

---

# South East Regional Emergency Services Authority

---

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

# South East Regional Emergency Services Authority

---

## Contents

---

|   |       |
|---|-------|
| <b>Letter of Transmittal</b>  | 1-8   |
| <b>Independent Auditor's Report</b>   | 9-10  |
| <b>Management's Discussion and Analysis</b>   | 11-13 |
| <b>Basic Financial Statements</b>   |       |
| Statement of Net Position/Governmental Fund Balance Sheet                                 | 14    |
| Statement of Activities/Statement of Revenue, Expenditures, and Changes in Fund Balances  | 15    |
| Notes to Financial Statements   | 16-23 |
| <b>Required Supplemental Information</b>  | 24    |
| Budgetary Comparison Schedule - General Fund  | 25    |
| Schedule of Pension Contributions - St. Clair Shores General Employees' Retirement System | 26    |
| Schedule of Authority Contributions - City of St. Clair Shores Retiree Healthcare Plan    | 27    |
| Notes to Required Supplemental Information  | 28    |



*South East Regional Emergency Services Authority*

18961 Common Road, Roseville MI. 48066

November 12, 2018

To the Board of Directors  
South East Regional Emergency Services Authority

**Letter of Transmittal**

We are submitting herewith the financial report of the South East Regional Emergency Services Authority (SERESA) as of and for the year ended June 30, 2018. It is the responsibility of SERESA's management to present fairly, with full disclosure and in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of SERESA's funds. The annual financial report contains necessary disclosures useful in providing an understanding of the individual funds and full accrual financial statements. Pursuant to that requirement, we hereby issue the annual financial report of the South East Regional Emergency Services Authority as of and for the year ended June 30, 2018. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management.

To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the funds and of SERESA. All disclosures necessary to enable the reader to gain an understanding of SERESA's activities have been included.

Plante & Moran, PLLC has issued an unmodified "clean" opinion on SERESA's financial statements for the year ended June 30, 2018. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (the "MD&A") immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

State law requires that all local governmental units, including authorities such as SERESA, publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

An Authority is a special district form of government operating independently of all other governmental agencies. SERESA is a collaborative emergency services communication center formed by the municipalities of Eastpointe, Roseville, and St. Clair Shores to provide public safety communication services including police and law enforcement, fire rescue, and medical services to the three municipalities with populations of approximately 32,000, 48,000, and 60,000 respectively. In June 2018, SERESA began providing public safety communication services to the City of Fraser with a population of approximately 15,000 on a contractual basis. The primary goal or business objective of SERESA is to provide essential public safety services with higher functions and support to the three municipal police and fire agencies at a lower cost with improved quality.

### **Governmental Structure, Local Economic Condition, and Outlook**

In July 2010, the cities of Eastpointe, Roseville and St. Clair Shores created a legal entity known as the South East Regional Emergency Services Authority (SERESA), which is a municipal consolidated dispatch center responsible for the dispatching of emergency police, fire, and emergency medical services throughout the member communities. SERESA was formed under 1988 Public Act 57. Funding for SERESA is primarily derived from the participating members' contributions based on dispatch calls for service annually. SERESA operates under the direction of a set of comprehensive policies and uniform standards that align with or exceed state and national best practices.

The articles of incorporation also allow funding to be from a dedicated millage or telephone operational surcharges. The articles permit any participating municipality to withdraw from the authority, if given one full year's budgetary notice; although as a disincentive, any withdrawing municipality forfeits any assets previously transferred.

SERESA is governed under the authority of a five-member board of directors appointed by each of the city government boards, along with police and fire representatives from the municipalities. Public meetings of the board of directors are held on the second Wednesday of each month. The board of directors is responsible, among other things, for setting policy, adopting the budget, approving contracts and expenditures, planning and securing funding for voice and data radio communication improvements, and appointing an executive director. Technological assistance and fiscal management services including accounting and payroll are provided by agreement from the City of Roseville. SERESA is also housed in a building wholly owned by the City of Roseville.

The executive director is responsible for carrying out the policies of the board of directors, for overseeing the day-to-day operations of the dispatch center, hiring all employees, and approving all purchase commitments of SERESA. The executive director is the official custodian of all records of SERESA, coordinates the recording of all property owned by SERESA, and certifies all payment vouchers prior to approval by the board of directors. The controller of Roseville is responsible for maintaining all financial accounting records of SERESA, collecting all revenues due to SERESA, investing all SERESA funds, issuing payment vouchers for goods, services, and

payrolls, and maintaining property/casualty insurances under the present agreement between SERESA and the City of Roseville.

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the local economic environment in which SERESA operates.

### **Regional Profile and Economic Conditions**

SERESA's dispatch service area encompasses the cities of Eastpointe, Roseville, St. Clair Shores, and Fraser which are located near the southeast corner of Macomb County, adjacent to the southern boundary of Macomb County and north of the City of Detroit. Freeway access to the southeast Michigan region is provided by Interstate-94 (I-94) and Interstate-696 (I-696). In addition, regional access is available using the bus system of the Suburban Mobility Authority for Regional Transportation (SMART) system. These cities independently have grown and prospered significantly as four of southeastern Michigan's earliest and strongest suburban communities.

Like most communities, in recent years, the cities of Eastpointe, Roseville, St. Clair Shores, and Fraser have experienced double digit declines in market values on its real and personal properties. The decline in property values resulted in a reduction of tax dollars available to support vital city programs and services. Unfortunately, even as the housing market stabilizes, under Proposal A, taxable value losses will be slow to recoup due to the mandated inflationary cap on property assessments. No matter the rate of increase, it will take significant future years to restore any municipality to its prior funding level. Accordingly, all Michigan cities are challenged to reinvent the way they operate and provide essential core services to their residents. Resource sharing and collaborative partnerships among cities are viable approaches promoting maximum efficiency of limited resources while ensuring continued public safety services utilized by residents. Funding for SERESA is primarily derived from the participating members' annual contributions. SERESA adheres to a multi-year financial plan to address the challenges of expenditure control while seeking additional grant funding sources.

### **Major Achievements and Results of Operations for 2017/2018**

SERESA provides essential public safety services with higher functions and support to the three municipal police and fire agencies at a lower-cost per call ratio. Performance metrics have been developed and a service call assessment process is in place. The assessment results are communicated to the member communities on an annual basis.

- In September 2017 SERESA upgraded the radio consoles in the dispatch center and connected directly with the State system providing a strong link to the available technology. This upgrade was accomplished using grant funding, refurbished equipment from other consolidations within the County, and SERESA capital improvement funds.

