6.80%)	1 Percentage Point Increase (7.00 - 7.80%)
Net pension liability of the Agency	$ 75,809,061	$ 53,023,385	$ 34,132,565

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 Percentage Point Decrease (5.95%)	Current Discount Rate (6.95%)	1 Percentage Point Increase (7.95%)
Net OPEB liability of the Agency	$ 6,213,754	$ 3,343,999	$ 908,602

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

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

	1 Percentage Point Decrease	Current Rate	1 Percentage Point Increase
Net OPEB liability of the Agency	$ 813,903	$ 3,343,999	$ 6,190,662

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, 2022, the Agency reported a payable of $626,040 and $534,996 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2022.

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.

For the fiscal year ended June 30, 2022, the Agency’s property tax revenue was reduced by $4,306,595 under these programs.

Required Supplemental Information

Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	$ 4,719,700	$ 4,988,200	$ 5,082,713	$ 94,513
State sources	12,290,200	12,807,500	13,222,805	415,305
Interdistrict sources	508,000	482,300	510,730	28,430
Total revenue	17,517,900	18,278,000	18,816,248	538,248
Expenditures				
Current -				
Instruction/Support/Community services:				
Salaries	7,147,000	6,626,600	6,309,511	(317,089)
Employee benefits	4,450,400	4,113,200	4,002,937	(110,263)
Purchased services	1,605,500	1,643,300	1,308,274	(335,026)
Supplies and materials	410,400	410,000	323,054	(86,946)
Other expense	112,700	111,200	80,019	(31,181)
Capital outlay	308,200	488,000	341,020	(146,980)
Interdistrict payments	165,500	239,500	216,425	(23,075)
Total expenditures	14,199,700	13,631,800	12,581,240	(1,050,560)
Excess of Revenue Over Expenditures	3,318,200	4,646,200	6,235,008	1,588,808
Other Financing Sources (Uses)				
Transfers in	1,150,000	1,150,000	1,388,455	238,455
Transfers out	(5,119,500)	(5,813,900)	(4,918,499)	895,401
Total other financing uses	(3,969,500)	(4,663,900)	(3,530,044)	1,133,856
Net Change in Fund Balance	(651,300)	(17,700)	2,704,964	2,722,664
Fund Balance - Beginning of year	16,665,745	16,665,745	16,665,745	-
Fund Balance - End of year	**$ 16,014,445**	**$ 16,648,045**	**$ 19,370,709**	**$ 2,722,664**

See notes to required supplemental information.

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

Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	$ 141,454,000	$ 145,595,000	$ 150,715,694	$ 5,120,694
State sources	29,975,000	39,211,500	40,266,998	1,055,498
Interdistrict sources	450,000	450,000	593,915	143,915
Total revenue	171,879,000	185,256,500	191,576,607	6,320,107
Expenditures				
Current -				
Support services:				
Purchased services	472,000	532,000	476,800	(55,200)
Supplies and materials	128,000	129,000	140,513	11,513
Capital outlay	1,000,000	1,500,000	885,934	(614,066)
Interdistrict payments	207,067,900	195,206,900	192,353,463	(2,853,437)
Total expenditures	208,667,900	197,367,900	193,856,710	(3,511,190)
Excess of Expenditures Over Revenue	(36,788,900)	(12,111,400)	(2,280,103)	9,831,297
Other Financing Sources (Uses)				
Transfers in	5,000,000	5,500,000	10,764,263	5,264,263
Transfers out	(3,010,900)	(2,535,700)	(2,197,988)	337,712
Total other financing sources	1,989,100	2,964,300	8,566,275	5,601,975
Net Change in Fund Balance	(34,799,800)	(9,147,100)	6,286,172	15,433,272
Fund Balance - Beginning of year	277,047,379	277,047,379	277,047,379	-
Fund Balance - End of year	**$ 242,247,579**	**$ 267,900,279**	**$ 283,333,551**	**$ 15,433,272**

See notes to required supplemental information.

Required Supplemental Information
Budgetary Comparison Schedules - Major Special Revenue Funds (Continued)
Enhancement Millage Fund

Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Over Final Budget
Revenue - Local revenue	$ 84,000,000	$ 86,100,000	$ 92,693,044	$ 6,593,044
Expenditures - Interdistrict payments	84,000,000	86,100,000	92,693,044	6,593,044
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of year	-	-	-	-
Fund Balance - End of year	$ -	$ -	$ -	$ -

See notes to required supplemental information.

