

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE
DISTRICT
OWOSSO, MICHIGAN
FINANCIAL STATEMENTS
JUNE 30, 2024



WEINLANDER FITZHUGH
Certified Public Accountants & Advisors

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INDEPENDENT AUDITOR'S REPORT

October 4, 2024

Board of Education
Shiawassee Regional Educational Service District
Owosso, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Shiawassee Regional Educational Service District (School District), as of and for the year ended June 30, 2024 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Shiawassee Regional Educational Service District as of June 30, 2024 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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



WEINLANDER FITZHUGH

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Shiawassee Regional Educational Service District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Shiawassee Regional Educational Service District's ability to continue as a going concern for a reasonable period of time.

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



WEINLANDER FITZHUGH

Certified Public Accountants & Advisors

Required Supplementary Information

U.S. generally accepted accounting principles requires that the management's discussion and analysis and budgetary comparison information and pension and OPEB schedules, as noted in the table of contents to be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who 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 supplementary information in accordance with U.S. generally accepted auditing standards, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2024, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Weinlander Fitzhugh

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2024

Our discussion and analysis of Shiawassee Regional Educational Service District's (School District) financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2024.

Financial Highlights

The School District's net position increased by \$10,819,932 or 65%. Program revenues were \$35,429,748 or 64% of total revenues, and general revenues were \$19,884,093 or 36%.

The General Fund reported a positive fund balance of \$3,524,381. The Special Education Fund reported a positive fund balance of \$13,641,759. The Vocational Education Fund reported a positive fund balance of \$2,731,393.

Using this Annual Financial Report

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds - the General Fund, Special Education Fund, Vocational Education Fund and Capital Projects Fund with all other funds presented in one column as nonmajor funds. The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- District-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

Budgetary Information for the General Fund, Special Education Fund, and Vocational Education Fund (Required Supplemental Information)

Pension Schedules (Required Supplemental Information)

OPEB Schedules (Required Supplemental Information)

Other Supplemental Information

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2024

Reporting the District as a Whole

The Statement of Net Position and Statement of Activities

One of the most important questions asked about the School District's finances is: "Is the School District better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the School District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the School District's net position as a way to measure the School District's financial position. The change in net position provides the reader a tool to assist in determining whether the School District's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base, student enrollment growth and facility conditions in arriving at their conclusion regarding the overall health of the School District.

Reporting the District's Most Significant Funds

Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants and other sources of revenue.

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2024

District-wide Financial Analysis

The statement of net position provides the perspective of the School District as a whole. Exhibit A provides a summary of the School District's net position as of June 30, 2024 and 2023:

Exhibit A	Governmental Activities	
	2024	2023
Assets		
Current and other assets	\$ 36,727,275	\$ 28,610,681
Net OPEB asset	779,463	0
Capital assets - net of accumulated depreciation	5,812,974	4,464,687
Total assets	43,319,712	33,075,368
Deferred Outflows of Resources		
Related to pensions	14,821,334	13,215,416
Related to OPEB	3,360,715	3,379,378
Total deferred outflows of resources	18,182,049	16,594,794
Liabilities		
Current liabilities	11,463,429	9,421,537
Long-term liabilities	41,907,526	47,181,278
Total liabilities	53,370,955	56,602,815
Deferred Inflows of Resources		
Related to OPEB	6,294,745	5,485,724
Related to pensions	7,743,204	4,308,698
Total net position	14,037,949	9,794,422
Net Position		
Net investment in capital assets	5,812,974	4,464,687
Restricted	0	2,734,844
Restricted for net OPEB asset	779,463	0
Unrestricted	(12,499,580)	(23,926,606)
Total net position	\$ (5,907,143)	\$ (16,727,075)

The analysis above focuses on net position (see Exhibit A). The School District's net position of governmental activities was \$(5,907,143) at June 30, 2024. Investment in property and equipment totaling \$5,812,974, compares the original costs less depreciation of the School District's capital assets. Restricted net position is reported separately to show legal constraints from legislation that limit the School District's ability to use that net position for day-to-day operations.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2024

The \$(12,499,580) in unrestricted net position of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The School District implemented GASB Statement No. 68 in 2015. The effect of this Statement required the School District to report in the summary of net position, a liability of \$41,764,599 for 2024 and \$44,521,443 for 2023.

The School District implemented GASB Statement No. 75 in 2018. The effect of this Statement required the School District to report in the summary of net position, an (asset) liability of \$(779,463) for 2024 and \$2,562,728 for 2023.

The results of this year's operations for the School District as a whole are reported in the statement of activities. Exhibit B provides a summary of the changes in net position for the years ended June 30, 2024 and 2023.

Exhibit B	Governmental Activities	
	2024	2023
Revenues		
Program revenue:		
Charges for services	\$ 6,213,336	\$ 6,116,038
Grants and categoricals	29,216,412	18,113,109
General revenue:		
Property taxes	14,168,863	13,344,853
State aid	4,741,665	3,872,877
Other	973,565	1,858,342
Total revenues	55,313,841	43,305,219
Function/Program Expenses		
Instruction	5,692,033	4,917,496
Support services	27,984,912	23,898,420
Community services	1,331,848	1,095,958
Capital outlay	280,779	619,714
Transfers out to other local districts	8,659,789	6,235,782
Student/school activities	20,594	18,425
Depreciation (unallocated)	523,954	485,815
Total expenses	44,493,909	37,271,610
Change in Net Position	\$ 10,819,932	\$ 6,033,609

As reported in the statement of activities, the cost of all of our governmental activities this year was \$44,493,909. Certain activities were partially funded from those who benefited from the programs, \$6,213,336, or by the other governments and organizations that subsidized certain programs with grants and categoricals of \$29,216,412. We paid for the remaining "public benefit" portion of our governmental activities with \$14,168,863 in taxes, \$4,741,665 in State aid and with our other revenues, such as interest and entitlements.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2024

As reported in the statement of activities, the cost of all of our governmental activities this year was \$44,493,909. Certain activities were partially funded from those who benefited from the programs, \$6,213,336, or by the other governments and organizations that subsidized certain programs with grants and categoricals of \$29,216,412. We paid for the remaining "public benefit" portion of our governmental activities with \$14,168,863 in taxes, \$4,741,665 in State aid and with our other revenues, such as interest and entitlements.

The School District's governmental activities had an increase in net position of \$10,819,932. The major reason for this was an increase in revenues for grants and categoricals for State Aid, and a decrease in expenses for capital outlay.

The School District's Funds

The School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

The School District's governmental and internal service funds reported a combined fund balance/net position of \$25,263,847, which is above last year's total of \$19,189,144. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2024 and 2023.

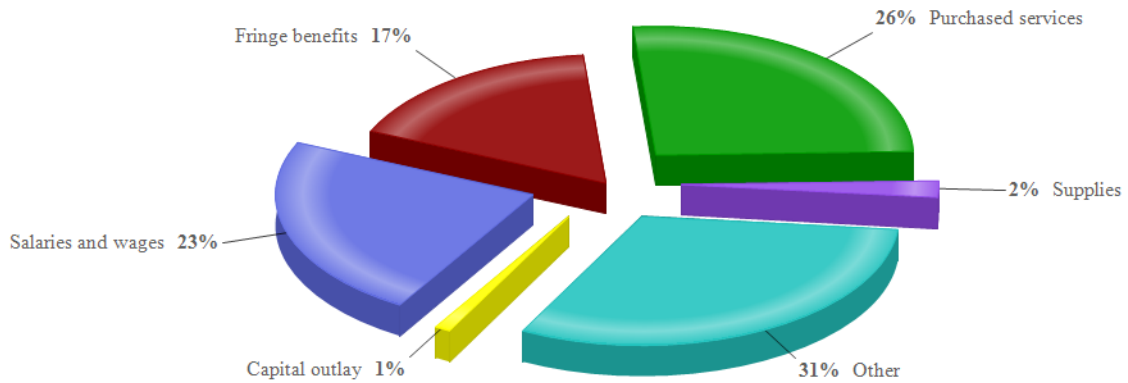
	<u>Balance</u> <u>6/30/2024</u>	<u>Balance</u> <u>6/30/2023</u>	<u>Increase</u> <u>(Decrease)</u>
General Fund	\$ 3,524,381	\$ 2,580,234	\$ 944,147
Special Education Fund	13,641,759	11,840,701	1,801,058
Vocational Education	2,731,393	1,754,590	976,803
Capital Projects Fund	5,215,842	2,734,844	2,480,998
Student Activities Fund	<u>30,113</u>	<u>30,905</u>	<u>(792)</u>
	25,143,488	18,941,274	6,202,214
Self-funded Health Fund	120,359	247,870	(127,511)
	<u>\$ 25,263,847</u>	<u>\$ 19,189,144</u>	<u>\$ 6,074,703</u>

- Our General Fund increased due to increased revenue from state and local sources.
- Our Special Education Fund increased due to increased revenue from state and local sources.
- Our Vocational Education Fund increased due to the new program planning for continued expansion.
- Our Capital Projects Fund increased due to additional funding added to plan for future building needs.
- Our Student Activities Funds decreased due to expenses related to student activities throughout the fiscal year.
- Our Self-Funded Health Fund decreased due to planned closeout of the fund after switching from self-funded to a insurance pool program.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2024

As the graph below illustrates, the largest portions of General Fund expenditures are for salaries and fringe benefits. The School District by nature is a labor intensive organization.