- In late April 2018 the City of Fraser contacted SERESA to discuss consolidation of dispatching services. After working closely with Fraser City Council and the SERESA Authority Board, a partnership was formed to benefit both agencies. On June 26, 2018 SERESA began dispatching for the Fraser Department of Public Safety. The consolidation with the City of Fraser went smoothly and was well managed. All services were transferred to SERESA with no disruption for any of the agencies or customers.
- In June 2018, SERESA received national recognition when they became the second primary PSAP to become an Accredited Agency for Emergency Medical Dispatch through the International Academy of Emergency Dispatch. The accreditation process included the establishment of multiple layers of reviews for all medical calls. SERESA must submit proofs every quarter to maintain the accreditation standard.

## **Services Metrics**

### **PHONES:**

All phone metrics are extracted from the SERESA phone reporting system using the pre-loaded reports available. The reports provide information regarding the number of calls received and type of call (911, VoIP, and 10-digit). The reports also provide the time of day and day of week averages for volume of calls received. This information is a valuable tool for staffing purposes.

#### *Non-Emergency Lines (10-Digit Lines) Calls for service (Not 911): 99,252*

The non-emergency calls are received on the administrative phone number advertised for police and fire services when no emergency response is needed. This number is called for a variety of reasons including wanting to speak to a detective from a specific agency. It is also common to receive emergency calls on the non-emergency lines.

#### *All 911 Calls: 76,149*

Cell and VoIP (when a call is made through computer technology) accounted for 90% of the 911 calls in Fiscal 2016. Landline calls have dropped steadily over the past five years, a strong indication of advancing technology where the traditional dated telephone lines are being replaced with cell and high-speed fiber equipment.

#### *Total Outgoing Calls: 57,706*

Outgoing calls are made to call other agencies, transfer citizens, request information, and assist our public safety agencies with any field requests they may have. The ability to contact other agencies through other methods has contributed to our decreased numbers of outgoing calls.

## **Busiest Call Times:**

### *Time of Day:*

Although the call volume changes throughout the seasons, an average of SERESA's busiest call time is between 10:00 am and 8:00 pm.

Day of Week:

2017 brought a change in the day of the week call volume “busy times”. No longer did we see a significant fluctuation in specific days, call volumes remained steady Monday through Friday, dropping slightly on Saturday. The lowest call volume remained Sunday.

**Speed to Answer:**

**911 Calls:**

- 5 Seconds Average
- 1:53 Average Call Duration

**Non-Emergency Lines (10-Digit Lines)**

- 4.7 Seconds Average
- 1:38 Average Call Duration

The speed to answer the phone is averaged throughout the year. Factors that impact a dispatcher’s ability to answer the phone within the National standard of three (3) rings or 10 to 15 seconds, include the volume of calls and staffing. Large accidents or unplanned events (such as natural disasters or civil unrest) have significant impacts on answering times. These incident types, along with other factors also affect hold times. Dispatchers will often put a caller on hold to dispatch a call to responders, answer another incoming emergency line (when the call is stable), or make outgoing calls to obtain answers for their callers. One other interesting factor is the technology itself, a 911 call will register in the system before it actually begins to ring in the center due to type of phone lines the 911 calls come in on. The Administrative lines are on fiber and there is no lag time between the time they come in to the dispatch equipment and ring on the equipment.

**CALLS FOR SERVICE:**

Calls for service our counted each time a public safety responder has a call entered into the computer system. A call for service is not the same as a phone call although the busiest time of day and busiest days of the week are similar to the phone call statistics.

**Total Calls for Service:** 102,352

Calls for service were counted through the two Computer Aided Dispatch systems that were used by SERESA until September 2017. Each event entered into the system is counted as one incident regardless of the type of incident.

**Priority Calls:**

A high priority emergency call is a call for service which requires an immediate First Responder response due to a threat to life or an immediate and substantial risk for major property loss. This threat to life can be due to a medical, fire, or lawful related incident.

A cardiac emergency is an example of a priority call for service. The average dispatch time for this call type is 38 seconds. The calculation of this average begins from the time the call is answered and takes into count the gathering of address, phone number, and event

recognition. The average times are significantly affected by the anxiety level of the caller when determining the address and life status of the patient or exactly what has occurred at the location provided.

### **CPR Calls:**

Compressions Started: 3:16

The median time for hands-on-chest after instructions were provided to a citizen for a patient of a cardiac arrest is calculated from the time the phone was answered to the time of the first compression. Compression instructions were started for most callers on average within the first two minutes of the call. SERESA received approximately 238 CPR assist calls in fiscal 17/18. Cardiac emergencies include those patients with cardiac problems, breathing problems which caused their heart to stop, and drug induced cardiac arrests.

Statistics indicate that rapid CPR and response time can have a significant impact of life saving efforts for certain cardiac patients, depending on the cardiac condition. SERESA proudly participates in the State of Michigan's SaveMIHeart program and CARES data entry.

SERESA in 2017/2018 established several financial and operational objectives to be accomplished in the next fiscal year that will have a material impact on services and financial planning including:

- The planned technological upgrade to the 911 lines remains a crucial aspect of SERESA due to the high-level of fluctuating needs placed on the industry through technology evolution. Through the changes made to State Legislation, the project for SERESA to upgrade the 911 lines to fiber is planned for late 2019. There are eight (8) counties currently not on the fiber network for 911 upgraded lines throughout the State of Michigan. Three of the counties are on fiber lines shared with Indiana. SERESA has been very aggressive in pushing forward for this project for their individual PSAP within Macomb County. Oakland, St. Clair, and Lapeer counties have already migrated to fiber and Wayne County is in the process. The City of Detroit is researching their ability to convert, all which will assist in making SERESA's migration easier.
- In January 2018, the SERESA Board identified a need for a strong succession plan for the organization and put in place plans for fiscal 18/19 the position of Deputy Director. The reorganization of SERESA with a Deputy Director will allow for the organization to identify and plan for expected and unexpected vacancies within the supervisory team in the future. In addition, the Deputy Director position will shift some of the tasks off the Director and realign the supervisors' tasks. This will allow the organization to properly position themselves for professional growth and development to better serve the public and first responders into the future. The position will be filled in the first quarter of 18/19.
- An upgrade to the radio back-up or *Storm Plan* is planned for the second quarter of 18/19. The current back-up system has been in place with radios scheduled for end of maintenance/end of life in 2019. The current system, while very robust, has begun to experience failures and has been sent out for repairs. The vendor will not support the system

in fiscal 19/20, although they have stated that they would do their best to work with SERESA to locate parts if it failed. It was determined that this critical equipment was important to replace in the event of a primary radio outage with the State system. State pricing for the new equipment was provided through a purchase agreement for all Macomb County agencies and provided a significant discount by moving forward with the replacement in 18/19.

