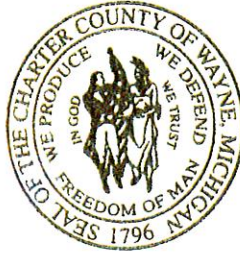


Office of Legislative  
**Auditor General**

Marcella Cora CPA, CIA, CICA, CGMA  
AUDITOR GENERAL



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May 6, 2016

**FINAL REPORT TRANSMITTAL LETTER**

Honorable Wayne County Commissioners:

Enclosed is our final copy of the Office of Legislative Auditor General's Financial Assessment – Attestation Review report for the Wayne County Employees' Retirement System – Defined Benefit Plan audited financial statements for the fiscal years ended September 30, 2015 and 2014. Our report is dated March 23, 2016; DAP No. 2016-57-901(A). The report was accepted by the Audit Committee at its meeting held on April 27, 2016, and formally received by the Wayne County Commission on May 5, 2016.

We are pleased to inform you that officials from the Wayne County Employees' Retirement System provided their full cooperation. If you have any questions, concerns, or desire to discuss the report in greater detail, we would be happy to do so at your convenience. This report is intended for your information and should not be used for any other purpose. Copies of all Office of Legislative Auditor General's final reports can be found on our website at:  
<http://www.waynecounty.com/commission/743.htm>.

Marcella Cora, CPA, CIA, CGMA, CICA  
Auditor General

**REPORT DISTRIBUTION**

**Wayne County Employees' Retirement System**

Robert Grden, Director

Tina Turner, Board Chairman, WCERS

Todd Pickett, Department Administrator

**Department of Management & Budget**

Tony Saunders, Chief Financial Officer

Terry L. Hasse – Director, Grants Compliance and Contract Management

Ashley V. Johnson, Assistant Division Director of Grants and Contracts

**Wayne County Executive**



**Wayne County Office of Legislative Auditor General (OAG)**  
**Financial Assessment – Attestation Review Report**

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<b>Report Entity Name &amp; Type</b>	Wayne County Employees' Retirement System Defined Benefit Plan; audited financial statements and other supplementary information for the fiscal years ended September 30, 2015 and 2014.
<b>DAF No.</b>	No DAF number has been assigned because the financial statements have not been formally referred to the Commission. However, in accordance with Wayne County Ordinance #98-59, management provided the OAG with the financial statements and we have included them in our report.
<b>Referring Department/Agency</b>	Wayne County Employees' Retirement System (WCERS)
<b>Entity Purpose and Type</b>	The Wayne County Employees' Retirement System Defined Benefit Plan (the "Plan") is a contributory agent multiple-employer defined benefit public employee retirement plan governed by the Wayne County Employees' Retirement System ("WCERS") and created under Enrolled Ordinance No. 86-486 (November 20, 1986), as amended (the "Pension Ordinance"), and Resolution No. 2014-736 (December 18, 2014) of the County of Wayne (the "County") and has two participating employers, the County and WCAA. WCERS was established by the County to provide retirement, survivor, and disability benefits to the county's employees, which includes the employees of the primary government (i.e., the general county) as well as those of the discretely presented component units, including, but not limited to the Wayne County Airport Authority. WCERS is considered part of the County's financial reporting entity and is included in the County's Comprehensive Annual Financial Report as a collection of fiduciary pension trust funds.
<b>Organizational or Governance Structure</b>	The WCERS organizational structure includes the retirement board of commissioners who establish the general policy, review actions taken by the staff, fiduciary responsibility for the plans, and hear appeals of action taken by staff in regard to administration of the system. The Commission consists of eight trustees; the Chairperson of the Wayne County Commission, the County Executive or designee, four members of the retirement system who are residents of the County elected by the members of the system, and two retired members who are residents of the County and elected by the retired members and beneficiaries. The day-to-day operations are the responsibility of the retirement staff led by the Executive Director who is selected by the board. The retirement staff is all Wayne County employees.
<b>Entity's Funding Sources</b>	The Plan's benefits are funded by contributions from Wayne County, the Wayne County Airport Authority, and active members, as well as by the investment income earned on the Plan's assets.
<b>Summary of Intergovernmental Agreements with the County</b>	On December 18, 2014 the Wayne County Commission adopted Resolution No. 2014-736, authorizing WCERS to operate an agent multiple-employer retirement system and to be able to enter into an agency agreement with the WCAA to administer the retirement plans of the WCAA. The intergovernmental agreement between WCERS and WCAA was approved by the Wayne County Airport Authority Board on July 15, 2015.
<b>Type of Report</b>	Annual audited financial statements with independent auditors' report. The auditors' report is from Rehmann Robson, Certified Public Accountants.
<b>Report Period(s)</b>	Fiscal Years Ending September 30, 2015 and 2014.