Expenditures

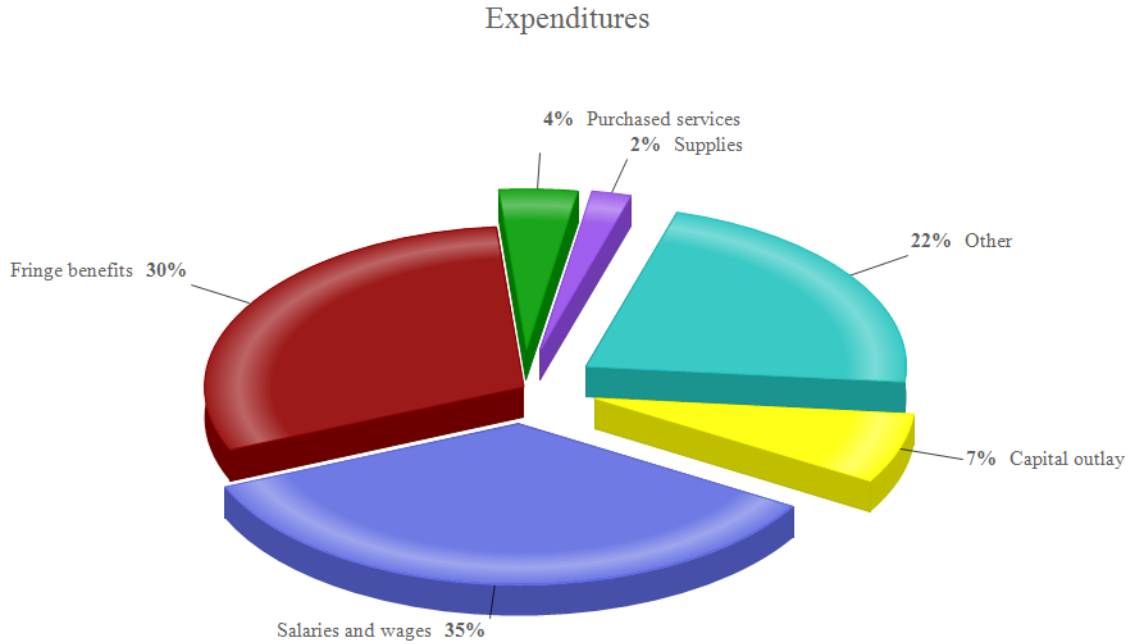


Expenditures by Object	<u>2024</u>	<u>2023</u>
Salaries and wages	\$ 4,711,118	\$ 3,815,492
Fringe benefits	3,504,030	3,067,289
Purchased services	5,398,633	1,786,399
Supplies	440,391	332,450
Capital outlay	56,737	57,719
Other	6,406,276	4,433,806
Total	<u>\$ 20,517,185</u>	<u>\$ 13,493,155</u>

Expenditures have increased by \$7,024,030 due to the increase in salaries, benefits, supply costs, and additional grant funds awarded.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2024

As the graph below illustrates, the largest portions of Special Education Fund expenditures are for salaries and fringe benefits. The School District by nature is a labor intensive organization.

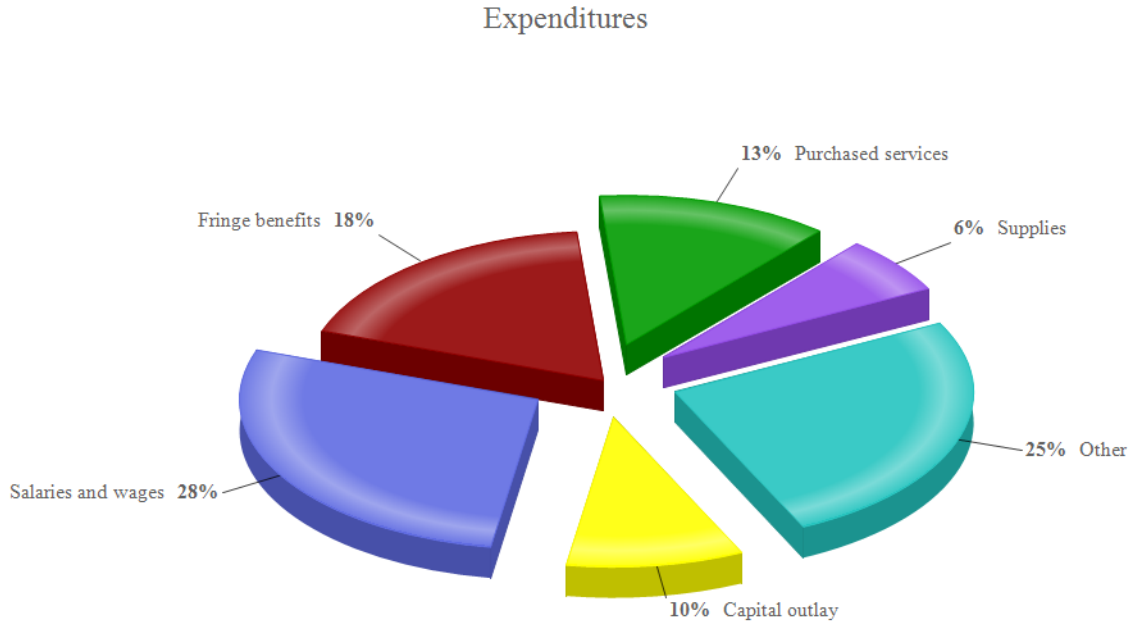


Expenditures by Object	2024	2023
Salaries and wages	\$ 10,208,738	\$ 9,696,218
Fringe benefits	8,740,056	8,497,160
Purchased services	1,178,702	1,242,697
Supplies	697,734	724,196
Capital outlay	2,116,392	1,565,738
Other	6,306,576	5,493,824
Total	\$ 29,248,198	\$ 27,219,833

Expenditures have increased by \$2,028,365 from the prior year mainly due to the increase in salaries, benefits, supply costs, and additional grant funds awarded.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
 Management's Discussion & Analysis
 For the Year Ended June 30, 2024

As the graph below illustrates, the largest portions of Vocational Education Fund expenditures are for salaries and fringe benefits. The School District by nature is a labor intensive organization.



Expenditures by Object	2024	2023
Salaries and wages	\$ 741,249	\$ 325,475
Fringe benefits	485,258	154,923
Purchased services	337,213	96,712
Supplies	164,421	49,915
Capital outlay	255,435	106,239
Other	677,347	51,404
Total	\$ 2,660,923	\$ 784,668

Expenditures have increased by \$1,876,255 from the prior year mainly due to the increase in salaries/ benefits, supplies cost, and the continued expansion of the new program.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2024

Budgetary Highlights

Over the course of the year, the School District revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund and Special Education Fund original budget were as follows:

- Budgeted revenues for the General Fund were increased by \$10,705,913 due to additional Federal and State grants awarded during the fiscal year along with carryover from previous years
- Actual revenue for the General Fund was \$4,597,871 less than budgeted revenue due to Federal and State grants deferred to the next fiscal year.
- Budgeted expenditures for the General Fund were increased by \$7,270,021. This increase was due to additional Federal and State grants awarded during the fiscal year along with carryover from previous years.
- Actual expenditures for the General Fund were \$4,121,539 less than budgeted expenditures due to Federal and State grants deferred to the next fiscal year.
- Budgeted revenues for the Special Education Fund were increased by \$5,400,329 due to additional Federal and State grants awarded during the fiscal year along with carryover from previous years.
- Actual revenue for the Special Education Fund was \$407,435 more than budgeted revenues due to additional State revenue received after budgets were approved.
- Budgeted expenditures for the Special Education Fund were increased by \$1,866,360. This increase was due to additional Federal and State grants awarded during the fiscal year along with carryover from previous years.
- Actual expenditures for the Special Education Fund were \$686,147 less than budgeted expenditures due to Federal and State grants deferred to the next fiscal year.
- Budgeted revenues for the Vocational Education Fund were increased by \$1,614,289 due to additional Federal and State grants awarded during the fiscal year along with carryover from previous years.
- Actual revenue for the Vocational Education Fund was \$805,542 less than budgeted revenues due to Federal and State grants deferred to the next fiscal year.
- Budgeted expenditures for the Vocational Education Fund were increased by \$1,900,359. This increase was due to additional Federal and State grants awarded during the fiscal year along with carryover from previous years, and the continued expansion of the new program.
- Actual expenditures for the Vocational Education Fund were \$1,079,252 less than budgeted expenditures due to Federal and State grants deferred to the next fiscal year.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2024

Capital Assets

At June 30, 2024, the School District had \$5,812,974 invested in a broad range of capital assets, including land, buildings, furniture and equipment. This amount represents a net increase (including additions and disposals) of 30% from last year.

	2024	2023
Land	\$ 13,138	\$ 13,138
Buildings and improvements	5,249,418	5,249,418
Land improvements	257,098	248,956
Equipment and furniture	1,558,352	1,437,354
Vehicles	3,383,499	3,191,408
Construction in progress	1,833,739	553,572
Total capital assets	12,295,244	10,693,846
Less accumulated depreciation	6,482,270	6,229,159
Net capital assets	\$ 5,812,974	\$ 4,464,687

This year's governmental activities additions of \$1,872,241 were for 3 buses, a tractor, a lawn mower, a snow plow, surveillance cameras and other security, a desk, a trailer, asphalt improvements, architectural fees for the Pole Barn and construction on the new transportation building.

We present more detailed information about our capital assets in the notes to the financial statements.

Factors Expected to have an Effect on Future Operations

The following factors will affect the School District in the future and were considered in preparing the School District's budget for the 2024-2025 fiscal year:

Foundation Allowance – No increase was budgeted for in 2024-2025. PA 144, which was approved after the adoption of our initial budget, did not increase the per pupil foundation allowance, however it did include some changes to the MPSERS costs and funding for districts. The political debate regarding the funding of public education and the current economic climate in the State of Michigan may affect future fiscal year estimates..

Retirement Rate – In 2024-2025, the rate is anticipated to increase to 31.36%. In addition, the district will be required to pay 17.02% for all wages earned October 1, 2024 and later, for the Unfunded Actuarial Accrued Liability (UAAL)..