## **The Reporting Entity and Services Provided**

SERESA has defined its financial reporting entity in accordance with the pronouncements of the Governmental Accounting Standards Board (GASB).

## **Financial Information**

Management of SERESA is responsible for establishing and maintaining internal controls designed to ensure that the assets of the Authority are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur with the above framework. We believe SERESA's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

SERESA adopted a balanced FY 2017/2018 General Fund budget. SERESA contributed approximately \$378,000 to its unassigned fund balance in FY 2017/2018 and utilized approximately \$12,000 of its previously assigned fund balance for equipment improvements to address the technological evolution within the industry.

SERESA's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

## **Budgeting Controls**

In accordance with state law, SERESA's budget is prepared on the modified accrual basis for governmental-type funds, and its accounting records are also maintained on that basis. Under modified accrual accounting, revenues are recorded when they are both measurable and available. Expenditures are recorded when a liability is incurred, except for interest on long-term debt.

The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by SERESA's governing body. Activities of the

General Fund are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the program unit level for the General Fund. However, for internal accounting purposes, budgetary control is maintained by object class (line account) for all funds. The City of Roseville, on behalf of SERESA, also maintains an encumbrance accounting system as one technique of accomplishing budgetary control.

Purchase orders that would create an over-encumbrance are not written until additional appropriations are available. Encumbered accounts lapse at year end. However, any encumbrances outstanding at June 30, 2018 are reported as reservations of fund balances.

As demonstrated by the statements and schedules included in the financial section of this report, SERESA has met and will continue to meet its financial management responsibilities.

### **Acknowledgments**

The timely preparation of this report could not have been accomplished without the efficient and dedicated services of the staff of the Roseville Controllers Office and our independent auditors, Plante & Moran, PLLC, certified public accountants. We express our appreciation to all members of the city departments we partner with that assisted and contributed to operations. In closing, without the leadership and support of the board of directors, this report would not have been possible.

Sincerely,

Cherie Bartram  
Executive Director  
Roseville, Michigan

## **Independent Auditor's Report**

To the Board of Directors  
South East Regional Emergency Services Authority

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the General Fund, and the Capital Projects Fund of the South East Regional Emergency Services Authority (the "Authority" or SERESA) as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the South East Regional Emergency Services Authority's financial statements, as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the General Fund, and the Capital Projects Fund of the South East Regional Emergency Services Authority as of June 30, 2018 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors  
South East Regional Emergency Services Authority

**Other Matters**

**Required Supplemental Information**

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

**Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise SERESA's financial statements. The transmittal letter is presented for purposes of additional analysis and is not a required part of the basic financial statements. The transmittal letter has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Plante & Moran, PLLC*

November 12, 2018

# South East Regional Emergency Services Authority

---

## Management's Discussion and Analysis

---

As management of South East Regional Emergency Services Authority (SERESA), we offer readers this narrative overview and analysis of the financial activities for the year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, the financial statements, and the notes to the financial statements.

### **Overview**

In July 2010, the cities of Roseville, St. Clair Shores, and Eastpointe, Michigan created a legal entity known as South East Regional Emergency Services Authority (SERESA), which is responsible for the dispatching of emergency police, fire, and ambulance services throughout the member communities. Funding for SERESA is primarily derived from the participating members' contributions based on dispatched calls for service. The Articles of Incorporation also allow funding to be from a dedicated millage or telephone operational surcharges. The Articles of Incorporation permit any participating municipality to withdraw from SERESA, if given one full year's budgetary notice. However, as a disincentive, any withdrawing municipality forfeits any assets previously transferred. SERESA is housed in a building wholly owned by the City of Roseville, Michigan. SERESA also contracts with the City of Roseville, Michigan to provide certain fiscal and technology assistance for an annual fee.

### **Using this Annual Report**

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplemental information. The basic financial statements include information that presents two different views of SERESA:

- The first column of the financial statements includes information on SERESA's General Fund under the modified accrual method. This fund financial statement focuses on current financial resources and provides a more detailed view about the accountability of SERESA's sources and uses of these funds.
- The second column of the financial statements includes information on SERESA's Capital Projects Fund also under the modified accrual method. This fund's financial statement focuses on current financial resources available for capital purchases.
- The adjustments column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full accrual method.
- The fourth column is the government-wide financial statement column. This column provides both long-term and short-term information about SERESA's overall financial status. The statements of net position and activities provide information about the activities of SERESA as a whole and present a longer-term view of SERESA's finances. These statements tell how SERESA was financed in the short term, as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required information that further explains and supports the information in the financial statements.

## South East Regional Emergency Services Authority

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

#### Governmental Activities

|                                  | Governmental Activities |                     |                   | Percent Change |
|----------------------------------|-------------------------|---------------------|-------------------|----------------|
|                                  | 2017                    | 2018                | Change            |                |
| <b>Assets</b>                    |                         |                     |                   |                |
| Current and other assets         | \$ 1,404,218            | \$ 1,513,744        | \$ 109,526        | 7.8            |
| Capital assets                   | 527,479                 | 445,256             | (82,223)          | (15.6)         |
| Total assets                     | 1,931,697               | 1,959,000           | 27,303            | 1.4            |
| <b>Liabilities</b>               |                         |                     |                   |                |
| Current liabilities              | 321,020                 | 71,151              | (249,869)         | (77.8)         |
| Noncurrent liabilities           | 18,296                  | 108,232             | 89,936            | 491.6          |
| Total liabilities                | 339,316                 | 179,383             | (159,933)         | (47.1)         |
| <b>Net Position</b>              |                         |                     |                   |                |
| Net investment in capital assets | 527,479                 | 445,256             | (82,223)          | (15.6)         |
| Restricted                       | 33,775                  | 19,452              | (14,323)          | (42.4)         |
| Unrestricted                     | 1,031,127               | 1,314,909           | 283,782           | 27.5           |
| Total net position               | <u>\$ 1,592,381</u>     | <u>\$ 1,779,617</u> | <u>\$ 187,236</u> | 11.8           |

SERESA's total net position at June 30, 2018 was \$1,779,617 including unrestricted net position of \$1,314,909. SERESA's governmental current assets increased by \$109,526 due to improved budgetary conditions. Noncurrent asset decreased by \$82,223, attributed to the depreciation of capital assets. SERESA's governmental current liabilities decreased by \$190,321, attributed to a liability for costs related to the installation of new radio equipment in the prior year.