**Wayne County Office of Legislative Auditor General (OAG)**  
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Report Purpose	The purpose of hiring an external auditing firm is to render an opinion on the financial statements of the WCERS for the fiscal years ended September 30, 2015 and 2014. The audited financial statements of the WCERS were prepared at the request of the Retirement board.																																																												
Type of Audit Report Opinion	Unqualified (clean) Opinion.																																																												
Report's Impact on the County's Comprehensive Annual Financial Report	The financial statements of the WCERS were incorporated in the county's Comprehensive Annual Financial Report (CAFR) for the fiscal years ended September 30, 2015 and 2014.																																																												
OAG ASSESSMENT	<p>Our review of the WCERS audited financial statements and other supplementary information for the FY's ended September 30, 2015 and 2014 was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination or audit, the objective of which is the expression of an opinion on the audited financial statements. Accordingly, we do not express such an opinion.</p> <p>Based on the work performed, nothing came to our attention that caused us to believe the audited financial statements of the WCERS and other supplementary information are not presented in conformity with generally accepted accounting principles.</p> <p>We concluded that, generally, the audited financial statements and other supplementary information appear complete and thorough. However, our review of the report's content noted the following:</p> <p>The following summary table identifies the significant fluctuations between FY's 2015 and 2014.</p> <p style="text-align: center;"><b>Wayne County Employees' Retirement System</b> <b>Significant Fluctuations between FY 2015 and FY 2014</b> <b>(In Millions)</b></p> <table><tr><th>Account</th><th>FY 2015</th><th>FY 2014</th><th>Inc/(Dec.)</th><th>Inc./ (Dec.) %</th></tr><tr><td colspan="5"><b>Assets</b></td></tr><tr><td>Investments</td><td>\$ 778.7</td><td>\$ 808.3</td><td>\$ (29.6)</td><td>(3.7%)</td></tr><tr><td>Other assets</td><td>50.9</td><td>9.1</td><td>41.8</td><td>459.3%</td></tr><tr><td><b>TOTAL ASSETS</b></td><td><b>\$ 829.6</b></td><td><b>\$ 817.4</b></td><td><b>\$ 12.2</b></td><td><b>1.5%</b></td></tr><tr><td colspan="5"><b>Deferred Outflow of Resources</b></td></tr><tr><td></td><td>0.6</td><td>0</td><td>\$0.6</td><td>N/A</td></tr><tr><td colspan="5"><b>Liabilities</b></td></tr><tr><td>Liabilities</td><td>\$ 11.0</td><td>\$ 2.8</td><td>\$ 8.20</td><td>292.9%</td></tr><tr><td colspan="5"><b>Deferred Inflow of Resources</b></td></tr><tr><td></td><td>0.1</td><td>0</td><td>0.1</td><td>N/A</td></tr><tr><td><b>NET POSITION RESTRICTED FOR PENSIONS</b></td><td><b>\$ 819.1</b></td><td><b>\$ 814.6</b></td><td><b>\$ 4.50</b></td><td><b>0.1%</b></td></tr></table>	Account	FY 2015	FY 2014	Inc/(Dec.)	Inc./ (Dec.) %	<b>Assets</b>					Investments	\$ 778.7	\$ 808.3	\$ (29.6)	(3.7%)	Other assets	50.9	9.1	41.8	459.3%	<b>TOTAL ASSETS</b>	<b>\$ 829.6</b>	<b>\$ 817.4</b>	<b>\$ 12.2</b>	<b>1.5%</b>	<b>Deferred Outflow of Resources</b>						0.6	0	\$0.6	N/A	<b>Liabilities</b>					Liabilities	\$ 11.0	\$ 2.8	\$ 8.20	292.9%	<b>Deferred Inflow of Resources</b>						0.1	0	0.1	N/A	<b>NET POSITION RESTRICTED FOR PENSIONS</b>	<b>\$ 819.1</b>	<b>\$ 814.6</b>	<b>\$ 4.50</b>	<b>0.1%</b>
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**Wayne County Office of Legislative Auditor General (OAG)**  
**Financial Assessment – Attestation Review Report**

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**OAG  
ASSESSMENT (Con't)**

- The Plan's total assets as of September 30, 2015 were \$829.6 million and were mostly comprised of cash and investments. Total assets increased by \$12.2 million, or 1.5%, from the prior year. Total assets for the fiscal year ending September 30, 2014 were \$817.4 million. The increase is primarily attributable to the judgment of the Inflation Equity Fund (IEF) lawsuit that awarded the Plan the return of the \$32.2 million offset used by the County in 2011 and 2012, plus lost earnings totaling \$18.5 million. The last two years have had favorable overall rate of return on investments of 1.1% and 9.01% for the years ended September 30, 2015 and 2014.
- Other assets include \$3.2 million and \$1.2 million that were due from the Plan's broker for securities sold as of September 30, 2015 and 2014, respectively, and liabilities include \$4.5 million and \$1.3 million that were due to the Plan's broker for securities purchased as of September 30, 2015 and 2014, respectively. The amounts due to and from the broker are purchase and sale transactions initiated before September 30 of each year, but not completed until after October 1 of each year. Other assets as of September 30, 2015 also include \$14.2 million of equity in Wayne County pooled cash and a \$32.5 IEF judgment receivable. The Plan's equity in Wayne County pooled cash as of September 30, 2014 was \$6.9 million
- The implementation of GASB 68 caused the beginning net position restricted for pensions to be reduced by \$5.0 million, deferred outflows of resources of \$0.6 million and deferred inflows of resources of \$0.1 million for the current year.