Medical Insurance Rates – In 2024-2025, the rate is anticipated to increase by the allotted annual cap rate of .2% through December 2025.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2024

Requests for Information

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the School District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Business Office
Shiawassee Regional Education Service District
114 West North Street
Owosso, MI 48867

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Statement of Net Position
June 30, 2024

	<u>Governmental Activities</u>
Cash and investments	\$ 30,774,696
Receivables - net:	
Accounts receivable	627,221
Due from other governmental units	5,099,590
Prepaid expenses	225,768
Capital assets less accumulated depreciation \$6,482,270	5,812,974
Net OPEB Asset	<u>779,463</u>
Total assets	<u>43,319,712</u>
 <u>Deferred Outflows of Resources</u>	
Related to pensions	14,821,334
Related to OPEB	<u>3,360,715</u>
Total deferred outflows of resources	<u>18,182,049</u>
 <u>Liabilities</u>	
Accounts payable	2,088,211
Accrued payroll and other liabilities	2,273,866
Unearned revenue	7,101,352
Long-term liabilities:	
Due in more than one year	142,927
Net pension liability	<u>41,764,599</u>
Total liabilities	<u>53,370,955</u>
 <u>Deferred Inflows of Resources</u>	
Related to pensions	7,743,204
Related to OPEB	<u>6,294,745</u>
Total deferred inflows of resources	<u>14,037,949</u>
 <u>Net Position</u>	
Net investment in capital assets	5,812,974
Restricted for net OPEB asset	779,463
Unrestricted	<u>(12,499,580)</u>
Total net position	<u>\$ (5,907,143)</u>

See accompanying notes to financial statements.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Statement of Activities
For the Year Ended June 30, 2024

	Program Revenues			Governmental Activities
Expenses	Charges for Services	Operating Grants/ Contributions	Net (Expense) Revenue and Changes in Net Position	
<u>Functions/Programs</u>				
Primary government -				
Governmental activities:				
Instruction	\$ 5,692,033	\$ 1,149,551	\$ 1,012,311	\$ (3,530,171)
Support services	27,984,912	4,842,537	22,368,425	(773,950)
Community services	1,331,848	201,446	0	(1,130,402)
Capital outlay	280,779	0	0	(280,779)
Transfers out to other local districts	8,659,789	0	5,835,676	(2,824,113)
Student/school activities	20,594	19,802	0	(792)
Depreciation (unallocated)	523,954	0	0	(523,954)
 Total governmental activities	 \$ 44,493,909	 \$ 6,213,336	 \$ 29,216,412	 (9,064,161)
 General revenues:				
Taxes:				
Property taxes, levied for general purposes				14,168,863
State aid				4,741,665
Interest and investment earnings				342,231
Other				626,834
Gain on disposal of assets				4,500
				19,884,093
				10,819,932
Change in net position				10,819,932
Net position - beginning of year				(16,727,075)
Net position - end of year				\$ (5,907,143)

See accompanying notes to financial statements.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT

Governmental Funds

Balance Sheet

June 30, 2024

	General	Special Education Fund	Vocational Education Fund	Capital Projects Fund	Other Nonmajor Governmental Funds	Total
<u>Assets</u>						
Cash and investments	\$ 7,283,130	\$ 16,660,540	\$ 4,033,520	\$ 2,651,641	\$ 30,113	\$ 30,658,944
Receivables - net:						
Accounts receivable	406,070	218,560	2,591	0	0	627,221
Due from other funds	3,177,886	1,659	221,573	2,575,000	0	5,976,118
Due from other governmental units	2,233,978	2,633,161	232,451	0	0	5,099,590
Prepaid expenditures	221,161	0	0	0	0	221,161
 Total assets	 <u>\$ 13,322,225</u>	 <u>\$ 19,513,920</u>	 <u>\$ 4,490,135</u>	 <u>\$ 5,226,641</u>	 <u>\$ 30,113</u>	 <u>\$ 42,583,034</u>
<u>Liabilities and Fund Balance</u>						
<u>Liabilities</u>						
Accounts payable	\$ 1,502,571	\$ 488,987	\$ 85,853	\$ 10,800	\$ 0	\$ 2,088,211
Due to other funds	1,298,232	4,451,004	226,882	0	0	5,976,118
Accrued payroll and other liabilities	1,541,782	706,636	25,448	0	0	2,273,866
Unearned revenue	5,455,259	225,534	1,420,559	0	0	7,101,352
 Total liabilities	 <u>9,797,844</u>	 <u>5,872,161</u>	 <u>1,758,742</u>	 <u>10,800</u>	 <u>0</u>	 <u>17,439,547</u>
<u>Fund Balance</u>						
Nonspendable - prepaid	221,161	0	0	0	0	221,161
Restricted	0	11,735,729	2,731,393	5,215,841	0	19,682,963
Committed	59,333	572,775	0	0	30,113	662,221
Assigned	95,000	1,333,255	0	0	0	1,428,255
Unassigned	3,148,887	0	0	0	0	3,148,887
 Total fund balance	 <u>3,524,381</u>	 <u>13,641,759</u>	 <u>2,731,393</u>	 <u>5,215,841</u>	 <u>30,113</u>	 <u>25,143,487</u>
 Total liabilities and fund balance	 <u>\$ 13,322,225</u>	 <u>\$ 19,513,920</u>	 <u>\$ 4,490,135</u>	 <u>\$ 5,226,641</u>	 <u>\$ 30,113</u>	 <u>\$ 42,583,034</u>

See accompanying notes to financial statements.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
 Reconciliation of Balance Sheet of Governmental Funds
 to the Statement of Net Position
June 30, 2024

Total fund balance - governmental funds	\$ 25,143,487
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	
Cost of the capital assets	12,295,244
Accumulated depreciation	(6,482,270)
Net OPEB Asset	779,463
Deferred outflows used in governmental activities are not financial resources and therefore are not reported in governmental funds:	
Related to pensions	14,821,334
Related to OPEB	3,360,715
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Compensated absences	(142,927)
Net pension liability	(41,764,599)
Deferred inflows used in governmental activities are not recognized as current resources and therefore are not reported in governmental funds:	
Related to pensions	(7,743,204)
Related to OPEB	(6,294,745)
Internal service funds are used by the School District to charge costs of employee benefit programs to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets	<u>120,359</u>
Total net position - governmental activities	<u>\$ (5,907,143)</u>

See accompanying notes to financial statements.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2024

	General	Special Education Fund	Vocational Education Fund	Capital Projects Fund	Other Nonmajor Governmental Funds	Total
<u>Revenues</u>						
Local sources	\$ 1,570,343	\$ 12,280,634	\$ 2,645,793	\$ 58,897	\$ 19,802	\$ 16,575,469
State sources	13,818,098	12,312,667	977,810	0	0	27,108,575
Federal sources	862,524	5,524,973	0	0	0	6,387,497
Interdistrict and other sources	3,088,972	588,929	14,123	0	0	3,692,024
Total revenues	<u>19,339,937</u>	<u>30,707,203</u>	<u>3,637,726</u>	<u>58,897</u>	<u>19,802</u>	<u>53,763,565</u>
<u>Expenditures</u>						
Instruction	188,657	5,313,369	783,448	0	0	6,285,474
Support services	12,895,232	16,003,002	1,130,844	0	0	30,029,078
Community services	1,207,351	54,361	69,283	0	0	1,330,995
Student activities	0	0	0	0	20,594	20,594
Capital outlay	0	1,543,046	0	17,900	0	1,560,946
Total expenditures	<u>14,291,240</u>	<u>22,913,778</u>	<u>1,983,575</u>	<u>17,900</u>	<u>20,594</u>	<u>39,227,087</u>
Excess (deficiency) of revenues over expenditures	<u>5,048,697</u>	<u>7,793,425</u>	<u>1,654,151</u>	<u>40,997</u>	<u>(792)</u>	<u>14,536,478</u>
<u>Other Financing Sources (Uses)</u>						
Operating transfers in	2,121,395	342,053	0	2,575,000	0	5,038,448
Operating transfers out	(1,075,000)	(3,329,995)	(172,929)	(135,000)	0	(4,712,924)
Transfers out to other local districts	(5,150,945)	(3,004,425)	(504,419)	0	0	(8,659,789)
Total other financing sources (uses)	<u>(4,104,550)</u>	<u>(5,992,367)</u>	<u>(677,348)</u>	<u>2,440,000</u>	<u>0</u>	<u>(8,334,265)</u>
Net change in fund balance	944,147	1,801,058	976,803	2,480,997	(792)	6,202,213
Fund balance - beginning of year, restated	<u>2,580,234</u>	<u>11,840,701</u>	<u>1,754,590</u>	<u>2,734,844</u>	<u>30,905</u>	<u>18,941,274</u>
Fund balance - end of year	<u>\$ 3,524,381</u>	<u>\$ 13,641,759</u>	<u>\$ 2,731,393</u>	<u>\$ 5,215,841</u>	<u>\$ 30,113</u>	<u>\$ 25,143,487</u>

See accompanying notes to financial statements.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2024

Net change in fund balance - total governmental funds	\$ 6,202,213
<p>Amounts reported for governmental activities in the statements of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation</p>	
Depreciation expense	(523,954)
Capital outlay	592,074
Gain on disposal of assets	4,500
Construction in progress	1,280,167
<p>Increases in compensated absences are reported as a subtraction in expenditures when financial resources are used in the governmental fund in accordance with GASB Interpretation No. 6</p>	
	(45,820)
<p>Proceeds from sale of fixed assets</p>	
	(4,500)
<p>Internal service funds are used by the School District to charge costs of employee benefit programs to individual funds. The net change in fund balance of the internal service fund is reported with governmental activities</p>	
	(127,511)
<p>Some revenue and expenses reported in the statement of activities are not recognized as or require the use of current resources and, therefore are not reported in the governmental funds</p>	
Pension related items	928,256
OPEB related items	2,514,507
	\$ 10,819,932
Change in net position of governmental activities	\$ 10,819,932

See accompanying notes to financial statements.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Internal Service Fund
Statement of Net Position
June 30, 2024

	<u>Self-funded Health</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 115,752
Prepaid expenses	<u>4,607</u>
Total assets	<u>120,359</u>
 <u>Net Position</u>	
Unrestricted	<u>\$ 120,359</u>

See accompanying notes to financial statements.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Internal Service Fund
Statement of Revenues, Expenses and Changes
in Net Position
For the Year Ended June 30, 2024

	<u>Self-funded Health</u>
<u>Operating Revenue</u>	
Local sources	\$ 1,270,598
<u>Expenses</u>	
Insurance expense	<u>1,072,586</u>
Total expenses	<u>1,072,586</u>
<u>Other Financing Sources (Uses)</u>	
Operating transfers out	<u>(325,523)</u>
Change in net position	(127,511)
Net position, beginning of year	<u>247,870</u>
Net position, end of year	<u><u>\$ 120,359</u></u>

See accompanying notes to financial statements.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Internal Service Fund
Statement of Cash Flows
For the Year Ended June 30, 2024

	Self-funded Health
<u>Cash Flows From Operating Activities</u>	
Change in net position	\$ (127,511)
Adjustments to reconcile change in net position to net cash flows from operating activities:	
Prepaid expenses	153,263
Due to other funds	<u>(189,069)</u>
Net cash flows from operating activities	<u>(163,317)</u>
Net change in cash	(163,317)
Cash - beginning of year	<u>279,069</u>
Cash - end of year	<u><u>\$ 115,752</u></u>

See accompanying notes to financial statements.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Shiawassee Regional Educational Service District (School District) conform to U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes; (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items that are not properly included among program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds, including the proprietary internal service fund for insurance which is also included in the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-wide Statements - The district-wide financial statements are reported using the economic resources measurement focus and the 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. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

Fund-based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The School District reports the following major governmental funds:

General Fund - The General Fund is used to record the general operations of the School District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Funds - The Special Revenue Funds are used to account for revenue sources that are legally restricted to expenditures for specific purposes. The School District accounts for its Special Education Fund and Vocational Education Fund - Major Fund in the special revenue fund.