#### Authority's Changes in Net Position

|   | Governmental Activities |                     |                   | Percent Change |
|---|-------------------------|---------------------|-------------------|----------------|
|   | 2017                    | 2018                | Change            |                |
| <b>Revenue</b>                          |                         |                     |                   |                |
| Member contributions                    | \$ 2,232,870            | \$ 2,246,867        | \$ 13,997         | 0.6            |
| 911 wireless training grants            | 214,832                 | 216,220             | 1,388             | 0.6            |
| Grants - Other                          | 88,679                  | 18,601              | (70,078)          | (79.0)         |
| Investment earnings                     | 1,989                   | 2,306               | 317               | 15.9           |
| Other revenue                           | -                       | 3,072               | 3,072             | 100.0          |
| Total revenue                           | 2,538,370               | 2,487,066           | (51,304)          | (2.0)          |
| <b>Expenditures - Public safety</b>     | 2,094,262               | 2,299,830           | 205,568           | 9.8            |
| <b>Net Change in Net Position</b>       | 444,108                 | 187,236             | (256,872)         | (57.8)         |
| <b>Net Position - Beginning of year</b> | 1,148,273               | 1,592,381           | 444,108           | 38.7           |
| <b>Net Position - End of year</b>       | <u>\$ 1,592,381</u>     | <u>\$ 1,779,617</u> | <u>\$ 187,236</u> | 11.8           |

## **South East Regional Emergency Services Authority**

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

SERESA's governmental revenue totaled \$2,487,066, of which \$2,246,867, or approximately 90 percent, was derived from participating members' contributions. SERESA's governmental expenditures total \$2,299,830, of which \$1,857,080, or approximately 81 percent, is attributed to personnel-related expenditures. The increase in overall expenditures is primarily attributed to an increase in depreciation expense resulting from the first full year of depreciation on approximately \$460,000 of fixed assets placed in service during the prior year.

#### **General Fund Budgetary Highlights**

SERESA's administration monitors and amends the budget to take into account unanticipated expenditures that were incurred during the year. SERESA adopted a balanced budget for fiscal year 2017 2018. The budget was formally amended twice for fiscal year 2017 2018. A budgetary comparison statement has been provided herein to demonstrate compliance with this budget. At year end, actual revenue was approximately \$1,000 less than budgeted amounts, attributable to investment earnings being less than budgeted. Actual expenditures were approximately \$98,000 less than budgeted amounts primarily attributable to personnel costs being less than budgeted. SERESA contributed approximately \$378,000 to its unassigned fund balance in fiscal year 2017 2018 and utilized approximately \$12,000 of its previously committed and assigned fund balance for equipment improvements. For fiscal year 2018 2019 and beyond, management has developed a comprehensive multi year financial forecast that will be updated annually and reflected as part of SERESA's annual operating budget.

#### **Capital Assets and Debt Administration**

At year end, SERESA had \$445,256 in net capital assets consisting primarily of communication equipment and leasehold improvements. SERESA placed approximately \$37,000 of communication equipment in service during the current year. SERESA did not issue any debt toward the purchase or construction of the above mentioned capital assets. SERESA utilized approximately \$12,000 of assigned fund balance and \$25,000 from current year operations to purchase the communication equipment placed in service during fiscal year 2018. At June 30, 2018, approximately \$220,000 of fund balance is assigned for other future equipment improvements.

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

Funding for SERESA is primarily derived from the participating members' contributions. Unfortunately, in recent years, property assessments in member communities have experienced double digit declines in market values on their real and personal properties. The decline in property values resulted in a reduction in tax revenue available to support vital programs and services. Early indications show the stabilization of taxable values in member communities that may result in improved future revenue streams. However, the taxable value of loss recovery is capped at inflation under Proposal A. Many expenses that are contractual in nature, on the other hand, continue to rise faster than inflation. For fiscal year 2018 2019, management will continue to monitor budgetary concerns by reviewing SERESA's operational model to ensure the correct level of staffing is supported by available financial resources. SERESA's current labor agreements expire on June 30, 2019. At that time, the SERESA board plans to continue to manage labor costs by negotiating fair but affordable wage and benefit packages that address the fiscal challenges of the member communities. SERESA continues to pursue new service sharing agreements with surrounding communities and seeks additional grant funding sources while it monitors and adjusts expenditures to ensure adequate financial reserves are maintained.

#### **Contacting SERESA's Management**

This financial report is intended to provide a general overview of the Authority's finances and demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact SERESA directly.

# South East Regional Emergency Services Authority

## Statement of Net Position/Governmental Fund Balance Sheet

June 30, 2018

|   | Modified Accrual    |                          |                                | Adjustments<br>(Note 2) | Statement of<br>Net Position -<br>Full Accrual<br>Basis |
|---|---------------------|--------------------------|--------------------------------|-------------------------|---|
|   | General Fund        | Capital<br>Projects Fund | Total<br>Governmental<br>Funds |                         |   |
| <b>Assets</b>   |                     |                          |                                |                         |   |
| Cash and cash equivalents (Note 3)  | \$ 774,229          | \$ 220,007               | \$ 994,236                     | \$ -                    | \$ 994,236  |
| Receivables   | 368,544             | -                        | 368,544                        | -                       | 368,544   |
| Prepaid expenses  | 150,964             | -                        | 150,964                        | -                       | 150,964   |
| Leasehold improvements and equipment - Net (Note 4)                           | -                   | -                        | -                              | 445,256                 | 445,256   |
| <b>Total assets</b>   | <b>\$ 1,293,737</b> | <b>\$ 220,007</b>        | <b>\$ 1,513,744</b>            | 445,256                 | 1,959,000   |
| <b>Liabilities</b>  |                     |                          |                                |                         |   |
| Accounts payable  | \$ 8,995            | \$ -                     | \$ 8,995                       | -                       | 8,995   |
| Accrued liabilities and other   | 61,540              | -                        | 61,540                         | -                       | 61,540  |
| Unearned revenue  | 616                 | -                        | 616                            | -                       | 616   |
| Compensated absences: (Note 5)  |                     |                          |                                |                         |   |
| Due within one year   | -                   | -                        | -                              | 59,548                  | 59,548  |
| Due in more than one year   | -                   | -                        | -                              | 48,684                  | 48,684  |
| <b>Total liabilities</b>  | 71,151              | -                        | 71,151                         | 108,232                 | 179,383   |
| <b>Deferred Inflows of Resources</b> - Unavailable revenue                    | 6,570               | -                        | 6,570                          | (6,570)                 | -   |
| <b>Equity</b>   |                     |                          |                                |                         |   |
| Fund balance:   |                     |                          |                                |                         |   |
| Nonspendable - Prepays  | 150,964             | -                        | 150,964                        | (150,964)               | -   |
| Restricted - 911 funds  | 19,452              | -                        | 19,452                         | (19,452)                | -   |
| Assigned  | -                   | 220,007                  | 220,007                        | (220,007)               | -   |
| Unassigned  | 1,045,600           | -                        | 1,045,600                      | (1,045,600)             | -   |
| <b>Total fund balance</b>   | 1,216,016           | 220,007                  | 1,436,023                      | (1,436,023)             | -   |
| <b>Total liabilities, deferred inflows of<br/>resources, and fund balance</b> | <b>\$ 1,293,737</b> | <b>\$ 220,007</b>        | <b>\$ 1,513,744</b>            |                         |   |
| <b>Net position:</b>  |                     |                          |                                |                         |   |
| Net investment in capital assets  |                     |                          |                                | 445,256                 | 445,256   |
| Restricted  |                     |                          |                                | 19,452                  | 19,452  |
| Unrestricted  |                     |                          |                                | 1,314,909               | 1,314,909   |
| <b>Total net position</b>   |                     |                          |                                | <b>\$ 1,779,617</b>     | <b>\$ 1,779,617</b>                                     |