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OAG  
ASSESSMENT (Con't)

**Wayne County Employees' Retirement System**  
**Statement of Changes in Plan Net Position**  
**Significant Fluctuations between FY 2015 and FY 2014**  
(In Millions)

	FY 2015	FY 2014	Inc/(Dec)	Inc/ (Dec)%
<b>Additions</b>				
Contributions	\$123.1	\$ 88.7	\$ 34.4	38.8%
IEF Judgment Investment Earnings	18.5	0	18.5	N/A
Investment Income				
Net appreciation (depreciation) in fair value of investments	(12.8)	58.4	(71.2)	(121.9%)
Other Investment Income	19.4	21.8	(2.4)	(11.1%)
<b>Total Additions</b>	<b>\$148.2</b>	<b>\$168.9</b>	<b>(\$ 20.7)</b>	<b>(12.3%)</b>
<b>Deductions</b>				
Benefits Payments & Distributions	136.0	133.4	2.6	1.95%
Administrative Expense	2.7	3.0	(0.3)	(10.0%)
<b>Total Deductions</b>	<b>138.7</b>	<b>136.4</b>	<b>2.3</b>	<b>1.69%</b>
<b>Changes in Net Position</b>	<b>\$ 9.5</b>	<b>\$ 32.5</b>	<b>(\$ 23.0)</b>	<b>(70.8%)</b>
<b>Net Position Restricted for Pensions</b>				
<b>Beginning of the year</b>	<b>\$814.6</b>	<b>\$782.1</b>		
<b>GASB Restatement</b>	<b>(5.0)</b>	<b>0</b>		
<b>End of the year</b>	<b>\$819.1</b>	<b>\$814.6</b>	<b>\$4.5</b>	<b>0.55%</b>

- Total contributions for 2015 increased by \$34.4 million or 38.8% compared to the prior year employer contributions that were made at the actual rate of 53.95 and 52.91 percent of covered payroll during the years ended September 30, 2015 and 2014. Employer contributions were \$79.5 million, and \$80.2 million for the years ended September 30, 2015 and 2014. Employee contributions totaled \$11.4 million and \$8.5 million for the years ended September 30, 2015 and 2014.
- Other investment income (including securities lending income) totaled \$0.7 million for the current year. Other investment income totaled \$3.0 million for the years ending September 30, 2014. The decrease was related to corrections made in the prior year by the Wayne County Treasurers Office to the retiree payroll account.
- The change in the fair value of investments was unfavorable for the current year. The fair value of investments had a net depreciation of \$12.8 million for the year ended September 30, 2015 and net appreciation of \$58.4 million for the year ended September 30, 2014. The net depreciation is attributable to the declining financial markets and the resultant investment performance at the end of the year.

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	<ul style="list-style-type: none"><li>The deductions of the Plan include the payment of pension benefits to members and beneficiaries and the costs of administering the Plan. Total deductions of \$138.7 million for the year ended September 30, 2015 were higher than the prior year's deductions of \$136.4 million, due to an increase in the amount of pension benefits paid to retirees. Administrative expenses decreased by \$0.3 million due to the treatment of the net pension liability based on GASB 68 and the deferred pension amounts.</li></ul>
<b>REPORTING CHANGES</b>	The Plan adopted the provisions of GASB Statement No. 68, <i>Accounting and Financial Reporting for Pensions</i> , in the current year. As a result, the beginning net position was restated (i.e., reduced) by \$5,042,939.
<b>VIEWS OF RESPONSIBLE OFFICIALS</b>	The final draft report was provided to the officials in the Wayne County Employees' Retirement System. Management did not have any comments.
<b>OAG OVERALL RECOMMENDATION</b>	It is our recommendation that the Wayne County Employees' Retirement System audited financial statements for the fiscal year ended September 30, 2015 and 2014 is forwarded to the Wayne County Commission for receipt and filing.
<p>This report is intended solely for the information and use of the Wayne County Employees' Retirement System and the Wayne County Commission and is not intended to be and should not be used by another other than these specified parties. This restriction is not intended to limit the distribution of the report, which is a matter of public record.</p> <p></p> <p>Marcella Cora, CPA, CIA, CGMA, CICA Auditor General</p>	