Wayne County Regional Educational Service Agency

Required Supplemental Information
Budgetary Comparison Schedules - Major Special Revenue Funds
(Continued)
Funded Projects Fund

Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	$ 2,391,500	$ 1,255,200	$ 3,556,243	$ 2,301,043
State sources	78,757,600	113,495,246	87,024,991	(26,470,255)
Federal sources	104,660,600	157,217,000	107,013,899	(50,203,101)
Interdistrict sources	1,986,300	2,983,400	1,199,677	(1,783,723)
Total revenue	187,796,000	274,950,846	198,794,810	(76,156,036)
Expenditures				
Current -				
Support services:				
Salaries	8,893,100	8,060,900	7,216,941	(843,959)
Employee benefits	5,586,400	5,294,000	4,849,274	(444,726)
Purchased services	25,455,900	31,844,100	5,059,964	(26,784,136)
Supplies and materials	2,754,500	3,771,500	986,726	(2,784,774)
Other expenses	401,100	486,900	(50,073)	(536,973)
Capital outlay	8,200	12,400	7,600	(4,800)
Interdistrict payments	143,194,900	223,136,900	179,274,133	(43,862,767)
Total expenditures	186,294,100	272,606,700	197,344,565	(75,262,135)
Excess of Revenue Over Expenditures	1,501,900	2,344,146	1,450,245	(893,901)
Other Financing Uses - Transfers out	(1,501,900)	(2,245,800)	(1,351,899)	893,901
Net Change in Fund Balance	-	98,346	98,346	-
Fund Balance (Deficit) - Beginning of year	(98,346)	(98,346)	(98,346)	-
Fund Balance (Deficit) - End of year	**$ (98,346)**	**$ -**	**$ -**	**$ -**

Required Supplemental Information
Budgetary Comparison Schedules - Major Special Revenue Funds (Continued)
Medicaid Fund

Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue - Local sources	$ 16,847,000	$ 15,729,500	$ 19,320,460	$ 3,590,960
Expenditures				
Current -				
Support services:				
Salaries	253,400	273,700	260,263	(13,437)
Employee benefits	160,400	183,900	168,006	(15,894)
Purchased services	15,600	18,600	9,871	(8,729)
Supplies and materials	2,500	2,500	98	(2,402)
Other expenses	900	900	-	(900)
Interdistrict payments	11,358,700	9,694,900	8,061,906	(1,632,994)
Total expenditures	11,791,500	10,174,500	8,500,144	(1,674,356)
Excess of Revenue Over Expenditures	5,055,500	5,555,000	10,820,316	5,265,316
Other Financing Uses - Transfers out	(5,055,500)	(5,555,000)	(10,820,316)	(5,265,316)
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 Eight Plan Years

Plan Years Ended September 30

	2021	2020	2019	2018	2017	2016	2015	2014
Agency's proportion of the net pension liability	0.22396 %	0.22512 %	0.20951 %	0.19230 %	0.18844 %	0.18541 %	0.17592 %	0.16605 %
Agency's proportionate share of the net pension liability	$ 53,023,385	$ 77,330,925	$ 69,381,800	$ 57,807,667	$ 48,833,390	$ 46,257,485	$ 42,969,665	$ 36,575,174
Agency's covered payroll	$ 19,699,862	$ 20,046,244	$ 19,057,209	$ 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 payroll	269.16 %	385.76 %	364.07 %	348.84 %	311.36 %	290.20 %	293.17 %	253.97 %
Plan fiduciary net position as a percentage of total pension liability	72.32 %	59.49 %	60.08 %	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 Eight Fiscal Years

Years Ended June 30

	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	$ 7,357,081	$ 6,790,344	$ 6,178,809	$ 5,472,678	$ 4,840,836	$ 4,415,050	$ 4,165,866	$ 3,191,933
Contributions in relation to the statutorily required contribution	7,357,081	6,790,344	6,178,809	5,472,678	4,840,836	4,415,050	4,165,866	3,191,933
Contribution Deficiency	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Agency's Covered Payroll	$ 19,718,120	$ 19,734,977	$ 19,934,549	$ 18,438,547	$ 16,133,454	$ 15,675,485	$ 15,093,099	$ 14,878,808
Contributions as a Percentage of Covered Payroll	37.31 %	34.41 %	31.00 %	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 Five Plan Years

Plan Years Ended September 30

	2021	2020	2019	2018	2017
Agency's proportion of the net OPEB liability	0.21908 %	0.22672 %	0.21839 %	0.19493 %	0.18809 %
Agency's proportionate share of the net OPEB liability	$ 3,343,999	$ 12,145,814	$ 15,675,449	$ 15,494,819	$ 16,655,894
Agency's covered payroll	$ 19,699,862	$ 20,046,244	$ 19,057,209	$ 16,571,440	$ 15,683,655
Agency's proportionate share of the net OPEB liability as a percentage of its covered payroll	16.97 %	60.59 %	82.25 %	93.50 %	106.20 %
Plan fiduciary net position as a percentage of total OPEB liability	88.87 %	59.76 %	48.67 %	43.10 %	36.53 %

See notes to required supplemental information.