## South East Regional Emergency Services Authority

### Statement of Activities/Statement of Revenue, Expenditures, and Changes in Fund Balances

**Year Ended June 30, 2018**

|   | Modified Accrual    |                          |                                | Adjustments<br>(Note 2) | Statement of<br>Activities - Full<br>Accrual Basis |
|---|---------------------|--------------------------|--------------------------------|-------------------------|--|
|   | General Fund        | Capital<br>Projects Fund | Total<br>Governmental<br>Funds |                         |  |
| <b>Revenue</b>  |                     |                          |                                |                         |  |
| Member contributions:                                 |                     |                          |                                |                         |  |
| City of St. Clair Shores                              | \$ 763,935          | \$ -                     | \$ 763,935                     | \$ -                    | \$ 763,935   |
| City of Roseville, Michigan                           | 831,340             | -                        | 831,340                        | -                       | 831,340  |
| City of Eastpointe, Michigan                          | 651,592             | -                        | 651,592                        | -                       | 651,592  |
| 911 wireless training grants                          | 216,220             | -                        | 216,220                        | -                       | 216,220  |
| Grants - Other  | 88,908              | -                        | 88,908                         | (70,307)                | 18,601   |
| Investment earnings                                   | 1,922               | -                        | 1,922                          | 384                     | 2,306  |
| Other revenue   | 3,072               | -                        | 3,072                          | -                       | 3,072  |
|   |                     |                          |                                |                         |  |
| Total revenue   | 2,556,989           | -                        | 2,556,989                      | (69,923)                | 2,487,066  |
| <b>Expenditures</b>                                   |                     |                          |                                |                         |  |
| Salaries  | 1,299,011           | -                        | 1,299,011                      | -                       | 1,299,011  |
| Fringe benefits                                       | 541,052             | -                        | 541,052                        | 17,016                  | 558,068  |
| Operating supplies and sundry                         | 83,847              | -                        | 83,847                         | -                       | 83,847   |
| Professional fees, promotion, training,<br>and other  | 116,046             | -                        | 116,046                        | -                       | 116,046  |
| Administration fees                                   | 123,720             | -                        | 123,720                        | -                       | 123,720  |
| Depreciation expense                                  | -                   | -                        | -                              | 119,138                 | 119,138  |
| Capital outlay  | -                   | 36,915                   | 36,915                         | (36,915)                | -  |
|   |                     |                          |                                |                         |  |
| Total expenditures                                    | 2,163,676           | 36,915                   | 2,200,591                      | 99,239                  | 2,299,830  |
| <b>Other Financing Sources (Uses)</b>                 |                     |                          |                                |                         |  |
| Transfers in  | -                   | 256,922                  | 256,922                        | (256,922)               | -  |
| Transfers out   | (256,922)           | -                        | (256,922)                      | 256,922                 | -  |
|   |                     |                          |                                |                         |  |
| Total other financing<br>(uses) sources               | (256,922)           | 256,922                  | -                              | -                       | -  |
| <b>Net Change in Fund Balances/Net Position</b>       |                     |                          |                                |                         |  |
|   | 136,391             | 220,007                  | 356,398                        | (169,162)               | 187,236  |
| <b>Fund Balances/Net Position - Beginning of year</b> |                     |                          |                                |                         |  |
|   | 1,079,625           | -                        | 1,079,625                      | 512,756                 | 1,592,381  |
| <b>Fund Balances/Net Position - End of year</b>       |                     |                          |                                |                         |  |
|   | <u>\$ 1,216,016</u> | <u>\$ 220,007</u>        | <u>\$ 1,436,023</u>            | <u>\$ 343,594</u>       | <u>\$ 1,779,617</u>                                |

June 30, 2018

### Note 1 - Significant Accounting Policies

#### ***Reporting Entity***

South East Regional Emergency Services Authority (the "Authority") was established as a legal entity in September 2010 to oversee police, fire, and emergency medical dispatch services for the participating cities of Roseville, Eastpointe, and St. Clair Shores, Michigan. The Authority's board is composed of five members. Three members are appointed by each of the member communities. The remaining two members consist of one police chief and one fire chief appointed by the board itself. Revenue is derived principally from participating members' contributions based primarily upon dispatch calls for service annually.

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

The Authority follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by the Authority:

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

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The General Fund and Capital Projects Fund columns present their activities on the modified accrual basis of accounting, which demonstrates accountability for how the current resources have been spent. The government-wide column is presented on the economic resources measurement focus and the full accrual basis of accounting in order to measure the cost of providing government services and the extent to which constituents have paid the full cost of government services.

On the full accrual basis of accounting, revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

#### ***Fund Accounting***

The Authority accounts for its various activities in two funds, the General Fund and Capital Projects Fund.

#### **Governmental Funds**

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund and Capital Projects Fund. The Authority reports both funds as "major" governmental funds. The General Fund represents the Authority's primary operating fund. It accounts for all financial resources of the Authority other than those related to capital assets. The Capital Projects Fund accounts for all financial resources related to capital assets and is funded solely by transfers from the General Fund.