Building and Site Capital Projects Funds - The Building and Site Capital Projects Funds are used to record bond proceeds or other revenue and the disbursement of funds specifically designated for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The funds operate until the purpose for which they were created is accomplished. The School District has complied with the applicable provision of Section 1351a of the Revised School Code.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The School District reports the following fund types:

Student Activities Fund - The School District maintains a special revenue fund to record the transactions of student groups for schools and school-related purposes.

Internal Service Fund - The Internal Service Fund is reported as a proprietary fund. The fund accounts for revenue and costs associated with providing employer insurance services to certain employee groups within the School District.

Assets, Liabilities, and Net Position or Equity

Cash and Investments - Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

Prepaid Items - Certain payments to vendors reflect costs applicable to future fiscal years and is recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets - Capital assets, which include land, buildings, equipment and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and any asset susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

Buildings, equipment and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Buses and other vehicles	5 years
Furniture and equipment	5-10 years

Compensated Absences - The liability for compensated absences reported in the district-wide statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Long-term Obligations - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Defined Benefit Plan - For purposes of measuring the net pension and other postemployment benefit liability, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits and pension and other postemployment benefits expense, information about the fiduciary net position of the Michigan Public School Employees Retirement Systems (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Equity - The fund balance classifications are reported on the extent to which a government is bound to observe constraints imposed on the use of the resources in governmental funds. The fund balances are classified as nonspendable, restricted, committed, assigned and unassigned.

Nonspendable fund balance represents amounts that are not in a spendable form. The School District's nonspendable fund balance represents inventories and prepaid expenditures. In the fund financial statements, governmental funds report restrictions on fund balances for amounts that are legally restricted by outside parties for a specific purpose. Committed fund balance represents funds formally set aside by the School District for a particular purpose. The use of committed funds would be approved by the Board of Education through the budget process or official board action.

Assigned fund balance would represent tentative management plans that are subject to change. The School District's intent would be to spend uncommitted/unassigned funds prior to the use of committed funds. When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

	General Fund	Special Education Fund	Student Activities Fund	Total
Committed:				
Unemployment/sick/retirement	\$ 59,333	\$ 37,775	\$ 0	\$ 97,108
Distribution committed to local districts	0	535,000	0	535,000
Student/school activities	0	0	30,113	30,113
	<hr/>	<hr/>	<hr/>	<hr/>
Total committed	<u>\$ 59,333</u>	<u>\$ 572,775</u>	<u>30,113</u>	<u>\$ 662,221</u>
Assigned:				
Technology	\$ 50,000	\$ 71,492	\$ 0	\$ 121,492
Multi-district consortium	45,000	0	0	45,000
Bus purchase	0	215,000	0	215,000
Facility	0	746,763	0	746,763
Medicaid	0	200,000	0	200,000
Local-districts - technology	0	100,000	0	100,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total assigned	<u>\$ 95,000</u>	<u>\$ 1,333,255</u>	<u>0</u>	<u>\$ 1,428,255</u>

Deferred Outflows and Inflows of Resources

Deferred Outflows - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. For district-wide financial statements, the School District reports deferred outflows of resources related to pensions and other postemployment benefits. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and other postemployment benefits expense. Changes in assumptions relating to the net pension and other postemployment benefits liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. The School District also reported deferred outflows of resources for pension and other postemployment benefits contributions made after the measurement date. This amount will reduce the net pension and other postemployment benefits liability in the following year.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows - In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For district-wide financial statements, the School District reports deferred inflows of resources related to pensions and other postemployment benefits. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and other postemployment benefits expense. Changes in assumptions relating to the net pension liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. Deferred inflows of resources also includes revenue received relating to Section 147c state aid deferred to offset the deferred outflows related to Section 147c pension contributions subsequent to the measurement period.

Use of Estimates - The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Property Taxes - For the taxpayers of the School District, properties are assessed as of December 31 and the related property taxes are levied and become a lien on July 1. The final collection date is February 28, after which uncollected taxes are added to the County delinquent tax rolls.

State Aid - The School District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received. Amounts receivable from the State of Michigan at June 30, 2024 relating to state aid is \$4,569,981.

Events Occurring After Reporting Date

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying Independent Auditor's Report, which is the date the financial statements were available to be issued.

NOTE 2 - BUDGETS

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of school districts prior to the expenditure of monies in a fiscal year.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 2 - BUDGETS (CONTINUED)

Shiawassee Regional Educational Service District follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The School District's Superintendent submits to the Board of Education a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Board of Education throughout the year. Budgets are adopted to the functional level.
4. Appropriations lapse at year-end and therefore cancels all encumbrances. These appropriations are re-established at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General Fund, Special Education Fund, and Vocational Education Fund are presented as Required Supplemental Information.

Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the General Fund, Special Education Fund, and Vocational Education Fund are noted in the required supplementary information section.

NOTE 3 - CASH AND INVESTMENTS

In accordance with Michigan Compiled Laws, the District is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

At year-end, the School District's deposits and investments were reported in the basic financial statements in the following categories:

	Primary Government
Cash and cash equivalents	\$ 28,927,208
Investments	1,847,488
	\$ 30,774,696

As of June 30, 2024 the School District had deposits and investments subject to the following risk:

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2024, \$30,788,384 of the School District's bank balance of \$31,538,384 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The School District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the School District will do business.

Interest rate risk. In accordance with its investment policy, the School District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the School District's cash requirements.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

<u>Investment type</u>	<u>Fair value</u>	<u>Weighted average maturity (years)</u>
MILAF+ Max Class	\$ <u>1,847,488</u>	N/A

Concentration of credit risk. The School District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the School District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure by credit quality.

<u>Investment type</u>	<u>Fair value</u>	<u>Rating</u>	<u>Rating Agency</u>
MILAF+ Max Class	\$ <u>1,847,488</u>	AAAm	Standard & Poor's

Foreign currency risk. The School District is not authorized to invest in investments which have this type of risk.

Fair value measurement. The School District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the School District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

The School District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the School District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximates fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

	Amortized Cost
MILAF+ Max Class	\$ 1,847,488

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note 1.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 4 - CAPITAL ASSETS

A summary of changes in governmental capital assets follows:

	Balance June 30, 2023	Additions	Disposals and Adjustments	Balance June 30, 2024
Assets not being depreciated:				
Land	\$ 13,138	\$ 0	\$ 0	\$ 13,138
Capital assets being depreciated:				
Buildings and improvements	5,249,418	0	0	5,249,418
Land improvements	248,956	8,142	0	257,098
Equipment and furniture	1,437,354	120,998	0	1,558,352
Vehicles	3,191,408	462,934	(270,843)	3,383,499
Construction in progress	553,572	1,280,167	0	1,833,739
Subtotal	<u>10,680,708</u>	<u>1,872,241</u>	<u>(270,843)</u>	<u>12,282,106</u>
Accumulated depreciation:				
Buildings and improvements	2,795,350	120,965	0	2,916,315
Land improvements	149,846	11,285	0	161,131
Equipment and furniture	1,232,547	77,654	0	1,310,201
Vehicles	2,051,416	314,050	(270,843)	2,094,623
Subtotal	<u>6,229,159</u>	<u>523,954</u>	<u>(270,843)</u>	<u>6,482,270</u>
Net capital assets being depreciated	<u>4,451,549</u>	<u>1,348,287</u>	<u>0</u>	<u>5,799,836</u>
Net capital assets	<u>\$ 4,464,687</u>	<u>\$ 1,348,287</u>	<u>\$ 0</u>	<u>\$ 5,812,974</u>

Depreciation expense for fiscal year ended June 30, 2024 was \$523,954. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A summary of interfund receivable and payable balances at June 30, 2024 are as follows:

		Payables			
		General	Special Education	Vocational Education	Total
Receivables	General	\$ 0	\$ 2,951,004	\$ 226,882	\$ 3,177,886
	Special Education	1,659	0	0	1,659
	Vocational Education	221,573	0	0	221,573
	Capital Projects	1,075,000	1,500,000	0	2,575,000
		<u>\$ 1,298,232</u>	<u>\$ 4,451,004</u>	<u>\$ 226,882</u>	<u>\$ 5,976,118</u>

A summary of interfund transfers made during the year ended June 30, 2024 are as follows:

		Transfers Out					
		General	Special Education	Vocational Education	Capital Projects	Internal Service	Total
Transfers In	General	\$ 0	\$ 1,829,996	\$ 172,929	\$ 0	\$ 118,470	\$ 2,121,395
	Special Education	0	0	0	135,000	207,053	342,053
	Capital Projects	1,075,000	1,500,000	0	0	0	2,575,000
		<u>\$ 1,075,000</u>	<u>\$ 3,329,996</u>	<u>\$ 172,929</u>	<u>\$ 135,000</u>	<u>\$ 325,523</u>	<u>\$ 5,038,448</u>

These interfund receivable and payable balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur; (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers are used to move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 6 - RECEIVABLES

Receivables at June 30, 2024 consist of accounts (fees), intergovernmental grants and interest.

A summary of the intergovernmental receivables (due from other governmental units) follows:

State aid	\$ 4,569,981
Federal grants	529,609
	\$ 5,099,590

NOTE 7 - UNEARNED REVENUE

Governmental funds report unearned revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also reflect unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, grant and categorical aid payments received prior to meeting all eligibility requirements amounted to \$7,101,352.

NOTE 8 - LONG-TERM OBLIGATIONS

The following is a summary of governmental long-term obligations for the School District for the year ended June 30, 2024:

	Balance July 1, 2023	Additions	Retirements and Payments	Balance June 30, 2024	Amount Due Within One Year
Compensated absences	\$ 97,107	\$ 45,820	\$ 0	\$ 142,927	\$ 0

Compensated absences include unused sick pay. Unused sick pay is calculated using the termination payoff rate of \$20 for eligible employees times the number of unused days (maximum 120 days). At June 30, 2024, the amount of \$142,927 has been recorded in the district-wide financial statements.