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

Last Five Fiscal Years

Years Ended June 30

	2022	2021	2020	2019	2018
Statutorily required contribution	$ 1,606,869	$ 1,642,295	$ 1,601,861	$ 1,448,353	$ 1,165,275
Contributions in relation to the statutorily required contribution	1,606,869	1,642,295	1,601,861	1,448,353	1,165,275
Contribution Deficiency	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Agency's Covered Payroll	$ 19,718,120	$ 19,734,977	$ 19,934,549	$ 18,438,547	$ 16,133,454
Contributions as a Percentage of Covered Payroll	8.15 %	8.32 %	8.04 %	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:

2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.25 percentage points.

2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017.

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

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:

2021 - The health care cost trend rate used in the September 30, 2020 actuarial valuation increased by 0.75 percentage points for members under 65 and decreased by 1.75 percentage points for members over 65. In addition, actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by $1.3 billion in 2021.

2020 - The heath care cost trend rate used in the September 30, 2019 actuarial valuation decreased by 0.50 percentage points. This, in addition to actual per person health benefit costs being lower than projected, reduced the plan's total OPEB liability by an additional $1.8 billion in 2020.

2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.20 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional $1.4 billion in 2019.

2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by $1.4 billion in 2018.

Other Supplemental Information

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2022

	Special Revenue Funds			
	Special Services Fund	Cooperative Education Services Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
Assets				
Cash and investments	$ -	$ -	$ 244,564	$ 244,564
Receivables:				
Accounts	-	389,128	-	389,128
Due from other governmental units	211,731	289,392	-	501,123
Due from other funds	2,237,269	1,097,766	963,600	4,298,635
Total assets	**$ 2,449,000**	**$ 1,776,286**	**$ 1,208,164**	**$ 5,433,450**
Liabilities				
Accounts payable	$ 14,079	$ 41,178	$ 343,269	$ 398,526
Due to other governmental units	235,327	-	-	235,327
Due to other funds	2,017,330	-	-	2,017,330
Accrued liabilities and other	45,214	105,575	-	150,789
Unearned revenue	137,050	318,574	-	455,624
Total liabilities	2,449,000	465,327	343,269	3,257,596
Fund Balances				
Committed:				
Capital projects	-	-	864,895	864,895
Cooperative educational activities	-	1,310,959	-	1,310,959
Total fund balances	-	1,310,959	864,895	2,175,854
Total liabilities and fund balances	**$ 2,449,000**	**$ 1,776,286**	**$ 1,208,164**	**$ 5,433,450**

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

Year Ended June 30, 2022

	Special Revenue Funds			
	Special Services Fund	Cooperative Education Services Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
Revenue				
Local sources	$ -	$ 121,436	$ 780	$ 122,216
State sources	1,499,379	-	-	1,499,379
Interdistrict sources	-	7,132,800	-	7,132,800
Total revenue	1,499,379	7,254,236	780	8,754,395
Expenditures				
Current -				
Support services:				
Salaries	1,689,287	5,191,668	-	6,880,955
Employee benefits	1,185,288	3,456,675	-	4,641,963
Purchased services	58,520	2,327,508	-	2,386,028
Supplies and materials	25,415	513,911	-	539,326
Other	2,504	142,152	-	144,656
Capital outlay	219,009	86,782	1,010,194	1,315,985
Interdistrict payments	490,880	-	-	490,880
Total expenditures	3,670,903	11,718,696	1,010,194	16,399,793
Excess of Expenditures Over Revenue	(2,171,524)	(4,464,460)	(1,009,414)	(7,645,398)
Other Financing Sources (Uses)				
Transfers in	2,417,839	4,464,460	500,000	7,382,299
Transfers out	(246,315)	-	-	(246,315)
Total other financing sources	2,171,524	4,464,460	500,000	7,135,984
Net Change in Fund Balances	-	-	(509,414)	(509,414)
Fund Balances - Beginning of year	-	1,310,959	1,374,309	2,685,268
Fund Balances - End of year	**$ -**	**$ 1,310,959**	**$ 864,895**	**$ 2,175,854**