#### ***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 Authority has spent its resources.

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 sick and vacation pay) are not counted until they come due for payment.

Note 1 - Significant Accounting Policies (Continued)

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 Authority considers amounts collected within 60 days of year end to be available for recognition. Member contributions are the Authority's main revenue source and meet the availability criterion.

Specific Balances and Transactions

Cash and Investments

Cash and cash equivalents include cash on hand, demand deposits, and a bank certificate of deposit.

Prepaid Expenses

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

Capital Assets

Capital assets, which include leasehold improvements and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

| Capital Asset Class    | Depreciable Life -<br>Years |
|------------------------|-----------------------------|
| Leasehold improvements | 10                          |
| Equipment              | 5                           |

Fund Balance Flow Assumptions

The Authority 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 Authority'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 Authority 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 Authority's highest level of decision-making authority. The board is the highest level of decision-making authority for the Authority 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 1 - Significant Accounting Policies (Continued)**

Amounts in the assigned fund balance classification are intended to be used by the Authority for specific purposes, but do not meet the criteria to be classified as committed. The board or the executive director may assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**Compensated Absences (Vacation and Sick Leave)**

It is the Authority's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay is accrued when incurred in the Authority's financial statements. A liability for these amounts is reported in the General Fund only for employee terminations as of year end.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**Upcoming Accounting Pronouncements**

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Authority's financial statements for the year ending June 30, 2020.

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Authority's financial statements for the year ending June 30, 2021.

June 30, 2018

**Note 2 - Reconciliation of Individual Fund Columns of the Statement of Net Position/Statement of Activities**

Net position reported in the statement of net position column is different than the fund balance reported in the individual fund columns because of the different measurement focus and basis of accounting, as discussed in Note 1. Below is a reconciliation of the differences:

|   |                            |
|---|----------------------------|
| <b>Fund Balances Reported in Governmental Funds</b>   | \$ 1,436,023               |
| Amounts reported for governmental activities in the are different because:  |                            |
| Capital assets used in governmental activities are not financial resources and are not reported in the funds  | 445,256                    |
| Unavailable revenue related to services already performed but not yet collected is recognized as deferred inflow of resources in the fund but is revenue in the statement of net position | 6,570                      |
| Long-term liabilities are not due and payable in the current period and are not reported in the funds - Compensated absences  | <u>(108,232)</u>           |
| <b>Net Position of Governmental Activities</b>  | <u><u>\$ 1,779,617</u></u> |

The change in net position reported in the statement of activities column is different than the change in fund balance reported in the individual fund columns because of the different measurements focus and basis of accounting, as discussed in Note 1. Below is a reconciliation of the differences:

|  |                          |
|--|--------------------------|
| <b>Net Change in Fund Balance Reported in Governmental Funds</b>   | \$ 356,398               |
| Amounts reported for governmental activities in the 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:           |                          |
| Capital outlay   | 36,915                   |
| Depreciation expense   | (119,138)                |
| Revenue is recorded in the statement of activities when earned, but is not reported in the funds until collected   | (69,923)                 |
| Some employee costs (pension, OPEB, compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds | <u>(17,016)</u>          |
| <b>Change in Net Position of Governmental Activities</b>   | <u><u>\$ 187,236</u></u> |

**Note 3 - Cash and Cash Equivalents**

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

June 30, 2018

**Note 3 - Cash and Cash Equivalents (Continued)**

The Authority has designated two bank for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority, as listed above. The Authority's deposits and investments are in accordance with statutory authority.

The Authority holds its cash in a checking account in its own name, as well as a certificate of deposit in a separate account. As of June 30, 2018, the balance in the checking account was \$866,252 and the balance of the certificate of deposit was \$153,595.

The Authority's cash and investments are subject to custodial risk, which is 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 Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. At year end, the Authority had \$616,253 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The Authority believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Authority evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**Note 4 - Leasehold Improvements and Equipment**

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

|                                      | Balance<br>July 1, 2017 | Additions          | Disposals and<br>Adjustments | Balance<br>June 30, 2018 |
|--------------------------------------|-------------------------|--------------------|------------------------------|--------------------------|
| Capital assets being depreciated:    |                         |                    |                              |                          |
| Leasehold improvements               | \$ 174,721              | \$ -               | \$ -                         | \$ 174,721               |
| Machinery and equipment              | 1,563,368               | 36,915             | -                            | 1,600,283                |
| Subtotal                             | 1,738,089               | 36,915             | -                            | 1,775,004                |
| Accumulated depreciation:            |                         |                    |                              |                          |
| Leasehold improvements               | 105,387                 | 17,158             | -                            | 122,545                  |
| Machinery and equipment              | 1,105,223               | 101,980            | -                            | 1,207,203                |
| Subtotal                             | 1,210,610               | 119,138            | -                            | 1,329,748                |
| Net capital assets being depreciated | <u>\$ 527,479</u>       | <u>\$ (82,223)</u> | <u>\$ -</u>                  | <u>\$ 445,256</u>        |

Total depreciation for the year ended June 30, 2018 was \$119,138.

**Note 5 - Long-term Liabilities**

Long-term debt activity for the year ended June 30, 2018 can be summarized as follows:

|                              | Beginning<br>Balance | Additions  | Reductions   | Ending Balance | Due within One<br>Year |
|------------------------------|----------------------|------------|--------------|----------------|------------------------|
| Accrued compensated absences | \$ 85,029            | \$ 175,111 | \$ (151,908) | \$ 108,232     | \$ 59,548              |

June 30, 2018

### Note 6 - Risk Management

The Authority 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. The Authority has purchased commercial insurance for property loss, torts, errors and omissions, and workers' compensation claims and medical benefit claims that fulfill statutory requirements. The Authority is fully insured for claims relating to general liability, property loss claims, workers' compensation, and employee medical claims.

### Note 7 - Cost-sharing Defined Benefit Pension Plan

#### *Plan Description*

The St. Clair Shores General Employees' Retirement System provides pensions for all full-time employees of the City of St. Clair Shores, Michigan and three employees of the Authority. The plan is a cost-sharing multiple-employer defined benefit pension plan administered by the City of St. Clair Shores, Michigan. The plan issues a publicly available financial report that will be included in financial statements and required supplemental information for the system. That report may be obtained by writing to the system at the City of St. Clair Shores, 27600 Jefferson Circle Drive, St. Clair Shores, MI 48081.