NOTE 9 - RISK MANAGEMENT

The School District 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 School District has purchased commercial insurance for medical claims and participates in the SET-SEG risk pool for claims relating to workers' compensation, general liability, and property/casualty claims. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three fiscal years.

The SET-SEG shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 9 - RISK MANAGEMENT (CONTINUED)

All non-union School District employees have an option to participate in the School District's self-funded, comprehensive medical care, dental and vision benefits program. The cost of medical care is paid out of employee and employer contributions. The School District has contracted with EHIM, a third-party administrator, to provide administrative services for this health care benefits program and a deposit has been established with an ongoing \$85,000 balance to cover health costs, \$20,000 to cover dental benefits and \$3,000 to cover vision costs. Stop gap insurance has been purchased to reimburse the School District for individual claims incurred over the hard cap. The School District transferred self funded health insurance to an internal service fund effective June 1, 2020. The School District is no longer self-funded for medical care as of January 1, 2022. There are no estimates of claims incurred but not recorded (IBNR) as of June 30, 2024 since all large claims have been settled and any remaining claims will be paid as incurred.

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) (System) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at www.michigan.gov/orsschools.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State of Michigan Investment Board serves as the investment fiduciary and custodian for the system.

Benefits Provided - Overall

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the pension plans offered by MPSERS is as follows:

<u>Plan Name</u>	<u>Plan Type</u>	<u>Plan Status</u>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

Benefits Provided - Pension

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

Prior to Pension reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (MIP). Basic Plan member's contributions range from 0% - 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contribution rates from 3.0% - 7.0%.

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPERS) who became a member of MPERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

An amount determined by the member's election of Option 1, 2, 3, or 4 described below:

Option 1 – Members voluntarily elected to increase their contributions to the pension fund as noted below, and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they terminate public school employment.

- Basic plan members: 4% contribution
- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

Option 2 – Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

Option 3 – Members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

Option 4 – Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 account. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

Employees who first worked on or after September 4, 2012 choose between two retirement plans: the Pension Plus Plan and a Defined Contribution that provides a 50% employer match up to 3% of salary on employee contributions.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

Final Average Compensation (FAC) - Average of highest 60 consecutive months for Basic Plan members and Pension Plus members (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected Option 4, in which case the FAC is calculated at the transition date.

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closed the Pension Plus plan to newly hired employees as of February 1, 2018 and created a new, optional Pension Plus 2 plan with similar plan benefit calculations but containing a 50/50 contribution share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the Pension Plus 2 plan is 6%. Further, under certain adverse actuarial conditions, the Pension Plus 2 plan will close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law included other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Benefits Provided – Other postemployment benefit (OPEB)

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

Retiree Healthcare Reform of 2012

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

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

Regular Retirement (no reduction factor for age)

Eligibility – A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

Annual Amount – The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

Member Contributions

Depending on the plan selected, member contributions range from 0% - 7% for pension and 0% - 3% for other postemployment benefits. Plan members electing the defined contribution plan are not required to make additional contributions.

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of pension benefits and OPEB. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The normal cost is the annual cost assigned under the actuarial funding method, to the current and subsequent plan years. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

Pension and OPEB contributions made in the fiscal year ending September 30, 2023 were determined as of the September 30, 2022 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2022, are amortized over a 16-year period beginning October 1, 2022 and ending September 30, 2038.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

The School District's contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

	Pension	Other Postemployment Benefit
October 1, 2023 - September 30, 2024	13.90% - 23.03%	7.06% - 8.31%
October 1, 2022 - September 30, 2023	13.75% - 20.16%	7.21% - 8.07%

The School District's pension contributions for the year ended June 30, 2024 were equal to the required contribution total. Total pension contributions were approximately \$6,066,000. Of the total pension contributions approximately \$5,913,000 was contributed to fund the Defined Benefit Plan and approximately \$153,000 was contributed to fund the Defined Contribution Plan.

The School District's OPEB contributions for the year ended June 30, 2024 were equal to the required contribution total. Total OPEB contributions were approximately \$1,336,000. Of the total OPEB contributions approximately \$1,218,000 was contributed to fund the Defined Benefit Plan and approximately \$118,000 was contributed to fund the Defined Contribution Plan.

These amounts, for both pension and OPEB benefits, include contributions funded from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% for OPEB).

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liabilities

The net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2022 and rolled-forward using generally accepted actuarial procedures. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

MPSERS (Plan) Non-University Employers:	September 30, 2023	September 30, 2022
Total Pension Liability	\$ 94,947,828,557	\$ 95,876,795,620
Plan Fiduciary Net Position	\$ 62,581,762,238	\$ 58,268,076,344
Net Pension Liability	\$ 32,366,066,319	\$ 37,608,719,276
Proportionate share	0.12904 %	0.11838 %
Net Pension liability for the School District	\$ 41,764,599	\$ 44,521,443

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2024, the School District recognized pension expense of approximately \$5,417,000.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual experience	\$ 1,318,381	\$ (63,977)
Net difference between projected and actual earnings on pension plan investments	0	(854,639)
Changes in assumptions	5,659,293	(3,263,020)
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,547,287	(802,954)
Unearned revenue related to pension portion of section 147 c	0	(2,758,614)
School District's contributions subsequent to the measurement date	5,296,373	0
Total	\$ 14,821,334	\$ (7,743,204)

\$5,296,373, reported as deferred outflows of resources related to pensions resulting from School District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Amount
2025	\$ 1,254,660
2026	1,106,811
2027	2,468,698
2028	(289,798)
	\$ 4,540,371

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

OPEB (Asset) Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB (Asset) Liabilities

The net OPEB (asset) liability was measured as of September 30, 2023, and the total OPEB liability used to calculate the net OPEB (asset) liability was determined by an actuarial valuation date of September 30, 2022 and rolled-forward using generally accepted actuarial procedures. The School District's proportion of the net OPEB (asset) liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPSERS (Plan) Non-University Employers:</u>	<u>September 30, 2023</u>	<u>September 30, 2022</u>
Total OPEB Liability	\$ 11,223,648,949	\$ 12,522,713,324
Plan Fiduciary Net Position	\$ 11,789,347,341	\$ 10,404,650,683
Net OPEB (Asset) Liability	\$ (565,698,392)	\$ 2,118,062,641
Proportionate share	0.13779 %	0.12099 %
Net OPEB (Asset) Liability for the School District	\$ (799,463)	\$ 2,562,728

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

For the year ended June 30, 2024, the School District recognized OPEB expense of approximately \$(1,436,000).

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between expected and actual experience	\$ 0	\$ (5,890,025)
Net difference between projected and actual plan investments	2,377	0
Changes in assumption	1,735,221	(208,953)
Changes in proportion and differences between employer contributions and proportionate share of contributions	661,174	(195,767)
School District's contributions subsequent to the measurement date	961,943	0
Total	\$ 3,360,715	\$ (6,294,745)

\$961,943, reported as deferred outflows of resources related to OPEB resulting from School District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB (asset) liability in the subsequent fiscal year.

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	Amount
2025	\$ (1,381,475)
2026	(1,265,988)
2027	(450,344)
2028	(385,754)
2029	(272,379)
Thereafter	(140,033)
	\$ (3,895,973)

Actuarial Assumptions

Investment rate of return for Pension - 6.00% a year, compounded annually net of investment and administrative expenses for the MIP, Basic, Pension Plus and Pension Plus 2 groups.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

Investment rate of return for OPEB - 6.00% a year, compounded annually net of investment and administrative expenses.

Salary increases - The rate of pay increase used for individual members is 2.75% - 11.55%, including wage inflation at 2.75%.

Inflation - 3.0%

Mortality assumptions -

Retirees: PubT-2010 Male and Female Retiree Mortality Tables scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010

Active: PubT-2010 Male and Female Employee Mortality Tables scaled 100% and MP-2021 adjusted for mortality improvements using projection scale from 2010.

Disabled Retirees: PubNS-2010 Male and Female Disabled Retiree Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2022. Assumption changes as a result of an experience study for the periods 2017 through 2022 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2023 valuation.

The long-term expected rate of return on pension and other postemployment benefit plan investments - The pension rate was 6.00% (MIP, Basic, Pension Plus Plan and Pension Plus 2 Plan), and the other postemployment benefit rate was 6.00%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan and OPEB investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Cost of Living Pension Adjustments – 3.0% annual non-compounded for MIP members.

Healthcare cost trend rate for other postemployment benefit – Pre 65, 7.50% for year one and graded to 3.5% for year fifteen. Post 65, 6.25% for year one and graded to 3.5% in year fifteen.

Additional assumptions for other postemployment benefit only – Applies to individuals hired before September 4, 2012:

Opt Out Assumption - 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

Survivor Coverage - 80% of male retirees and 67% of female retirees are assumed to have coverage continuing after the retiree's death.

Coverage Election at Retirement - 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

The target asset allocation at September 30, 2023 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	Target Allocation*	Long-Term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.8%
Private Equity Pools	16.0%	9.6%
International Equity Pools	15.0%	6.8%
Fixed Income Pools	13.0%	1.3%
Real Estate and Infrastructure Pools	10.0%	6.4%
Absolute Return Pools	9.0%	4.8%
Real Return/Opportunistic Pools	10.0%	7.3%
Short Term Investment Pools	2.0%	0.3%
Total	100.0%	

*Long term rate of return are net of administrative expenses and 2.7% inflation.

Rate of return - For fiscal year ended September 30, 2023, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 8.29% and 7.94% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amount actually invested.