#### *Benefits Provided*

The plan provides retirement, disability, and death benefits. No new hires are eligible to participate in the plan because it is a closed plan. Plan members are eligible for regular retirement benefits beginning at age 50 with 25 years of service, or at age 60 with 10 or more years of service. Depending on the applicable collective bargaining agreement, the annual benefit amount is calculated as total service multiplied by 2.5 percent of average final compensation with a maximum of either 62.5, 75, or 80 percent of average final compensation. Average final compensation is based on the highest five nonconsecutive years out of the last 10 years worked. For some collective bargaining agreements, it is calculated as the highest five consecutive years out of the last 10 years worked. All plan members are eligible for deferred retirement after 10 years of service with benefits beginning at age 60. The annual benefit amount is calculated as regular retirement, but is based on average final compensation and service at time of termination.

All plan members are eligible for duty and nonduty disability retirement. There is no age or service requirement for duty disability retirement and the annual benefit is calculated as regular retirement with a minimum benefit of 20 percent of average final compensation. Upon termination of workers' compensation or age 60, whichever occurs first, the benefit is recomputed to include additional service credit for the period workers' compensation was paid. Plan members become eligible for nonduty disability retirement at 10 or more years of service. The annual benefit is calculated as regular retirement.

#### *Contributions*

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the General Employees' Retirement Board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by the board of directors in accordance with the City Charter, union contracts, and plan provisions. For the year ended June 30, 2018, the Authority contributed \$16,627. Under the transfer of operations agreement, the Authority is only liable for the payment of the normal cost portion of the annual contribution.

#### *Payable to the Pension Plan*

As of June 30, 2018, the Authority had no contractual obligation related to the net pension liability for the year ended June 30, 2018.

**Note 7 - Cost-sharing Defined Benefit Pension Plan (Continued)**

***Net Pension Liability, Deferrals, and Pension Expense***

At June 30, 2018, the Authority did not report a net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority pays the normal cost to the City of St. Clair Shores, Michigan each year and 100 percent of the net pension liability remains with the City of St. Clair Shores, Michigan.

**Note 8 - Defined Contribution Retirement Plan**

Employees of the Authority, except those previously covered by the City of St. Clair Shores General Employees' Retirement System, are participants in a defined contribution plan sponsored by the Authority. The plan requires an employer contribution of 10 percent of the employee's base wages and a required employee contribution of 5 percent of an employee's base wages. Employer contributions vest at the end of eight years of service. In accordance with these requirements, the Authority contributed \$113,526 and employees contributed \$56,763 for the year ended June 30, 2018.

**Note 9 - Other Postemployment Benefit Plan**

***Plan Description***

Former employees of the City of St. Clair Shores, Michigan continue to be covered under the City of St. Clair Shores General Retiree Healthcare Plan, with the Authority covering payments for current service, as calculated by an actuary. The plan is a defined benefit healthcare plan that is administered by the City of St. Clair Shores, Michigan. This cost-sharing plan covers most full-time employees of the City of St. Clair Shores, Michigan and three employees of the Authority. The City of St. Clair Shores General Retiree Healthcare Plan provides medical and prescription benefits to eligible retirees and their dependents. The plan does not issue a separate financial report and is included in the City of St. Clair Shores, Michigan's financial statements. The report is publicly available and can be obtained at the City of St. Clair Shores, 27600 Jefferson Circle Drive, St. Clair Shores, MI 48081.

***Benefits Provided***

City of St. Clair Shores General Retiree Healthcare Plan provides healthcare and vision benefits for retirees and their dependents.

***Contributions***

The Authority's obligation to contribute to and maintain the City of St. Clair Shores General Retiree Healthcare Plan for these employees was established by negotiation with the City of St. Clair Shores' and the Authority's competitive bargaining units. The contractually required contribution rate for the year ended June 30, 2018 was 24.4 percent of annual payroll. This rate was actuarially determined as an amount that is expected to finance the costs of benefits earned by employees during the year. The Authority's required contributions and actual contributions to the plan from the Authority were \$33,033 for the year ended June 30, 2018.

***Payable to the Other Postemployment Benefit Plan***

As of June 30, 2018, the Authority had no contractual obligation related to the net OPEB liability for the year ended June 30, 2018.

June 30, 2018

**Note 9 - Other Postemployment Benefit Plan (Continued)**

*Net OPEB Liability, Deferrals, and OPEB Expense*

At June 30, 2018, the Authority did not report a net OPEB liability. The net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Authority pays the normal cost to the City of St. Clair Shores, Michigan each year and 100 percent of the net OPEB liability remains with the City of St. Clair Shores, Michigan.

**Note 10 - Participating Municipalities**

South East Regional Emergency Services Authority is a joint venture of three municipalities. Participating municipalities include the cities of Roseville, Eastpointe, and St. Clair Shores, Michigan. The municipalities record an equity interest in the Authority's net position.

The following table summarizes the municipalities' current equity interest percentages and cumulative equity interest as of June 30, 2018:

|                  | Current Equity<br>Interest<br>Percentage (%) | Cumulative<br>Equity Interest |
|------------------|--|-------------------------------|
| Roseville        | 37   | \$ 688,265                    |
| Eastpointe       | 29   | 487,670                       |
| St. Clair Shores | 34   | 603,682                       |

---

## Required Supplemental Information

---

## South East Regional Emergency Services Authority

### Required Supplemental Information Budgetary Comparison Schedule General Fund

Year Ended June 30, 2018

|  | Original<br>Budget | Final Budget        | Actual              | Variance with<br>Final Budget,<br>positive (negative) |
|--|--------------------|---------------------|---------------------|---|
| <b>Revenue</b>                                       |                    |                     |                     |   |
| Member contributions                                 | \$ 2,246,867       | \$ 2,246,867        | \$ 2,246,867        | \$ -  |
| 911 wireless training grants                         | 215,000            | 216,220             | 216,220             | -   |
| Grants - Other                                       | 22,000             | 88,908              | 88,908              | -   |
| Investment earnings                                  | 1,000              | 3,792               | 1,922               | (1,870)   |
| Other revenue  | 100                | 2,500               | 3,072               | 572   |
| <b>Total revenue</b>                                 | <b>2,484,967</b>   | <b>2,558,287</b>    | <b>2,556,989</b>    | <b>(1,298)</b>  |
| <b>Expenditures</b>                                  |                    |                     |                     |   |
| Salaries   | 1,547,004          | 1,369,249           | 1,299,011           | 70,238  |
| Fringe benefits                                      | 559,968            | 567,077             | 541,052             | 26,025  |
| Operating supplies and sundry                        | 110,742            | 91,658              | 83,847              | 7,811   |
| Professional fees, promotion, training,<br>and other | 126,582            | 109,930             | 116,046             | (6,116)   |
| Administration fees                                  | 123,720            | 123,720             | 123,720             | -   |
| <b>Total expenditures</b>                            | <b>2,468,016</b>   | <b>2,261,634</b>    | <b>2,163,676</b>    | <b>97,958</b>   |
| <b>Excess of Revenue Over Expenditures</b>           | <b>16,951</b>      | <b>296,653</b>      | <b>393,313</b>      | <b>96,660</b>   |
| <b>Other Financing Uses - Transfers out</b>          | <b>(411,095)</b>   | <b>(256,922)</b>    | <b>(256,922)</b>    | <b>-</b>  |
| <b>Net Change in Fund Balances</b>                   | <b>(394,144)</b>   | <b>39,731</b>       | <b>136,391</b>      | <b>96,660</b>   |
| <b>Fund Balance - Beginning of year</b>              | <b>1,079,625</b>   | <b>1,079,625</b>    | <b>1,079,625</b>    | <b>-</b>  |
| <b>Fund Balance - End of year</b>                    | <b>\$ 685,481</b>  | <b>\$ 1,119,356</b> | <b>\$ 1,216,016</b> | <b>\$ 96,660</b>                                      |

## South East Regional Emergency Services Authority

### Required Supplemental Information

### Schedule of Pension Contributions - St. Clair Shores General Employees' Retirement System

|  | <b>Last Eight Fiscal Years</b> |                    |                    |                    |                    |                    |                    |                    |
|--|--------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|  | <b>Years Ended June 30</b>     |                    |                    |                    |                    |                    |                    |                    |
|  | <u>2018</u>                    | <u>2017</u>        | <u>2016</u>        | <u>2015</u>        | <u>2014</u>        | <u>2013</u>        | <u>2012</u>        | <u>2011</u>        |
| Actuarially determined contribution                                  | \$ 17,982                      | \$ 16,767          | \$ 21,903          | \$ 22,529          | \$ 33,025          | \$ 31,774          | \$ 58,563          | \$ 27,913          |
| Contributions in relation to the actuarially determined contribution | <u>17,982</u>                  | <u>16,767</u>      | <u>21,903</u>      | <u>22,529</u>      | <u>33,025</u>      | <u>31,774</u>      | <u>58,563</u>      | <u>27,913</u>      |
| <b>Contribution Deficiency</b>                                       | <b><u>\$ -</u></b>             | <b><u>\$ -</u></b> | <b><u>\$ -</u></b> | <b><u>\$ -</u></b> | <b><u>\$ -</u></b> | <b><u>\$ -</u></b> | <b><u>\$ -</u></b> | <b><u>\$ -</u></b> |
| <b>Covered Employee Payroll</b>                                      | <b>\$ 108,085</b>              | <b>\$ 106,175</b>  | <b>\$ 163,687</b>  | <b>\$ 169,742</b>  | <b>\$ 233,959</b>  | <b>\$ 297,233</b>  | <b>\$ 393,244</b>  | <b>\$ 176,330</b>  |
| <b>Contributions as a Percentage of Covered Employee Payroll</b>     | <b>16.64 %</b>                 | <b>15.79 %</b>     | <b>13.38 %</b>     | <b>13.27 %</b>     | <b>14.12 %</b>     | <b>10.69 %</b>     | <b>14.89 %</b>     | <b>15.83 %</b>     |

\* The "schedule of the Authority's proportionate share of the net pension liability" was not included within the required supplemental information as the Authority's proportion share of the net pension liability is currently and historically been zero.

## South East Regional Emergency Services Authority

### Required Supplemental Information

### Schedule of Authority Contributions - City of St. Clair Shores Retiree Healthcare Plan

|  | <b>Last Eight Fiscal Years</b> |                   |                   |                   |                   |                   |                   |                   |
|--|--------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|  | <b>Years Ended June 30</b>     |                   |                   |                   |                   |                   |                   |                   |
|  | 2018                           | 2017              | 2016              | 2015              | 2014              | 2013              | 2012              | 2011              |
| Contractually required contribution                                  | \$ 33,033                      | \$ 32,290         | \$ 44,274         | \$ 65,362         | \$ 76,314         | \$ 50,267         | \$ 62,263         | \$ 31,130         |
| Contributions in relation to the actuarially determined contribution | 33,033                         | 32,290            | 44,274            | 65,362            | 76,314            | 50,267            | 62,263            | 31,130            |
| <b>Contribution Deficiency</b>                                       | <b>\$ -</b>                    | <b>\$ -</b>       | <b>\$ -</b>       | <b>\$ -</b>       | <b>\$ -</b>       | <b>\$ -</b>       | <b>\$ -</b>       | <b>\$ -</b>       |
| <b>Covered Employee Payroll</b>                                      | <b>\$ 108,085</b>              | <b>\$ 106,175</b> | <b>\$ 163,687</b> | <b>\$ 169,742</b> | <b>\$ 233,959</b> | <b>\$ 297,233</b> | <b>\$ 393,244</b> | <b>\$ 176,330</b> |
| <b>Contributions as a Percentage of Covered Employee Payroll</b>     | <b>30.56 %</b>                 | <b>30.41 %</b>    | <b>27.05 %</b>    | <b>38.51 %</b>    | <b>32.62 %</b>    | <b>16.91 %</b>    | <b>15.83 %</b>    | <b>17.65 %</b>    |

\* The "schedule of the Authority's proportionate share of the net OPEB liability" was not included within the required supplemental information as the Authority's proportion share of the net OPEB liability is currently and historically been zero.

# South East Regional Emergency Services Authority

## Notes to Required Supplemental Information

June 30, 2018

### **Budgetary Information**

The annual budget is prepared and adopted by South East Regional Emergency Services Authority members; subsequent amendments are approved by the Authority's members. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. During the current year, the budget was amended prior to June 30, 2018. The impact of the amendments on total budgeted revenue and expenditures is as follows:

|                         |           |
|-------------------------|-----------|
| Revenue - Increase      | \$ 73,320 |
| Expenditures - Decrease | 181,382   |
| Transfers - Decrease    | 154,173   |

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

During the year, the South East Regional Emergency Services Authority incurred expenditures that were in excess of the amounts budgeted due to an increase in training costs incurred, as follows:

|   | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---|---------------|---------------|-----------------|
| Professional fees, promotion, training, and other | \$ 109,930    | \$ 116,046    | \$ (6,116)      |