Pension discount rate - A single discount rate of 6.00% was used to measure the total pension liability. This discount rate was based on the long-term rate of return on pension plan investments of 6.00%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

OPEB discount rate - A single discount rate of 6.00% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.00%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net pension liability to changes in the discount rate - The following presents the School District's proportionate share of the net pension liability calculated using a single discount rate of 6.00%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Pension		
	1% Decrease	Discount Rate	1% Increase
School District's proportionate share of the net pension liability	<u>\$56,423,851</u>	<u>\$41,764,599</u>	<u>\$29,560,242</u>

Sensitivity of the net OPEB (asset) liability to changes in the discount rate - The following presents the School District's proportionate share of the net OPEB (asset) liability calculated using the discount rate of 6.00%, as well as what the Reporting Unit's proportionate share of the net OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other postemployment benefit		
	1% Decrease	Discount Rate	1% Increase
School District's proportionate share of the net OPEB (asset) liability	<u>\$808,070</u>	<u>\$(779,463)</u>	<u>\$(2,143,792)</u>

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

Sensitivity to the net OPEB (asset) liability to changes in the healthcare cost trend rates - The following presents the School District's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate, as well as what the School District's proportionate share of the net other postemployment benefit (asset) liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other postemployment benefit		
	1% Decrease	Current Healthcare cost trend rates	1% Increase
School District's proportionate share of the net OPEB (asset) liability	<u>\$(2,147,194)</u>	<u>\$(779,463)</u>	<u>\$700,869</u>

Pension and OPEB Plan Fiduciary Net Position - Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2023 Annual Comprehensive Financial Report.

Payable to the Pension and OPEB Plan - At year end the School District is current on all required pension and other postemployment benefit plan payments. Amounts accrued at year end for accounting purposes are included in the financial statements as a liability titled accrued payroll and payroll liabilities. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers and the contributions due funded from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

NOTE 11 - GRANTS

The School District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the School District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable fund. Based on prior experience, the School District administration believes such disallowance, if any, would be immaterial.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 12 - ADJUSTMENTS TO BEGINNING FUND BALANCE

During fiscal year 2024, changes to or within the financial reporting entity and a change in standards resulted in adjustments to and restatements of beginning fund balances as follows:

	<u>Reporting Units Affected by Adjustments to and Restatements of Beginning Balances</u>					
	<u>General Fund</u>	<u>Special Education Fund</u>	<u>Vocational Education Fund</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balance, as previously reported	\$2,580,234	\$11,840,701	\$ 0	\$ 0	\$ 4,520,339	\$18,941,274
Change from nonmajor to major fund	<u>0</u>	<u>0</u>	<u>1,754,590</u>	<u>2,734,844</u>	<u>(4,489,434)</u>	<u>0</u>
Fund balance, as restated	<u>\$2,580,234</u>	<u>\$11,840,701</u>	<u>\$1,754,590</u>	<u>\$2,734,844</u>	<u>\$ 30,905</u>	<u>\$18,941,274</u>

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 13 - TAX ABATEMENTS

Effective for the year ended June 30, 2017 the School District is required to disclose significant tax abatements as required by GASB statement 77 (Tax abatements).

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions, Brownfield Redevelopment Agreements, and Payments in Lieu of Taxes (PILOT) granted by cities, villages and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield Redevelopment Agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties; PILOT programs apply to multiple unit housing for citizens of low income and the elderly.

The School District is considered to be an "in-formula" district. The property tax revenue that is abated for the special education is considered when the State of Michigan determines the School District's funding under section 56 of the State School Aid Act.

There are no significant abatements made by the School District.

NOTE 14 - UPCOMING ACCOUNTING PRONOUNCEMENT

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The School District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of circumstances disclosed and the government's vulnerability to the risk of substantial impact. The School District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement establishes new accounting and financial reporting requirements—or modifies existing requirements—related to the following:

- a. Management's discussion and analysis (MD&A);
 - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2024

NOTE 14 - UPCOMING ACCOUNTING PRONOUNCEMENT (CONTINUED)

- 1) Overview of the Financial Statements,
 - 2) Financial Summary,
 - 3) Detailed Analyses,
 - 4) Significant Capital Asset and Long-Term Financing Activity,
 - 5) Currently Known Facts, Decisions, or Conditions;
- ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
 - iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- b. Unusual or infrequent items;
 - c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
 - i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
 - ii. Requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses and defines subsidies;
 - d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
 - e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI;

The School District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2024

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
Local sources	\$ 1,530,687	\$ 1,878,297	\$ 1,570,343	\$ (307,954)
State sources	8,369,920	17,167,266	13,818,098	(3,349,168)
Federal sources	464,897	1,637,557	862,524	(775,033)
Interdistrict and other sources	2,866,391	3,254,688	3,088,972	(165,716)
Total revenues	<u>13,231,895</u>	<u>23,937,808</u>	<u>19,339,937</u>	<u>(4,597,871)</u>
<u>Expenditures</u>				
Instruction:				
Basic programs	13,586	26,663	2,682	23,981
Added needs	149,434	196,844	185,975	10,869
Support services:				
Pupil	2,506,333	3,921,541	2,650,809	1,270,732
Instructional staff	2,774,775	7,843,034	6,246,725	1,596,309
General administrative	604,583	930,781	749,413	181,368
Business services	1,125,850	1,116,876	1,098,140	18,736
Operations and maintenance	312,720	378,062	253,381	124,681
Transportation	2,797	0	0	0
Central services	2,084,451	2,409,477	1,896,764	512,713
Community services	1,568,229	1,589,501	1,207,351	382,150
Total expenditures	<u>11,142,758</u>	<u>18,412,779</u>	<u>14,291,240</u>	<u>4,121,539</u>
Excess (deficiency) of revenues over expenditures	<u>2,089,137</u>	<u>5,525,029</u>	<u>5,048,697</u>	<u>(476,332)</u>
<u>Other Financing Sources (Uses)</u>				
Operating transfers in	1,842,609	2,759,114	2,121,395	(637,719)
Transfers out to other local districts	(3,927,623)	(6,766,592)	(5,150,945)	1,615,647
Operating transfers out	(583,496)	(1,268,861)	(1,075,000)	193,861
Total other financing sources (uses)	<u>(2,668,510)</u>	<u>(5,276,339)</u>	<u>(4,104,550)</u>	<u>1,171,789</u>
Net change in fund balance	(579,373)	248,690	944,147	695,457
Fund balance - beginning of year	<u>2,580,234</u>	<u>2,580,234</u>	<u>2,580,234</u>	<u>0</u>
Fund balance - end of year	<u>\$ 2,000,861</u>	<u>\$ 2,828,924</u>	<u>\$ 3,524,381</u>	<u>\$ 695,457</u>

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Required Supplemental Information
Budgetary Comparison Schedule - Special Education Fund
For the Year Ended June 30, 2024

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
Local sources	\$ 10,795,712	\$ 12,566,317	\$ 12,280,634	\$ (285,683)
State sources	9,181,601	11,155,092	12,312,667	1,157,575
Federal sources	4,310,790	5,945,108	5,524,973	(420,135)
Interdistrict and other sources	611,336	633,251	588,929	(44,322)
Total revenues	<u>24,899,439</u>	<u>30,299,768</u>	<u>30,707,203</u>	<u>407,435</u>
<u>Expenditures</u>				
Instruction:				
Added needs	5,594,581	5,597,352	5,313,369	283,983
Support services:				
Pupil	9,529,272	9,788,905	9,034,651	754,254
Instructional staff	1,976,602	2,031,484	1,934,425	97,059
School administrative	433,742	454,097	411,395	42,702
Business services	75,850	132,033	115,168	16,865
Operations and maintenance	799,576	832,610	784,875	47,735
Transportation	2,855,857	4,267,197	3,394,815	872,382
Central services	321,218	331,446	327,673	3,773
Community services	79,928	97,862	54,361	43,501
Improvements	66,939	1,609,985	1,543,046	66,939
Total expenditures	<u>21,733,565</u>	<u>25,142,971</u>	<u>22,913,778</u>	<u>2,229,193</u>
Excess (deficiency) of revenues over expenditures	<u>3,165,874</u>	<u>5,156,797</u>	<u>7,793,425</u>	<u>2,636,628</u>
<u>Other Financing Sources (Uses)</u>				
Operating transfers in	0	1,601,915	342,053	(1,259,862)
Transfers out to other local districts	(2,181,419)	(4,041,766)	(3,004,425)	1,037,341
Operating transfers out	(2,420,679)	(3,716,972)	(3,329,995)	386,977
Total other financing sources (uses)	<u>(4,602,098)</u>	<u>(6,156,823)</u>	<u>(5,992,367)</u>	<u>164,456</u>
Net change in fund balance	(1,436,224)	(1,000,026)	1,801,058	2,801,084
Fund balance - beginning of year	<u>11,840,701</u>	<u>11,840,701</u>	<u>11,840,701</u>	<u>0</u>
Fund balance - end of year	<u>\$ 10,404,477</u>	<u>\$ 10,840,675</u>	<u>\$ 13,641,759</u>	<u>\$ 2,801,084</u>

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Required Supplemental Information
Budgetary Comparison Schedule - Vocational Education Fund
For the Year Ended June 30, 2024

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
Property taxes	\$ 2,550,973	\$ 2,705,253	\$ 2,645,793	\$ (59,460)
State sources	12,242	1,546,988	977,810	(569,178)
Federal sources	1,000	1,000	0	(1,000)
Interdistrict and other sources	264,764	190,027	14,123	(175,904)
Total revenues	<u>2,828,979</u>	<u>4,443,268</u>	<u>3,637,726</u>	<u>(805,542)</u>
<u>Expenditures</u>				
Instruction:				
Added needs	544,322	1,196,371	783,448	412,923
Support services:				
Pupil	12,400	67,961	33,867	34,094
Instructional staff	414,719	437,400	347,243	90,157
School administrative	180,007	216,908	196,575	20,333
Business services	0	1,912	1,912	0
Operations and maintenance	7,520	406,048	381,364	24,684
Transportation	0	452,085	1,560	450,525
Information services	3,500	195,820	168,323	27,497
Community services	0	88,322	69,283	19,039
Total expenditures	<u>1,162,468</u>	<u>3,062,827</u>	<u>1,983,575</u>	<u>1,079,252</u>
Excess (deficiency) of revenues over expenditures	<u>1,666,511</u>	<u>1,380,441</u>	<u>1,654,151</u>	<u>273,710</u>
<u>Other Financing Sources</u>				
Operating transfers out	0	(215,300)	(172,929)	42,371
Transfer out	0	(519,920)	(504,419)	15,501
Total other financing sources	<u>0</u>	<u>(735,220)</u>	<u>(677,348)</u>	<u>57,872</u>
Net change in fund balance	1,666,511	645,221	976,803	331,582
Fund balance - beginning of year	<u>1,754,590</u>	<u>1,754,590</u>	<u>1,754,590</u>	<u>0</u>
Fund balance - end of year	<u>\$ 3,421,101</u>	<u>\$ 2,399,811</u>	<u>\$ 2,731,393</u>	<u>\$ 331,582</u>

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
 Required Supplemental Information
 Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability
 Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Reporting unit's proportion of net pension liability (%)	0.12904 %	0.11838 %	0.12126 %	0.12347 %	0.12465 %	0.12508 %	0.12410 %	0.12333 %	0.11889 %	0.11619 %
Reporting unit's proportionate share of net pension liability	\$41,764,599	\$44,521,443	\$28,708,547	\$42,414,617	\$41,280,230	\$37,601,120	\$32,158,350	\$30,770,702	\$29,039,618	\$25,591,951
Reporting unit's covered-employee payroll*	\$13,848,296	\$11,802,872	\$10,897,253	\$11,026,987	\$10,892,227	\$10,785,518	\$10,370,198	\$10,610,457	\$ 9,947,232	\$ 9,941,001
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	33.15798 %	26.51053 %	37.95822 %	25.99808 %	26.38606 %	28.68403 %	32.24730 %	34.48234 %	34.25400 %	38.84425 %
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	65.91000 %	60.95000 %	72.32000 %	59.72000 %	60.31000 %	62.36000 %	64.21000 %	63.27000 %	63.17000 %	66.20000 %

* The employer's covered payroll is defined by GASB 82, *Pension Issues - an amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Required Supplemental Information
Schedule of the Reporting Unit's Pension Contributions
Michigan Public School Employees Retirement Plan
Last 10 Reporting Unit Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 5,913,105	\$ 5,603,946	\$ 3,978,847	\$ 3,617,581	\$ 3,414,698	\$ 3,286,520	\$ 3,416,467	\$ 3,104,321	\$ 2,293,598	\$ 1,804,455
Contributions in relation to statutorily required contributions*	<u>5,913,105</u>	<u>5,603,946</u>	<u>3,978,847</u>	<u>3,617,581</u>	<u>3,414,698</u>	<u>3,286,520</u>	<u>3,416,467</u>	<u>3,104,321</u>	<u>2,293,598</u>	<u>1,804,455</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reporting unit's covered-employee payroll**	\$15,178,199	\$13,720,633	\$11,579,404	\$10,741,141	\$11,127,603	\$10,825,531	\$10,706,969	\$10,279,216	\$ 9,947,232	\$ 9,941,001
Contributions as a percentage of covered-employee payroll	38.96 %	40.84 %	34.36 %	33.68 %	30.69 %	30.36 %	31.91 %	30.20 %	23.06 %	18.15 %

* Contributions in relation to statutorily required contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

** The employer's covered payroll is defined by GASB 82, *Pension Issues - an amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based. For non-university employers, covered payroll for both pensions and OPEB represents payroll on which contributions to both plans are based.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Required Supplemental Information
Schedule of the Reporting Unit's Proportionate Share of the Net OPEB (Asset) Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reporting unit's proportion of net OPEB (asset) liability (%)	0.13779 %	0.12099 %	0.12022 %	0.12417 %	0.12464 %	0.12672 %	0.12452 %
Reporting unit's proportionate share of net OPEB (asset) liability	\$ (779,463)	\$ 2,562,728	\$ 1,835,045	\$ 6,652,194	\$ 8,946,349	\$ 10,072,517	\$ 11,026,665
Reporting unit's covered-employee payroll*	\$ 13,848,296	\$ 11,802,872	\$ 10,897,253	\$ 11,026,987	\$ 10,892,227	\$ 10,785,518	\$ 10,370,198
Reporting unit's proportionate share of net OPEB (asset) liability as a percentage of its covered-employee payroll	(1,776.64572)%	460.55890 %	593.84119 %	165.76466 %	121.75053 %	107.07868 %	94.04655 %
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	105.04000 %	83.62000 %	87.87000 %	48.67000 %	48.46000 %	42.95000 %	36.39000 %

* The employer's covered payroll is defined by GASB 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

With the implementation of GASB Statement No. 75 in 2018, the 10 year history will be provided prospectively until a full 10 year history is shown.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
 Required Supplemental Information
 Schedule of the Reporting Unit's OPEB Contributions
 Michigan Public School Employees Retirement Plan
Last 10 Reporting Unit Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 1,218,317	\$ 1,071,016	\$ 904,455	\$ 879,436	\$ 889,238	\$ 839,421	\$ 860,137
Contributions in relation to statutorily required contributions*	<u>1,218,317</u>	<u>1,071,016</u>	<u>904,455</u>	<u>879,436</u>	<u>889,238</u>	<u>839,421</u>	<u>860,137</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reporting unit's covered-employee payroll**	\$15,178,199	\$13,720,633	\$11,579,404	\$10,741,141	\$11,127,603	\$10,825,531	\$10,706,969
Contributions as a percentage of covered-employee payroll	8.03 %	7.81 %	7.81 %	8.19 %	7.99 %	7.75 %	8.03 %

* Contributions in relation to statutorily required contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

** The employer's covered payroll is defined by GASB 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

With the implementation of GASB Statement No. 75 in 2018, the 10 year history will be provided prospectively until a full 10 year history is shown.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Required Supplementary Information
For the Year Ended June 30, 2024

NOTE 1 - PENSION INFORMATION

Changes of benefit terms: There were no changes of benefit terms in 2023.

Changes of assumptions: The assumptions changes for 2023 were:

- ◆ Mortality assumptions were updated to the Pub-2010 Male and Female Retiree Mortality Tables from the RP-2014 Male and Female Healthy Annuitant table.

NOTE 2 - OPEB INFORMATION

Changes of benefit terms: There were no changes of benefit terms in 2023.

Changes of assumptions: The assumptions changes for 2023 were:

- ◆ Healthcare cost trend rate
 - Pre 65 decreased to 7.50% for year one graded to 3.50% for year fifteen from 7.75% for year one graded to 3.50% for year fifteen.
 - Post 65 increased to 6.25% for year one and graded to 3.5% for year fifteen from 5.25% for year one and graded to 3.5% for year fifteen
- ◆ Mortality assumptions were updated to the Pub-2010 Male and Female Retiree Mortality Tables from the RP-2014 Male and Female Healthy Annuitant table.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
 Other Supplemental Information
 Balance Sheet
 Nonmajor Governmental Funds
June 30, 2024

	Special Revenue Funds			
	Vocational Education	Student Activities	Capital Projects Fund	Total
	<u>Assets</u>			
Cash and investments	\$ 0	\$ 30,113	\$ 0	\$ 30,113
Total assets	\$ 0	\$ 30,113	\$ 0	\$ 30,113
	<u>Liabilities and Fund Balance</u>			
<u>Liabilities</u>				
Total liabilities	0	0	0	0
<u>Fund Balance</u>				
Committed for student/school activities	0	30,113	0	30,113
Total fund balance	0	30,113	0	30,113
Total liabilities and fund balance	\$ 0	\$ 30,113	\$ 0	\$ 30,113

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
 Other Supplemental Information
 Statement of Revenues, Expenditures
 and Changes in Fund Balance - Nonmajor Governmental Funds
 For the Year Ended June 30, 2024

	<u>Special Revenue Funds</u>		Capital Projects Fund	<u>Total</u>
	<u>Vocational Education</u>	<u>Student Activities</u>		
<u>Revenues</u>				
Local sources	\$ 0	\$ 19,802	\$ 0	\$ 19,802
Total revenues	<u>0</u>	<u>19,802</u>	<u>0</u>	<u>19,802</u>
<u>Expenditures</u>				
Student activities	<u>0</u>	<u>20,594</u>	<u>0</u>	<u>20,594</u>
Total expenditures	<u>0</u>	<u>20,594</u>	<u>0</u>	<u>20,594</u>
Net change in fund balance	<u>0</u>	<u>(792)</u>	<u>0</u>	<u>(792)</u>
Fund balance - beginning of year	1,754,590	30,905	2,734,844	4,520,339
Adjustment to beginning fund balance	<u>(1,754,590)</u>	<u>0</u>	<u>(2,734,844)</u>	<u>(4,489,434)</u>
Fund balance - end of year, as restated	<u><u>\$ 0</u></u>	<u><u>\$ 30,113</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 30,113</u></u>



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS

October 4, 2024

Board of Education
Shiawassee Regional Educational Service District
Owosso, Michigan

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Shiawassee Regional Educational Service District (School District), as of and for the year ended June 30, 2024 and the related notes to the financial statements, which collectively comprise Shiawassee Regional Educational Service District's basic financial statements and have issued our report thereon dated October 4, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Shiawassee Regional Educational Service District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Shiawassee Regional Educational Service District's internal control. Accordingly, we do not express an opinion on the effectiveness of Shiawassee Regional Educational Service District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



WEINLANDER FITZHUGH

Certified Public Accountants & Advisors

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Shiawassee Regional Educational Service District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Weinlander Fitzhugh



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

October 4, 2024

Board of Education
Shiawassee Regional Educational Service District
Owosso, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Shiawassee Regional Educational Service District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Shiawassee Regional Educational Service District's major federal programs for the year ended June 30, 2024. Shiawassee Regional Educational Service District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Shiawassee Regional Educational Service District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Shiawassee Regional Educational Service District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Shiawassee Regional Educational Service District's compliance with the compliance requirements referred to above.



Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Shiawassee Regional Educational Service District's federal programs.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Shiawassee Regional Educational Service District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Shiawassee Regional Educational Service District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with U.S. generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Shiawassee Regional Educational Service District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Shiawassee Regional Educational Service District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Shiawassee Regional Educational Service District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Weinlander Fitzhugh

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
 Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

SECTION I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified opinion

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

	YES	X	NO
	YES	X	NONE REPORTED
	YES	X	NO

Noncompliance material to financial statements noted?

Federal Awards

Internal Control over major programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

	YES	X	NO
	YES	X	NONE REPORTED

Type of auditor's report issued on compliance of major programs:

Unmodified opinion

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

	YES	X	NO
--	-----	---	----

Identification of major programs:

<u>ALN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.027A, 84.027X	Special Education - Grants to States (IDEA, Part B)
84.173, 84.173X	Special Education - Preschool Grants (IDEA Preschool)

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?

X	YES		NO
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SECTION II - Financial Statement Findings

There are no matters reported.

SECTION III - Federal Award Findings and Questioned Costs

There are no matters reported.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2024

There were no matters reported in the prior year's audit.

SHIAWASSEE REGIONAL EDUCATION SERVICE DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal AL Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2023	Adjustments and Transfers	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2024	Payments to Subrecipients
CLUSTERS:									
IDEA Cluster Programs:									
U.S. Department of Education									
Passed through Michigan Department of Education (MDE):									
Handicapped Preschool & School Program									
PL 94-142 Flowthrough:									
Project 220450-21-22		\$ 2,862,168	\$ 2,862,168	\$ 64,359	\$ -	\$ 64,359	\$ -	\$ -	\$ -
Project 230450-22-23		2,889,567	2,325,569	773,902	-	1,264,991	528,863	37,774	-
Project 240450-23-24		3,019,993	-	-	-	2,735,195	2,913,348	178,153	-
	84.027								
ARP Flowthrough:									
Project 221280-21-22	84.027X	571,172	563,366	19,095	-	26,901	7,806	-	-
State Initiated / Department:									
Project 230493-22-23-GSG	84.027	156,900	156,579	37,523	-	37,523	-	-	-
Project 240493-23-24-GSG		172,599	-	-	-	156,156	172,599	16,443	-
Subtotal ALN #84.027		9,672,399	5,907,682	894,879	-	4,285,125	3,622,616	232,370	-
Preschool Grant									
P.L. 94-142 Preschool Incentive:									
Project 220460-2122	84.173	226,839	96,782	25,264	-	148,178	122,914	-	24,854
Project 230460-2223		116,958	38,447	37,058	-	64,272	67,039	39,825	35,586
Project 240460-2324		118,772	-	-	-	70,774	73,492	2,718	-
ARP Preschool Flowthrough									
Project 221285-2122	84.173X	44,528	-	-	-	44,528	44,528	-	-
Subtotal ALN #84.173		507,097	135,229	62,322	-	327,752	307,973	42,543	60,440
Total For IDEA Cluster Programs passed through MDE		10,179,496	6,042,911	957,201	-	4,612,877	3,930,589	274,913	60,440
Passed through Marquette Alger RESA									
IDEA Part B Grant Funded Initiatives	84.027A	1,529	-	-	-	1,529	1,529	-	-
Total For IDEA Cluster Programs		\$ 10,181,025	\$ 6,042,911	\$ 957,201	\$ -	\$ 4,614,406	\$ 3,932,118	\$ 274,913	\$ 60,440

See accompanying notes to schedule of expenditures of federal awards.

SHIAWASSEE REGIONAL EDUCATION SERVICE DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal AL Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2023	Adjustments and Transfers	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2024	Payments to Subrecipients
<u>OTHER FEDERAL AWARDS:</u>									
U.S. Department of Education:									
Passed through Michigan Department of Education:									
Title I Technical Assistance Grant									
	84.010								
Project 231580		\$ 50,000	\$ 50,000	\$ 50,000	\$ -	\$ 50,000	\$ -	\$ -	\$ -
Title I Regional Assistance Grant									
	84.010A								
Project 241570-23-24		212,645	-	-	-	69,947	145,433	75,486	-
Infants and Toddlers									
	84.181								
Infants and Toddler Formula Grant:									
Project 231340-22-23		112,381	99,958	25,076	-	25,076	-	-	-
Project 241340-23-24		128,264	-	-	-	87,238	101,747	14,509	-
		<u>240,645</u>	<u>99,958</u>	<u>25,076</u>	<u>-</u>	<u>112,314</u>	<u>101,747</u>	<u>14,509</u>	<u>-</u>
ARP Flowthrough:									
	84.181X								
Project 221283-EOARP		50,042	29,821	7,561	-	27,624	20,063	-	-
GSRP State Fiscal Recovery:									
	21.027								
Project 222390-GSRP2122		426,364	426,365	161,178	-	161,178	-	-	-
Project 222390-GSRP2122C		90,165	90,164	90,164	-	90,164	-	-	-
Project 232425-22-23		892,857	-	-	-	267,857	267,857	-	-
		<u>1,409,386</u>	<u>516,529</u>	<u>251,342</u>	<u>-</u>	<u>519,199</u>	<u>267,857</u>	<u>-</u>	<u>-</u>
Total non cluster programs passed through MDE		<u>1,962,718</u>	<u>696,308</u>	<u>333,979</u>	<u>-</u>	<u>779,084</u>	<u>535,100</u>	<u>89,995</u>	<u>-</u>
Passed through Genesee Intermediate School District:									
Vocational Education - Basic Grants to States									
	84.048								
Vocational Education Regional Allocation:									
Project 233520-231215		253,784	247,038	54,146	-	54,146	-	-	-
Project 243520-241215		303,784	-	-	-	278,482	290,823	12,341	-
Total non cluster passed through Genesee Intermediate School District		<u>\$ 557,568</u>	<u>\$ 247,038</u>	<u>\$ 54,146</u>	<u>\$ -</u>	<u>\$ 332,628</u>	<u>\$ 290,823</u>	<u>\$ 12,341</u>	<u>\$ -</u>

See accompanying notes to schedule of expenditures of federal awards.

SHIAWASSEE REGIONAL EDUCATION SERVICE DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

Federal Grantor Pass Through Grantor <u>Program Title Grant Number</u>	Federal AL <u>Number</u>	Approved Grant Award <u>Amount</u>	(Memo Only) Prior Year <u>Expenditures</u>	Accrued (Deferred) Revenue <u>July 1, 2023</u>	Adjustments and <u>Transfers</u>	Current Year Receipts <u>(Cash Basis)</u>	Current Year <u>Expenditures</u>	Accrued (Deferred) Revenue <u>June 30, 2024</u>	Payments to <u>Subrecipients</u>
Passed through Eaton RESA: McKinney-Vento	84.196A								
Project 222320-2122		\$ 287	\$ 287	\$ 12	\$ -	\$ 12	\$ -	\$ -	\$ -
Project 21102-2122		5,749	-	-	-	1,242	1,254	12	-
Total non cluster passed through Eaton RESA		6,036	287	12	-	1,254	1,254	12	-
U.S. Department of Health and Human Services Passed through Michigan Community Health Medicaid Assistance Program Title XIX Medicaid Administrative Outreach 23-24	93.778	139,492	-	-	-	139,492	139,492	-	-
Passed through MDE ELC for Infectious Diseases Health Resource Advocate	93.323	336,000	336,000	336,000	-	336,000	-	-	-
Project 232810-HRA2023		402,000	-	-	-	199,411	335,963	136,552	300,376
Project 242810-HRA2024		738,000	336,000	336,000	-	535,411	335,963	136,552	300,376
PDG - Trusted Advisors	93.434	25,000	1,831	1,300	-	16,738	15,438	-	-
Project 223910-2022		25,000	1,831	1,300	-	16,738	15,438	-	-
Total non cluster programs passed through MDE		763,000	337,831	337,300	-	552,149	351,401	136,552	300,376
U.S. Employment & Training Administration Passed through GSMW WDASOM WIOA In School Youth Services	17.259	150,000	149,839	23,103	-	23,103	-	-	-
220-23-WIY-425		125,000	-	-	-	111,014	124,961	13,947	-
Total programs passed through U.S. Employment & Training Administration		275,000	149,839	23,103	-	134,117	124,961	13,947	-
U.S. Department of Education Rural Education Achievement Program	84.358A	36,113	29,916	20,908	-	27,105	6,197	-	-
8358A211652		44,142	-	-	-	9,965	11,814	1,849	-
S358A231588		80,255	29,916	20,908	-	37,070	18,011	1,849	-
Total Federal Financial Assistance		\$ 13,965,094	\$ 7,504,130	\$ 1,726,649	\$ -	\$ 6,590,200	\$ 5,393,160	\$ 529,609	\$ 360,816

See accompanying notes to schedule of expenditures of federal awards.

Shiawassee Regional Education Service District
Schedule of Subrecipient Expenditures of Federal Awards
For the Year Ended June 30, 2024

Federal grantor/pass-through grantor/program title	Federal AL number	Subrecipient award/ contract amount	Subrecipient current year expenditures	Current year cash transferred to subrecipient
Handicapped Preschool & School Program	84.173			
Passed through to:				
Byron Area Schools				
Corunna Public Schools		9,420	9,420	9,420
Durand Area Schools		3,979	3,979	3,979
Laingsburg Community Schools				
Owosso Public Schools		41,586	41,586	41,586
Perry Public Schools		3,503	3,503	3,503
Total Handicapped Preschool & School Program passed through to subrecipients		<u>58,488</u>	<u>58,488</u>	<u>58,488</u>
Future Proud Michigan Educator	84.048			
Passed through to:				
Corunna Public Schools		1,400	1,400	1,400
Total Future Proud Michigan Educator passed through to subrecipients		<u>1,400</u>	<u>1,400</u>	<u>1,400</u>
Health Resource Advocate - MDE	93.323			
Passed through to:				
Byron Area Schools		20,061	20,061	20,061
Corunna Public Schools		49,133	49,133	49,133
Durand Area Schools		36,621	36,621	36,621
Laingsburg Community Schools		34,490	34,490	34,490
New Lothrop Area Schools		27,793	27,770	27,770
Morrice Area Schools		13,851	13,851	13,851
Owosso Public Schools		88,798	88,798	88,798
Perry Public Schools		29,650	29,650	29,650
Total Health Resource Advocate passed through to subrecipients		<u>300,398</u>	<u>300,376</u>	<u>300,376</u>

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Shiawassee Regional Educational Service District under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Shiawassee Regional Educational Service District, it is not intended to and does not present the financial position or changes in net position of Shiawassee Regional Educational Service District.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credit made in the normal course of business to amounts reported as expenditures.

The School District has elected not to use the 10 percent de minimus indirect cost rate to recover costs as allowed under the Uniform Guidance.

NOTE 2 - OTHER DISCLOSURES

Management has utilized the Cash Management System Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.

NOTE 3 - RECONCILIATION OF REVENUE REPORTED IN THE FINANCIAL STATEMENTS

Total federal expenditures per Schedule of Expenditures of Federal Awards	\$ 5,393,160
Add:	
MI Safer Schools: Health Resource Advocates for Sustained In-Person Learning passed through by Shiawassee County Department of Public Health	993,946
Mckinney Vento	391
Revenues per financial statements - federal sources	<u>\$ 6,387,497</u>