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IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
TAWAS CITY, MICHIGAN

AUDITORS' REPORT  
YEAR ENDED JUNE 30, 2023

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# *Stephenson & Company, P.C.*

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October 27, 2023

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## Independent Auditors' Report

Board of Education  
Iosco Regional Educational Service Agency  
Tawas City, 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 Iosco Regional Educational Service Agency, Tawas City, Michigan, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the index.

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 Iosco Regional Educational Service Agency, Tawas City, Michigan, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Iosco Regional Educational Service Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Iosco Regional Educational Service Agency'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.

### *Auditors' 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 auditors' 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 generally accepted auditing standards 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 generally accepted auditing standards and *Government Auditing Standards*, we:

- λ 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 Iosco Regional Educational Service Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Iosco Regional Educational Service Agency's ability to continue as a going concern for a reasonable period of time.

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

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and required pension and other postemployment benefit (OPEB) schedules 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise losco Regional Educational Service Agency's basic financial statements. The accompanying combining nonmajor fund financial statements and individual fund schedules are presented for 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 relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and individual fund schedules 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 27, 2023, included in the Single Audit Report issued under a separate cover, on our consideration of losco Regional Educational Service Agency'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 losco Regional Educational Service Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering losco Regional Educational Service Agency's internal control over financial reporting and compliance.

*Stephenson & Company, P.C.*





# IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY

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As management of the Iosco Regional Educational Service Agency, (the Agency), we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2023.

The management's discussion and analysis is provided at the beginning of the audit to provide in layman's terms the past and current position of the Agency's financial condition. This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplemental information that presents all the Agency's revenues and expenditures by program for the General Fund, Special Education Fund, Vocational Education Fund, Capital Project Fund, and Food Service Fund.

## FINANCIAL HIGHLIGHTS

Our financial statements provide these insights into the results of this year's operations.

The overall condition of all funds and governmental activities is positive for the Agency.

The liabilities of the Agency exceeded its assets at the close of the most recent fiscal year by \$127,298 (net position). Of this amount, \$(4,425,381) (unrestricted net position) is the result of the Agency's ongoing obligations to taxpayers, employees, students and creditors.

The Agency's total net position increased by \$1,449,376. This represents the degree to which ongoing revenues have surpassed ongoing expenses.

As of the close of the current fiscal year, the Agency's governmental funds reported combined ending fund balances of \$9,463,856, an increase of \$2,017,762 in comparison with the prior year. Of this amount, \$2,893,536 is available for spending at the Agency's discretion (unassigned fund balance). This represents 23.0% of the total expenditures of these funds.

## USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the Iosco Regional Educational Service Agency's basic financial statements. The Agency's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private sector business.

The *statement of net position* presents information on all of the Agency's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The *statement of activities* presents information showing how the Agency's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Iosco County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2023

Both of the government-wide financial statements distinguish functions of the Iosco Regional Educational Service Agency that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Agency include instruction, support services, community services, and transfers to other districts. The Agency does not currently have any business-type activities.

The government-wide financial statements can be found in the Statement of Net Position and Statement of Activities .

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of these funds of the Agency can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. The Agency does not currently have any proprietary funds or fiduciary funds.

Governmental Funds

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of *spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the Agency's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Agency's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Agency maintains five individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, Special Education Fund and Vocational Education Fund which are considered to be major funds.

The Agency adopts annual appropriated budgets for its governmental funds. A budgetary comparison statement has been provided for the General Fund, Special Education Fund and Vocational Education Fund to demonstrate compliance with budgets.

The basic governmental fund financial statements can be found in the Balance Sheet – Governmental Funds and the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Iosco County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2023

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning budgetary information for the Agency's major funds and other information. Required supplementary information can be found in the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – for the General Fund, Vocational Education Fund, and the Special Education Fund.

Our auditors have provided assurance in their independent auditors' report, located immediately preceding this Management's Discussion and Analysis, that the Basic Financial Statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the Required Supplementary Information and the Other Information identified above. A user of this report should read the independent auditors' report carefully to ascertain the level of assurance being provided for each of the parts in the Financial Section.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Agency's net position was \$(127,298) at June 30, 2023. Of this amount, \$(4,425,381) was an unrestricted (deficit). Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Agency's ability to use that net position for day-to-day operations. Our analysis below focuses on the net position (Table 1) and the change in net position (Table 2) of the Agency's governmental activities.

TABLE 1  
NET POSITION  
Governmental  
Activities

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Current Assets	\$ 16,716,743	\$ 12,795,190
Right to Use Assets, Net	294,584	76,069
Capital Assets, Net	<u>4,030,002</u>	<u>4,061,709</u>
Total Assets	<u>21,041,329</u>	<u>16,932,968</u>
Deferred Outflows of Resources	<u>7,646,959</u>	<u>4,099,864</u>
Current Liabilities	7,251,782	5,225,582
Noncurrent Liabilities	<u>18,373,985</u>	<u>11,218,049</u>
Total Liabilities	<u>25,625,767</u>	<u>16,443,631</u>
Deferred Inflows of Resources	<u>3,189,819</u>	<u>6,165,875</u>
<u>Net Position</u>		
Net Investment in Capital Assets	3,265,002	3,296,709
Restricted	1,033,081	939,900
Unrestricted (Deficit)	<u>(4,425,381)</u>	<u>(5,813,283)</u>
Total Net Position (Restated)	<u>\$ (127,298)</u>	<u>\$ (1,576,674)</u>

The \$(4,425,381) in unrestricted (deficit) net position of governmental activities represents the accumulated results of all past years' operations. It means that if we had to pay off all of our bills *today*, including all of our noncapital liabilities (Net Pension Liability and Net OPEB Liability for example); we would be short \$(4,425,381). This shortfall is a direct result of the implementation of GASB 68 and GASB 75 in the past. See Note 13 and Note 14 of this report.



IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Iosco County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2023

The Agency's net position was \$(127,298) at June 30, 2023. Net investment in capital assets totaled \$3,265,002. The debt of the Agency will be paid for by property taxes collected as the debt service comes due. Day to day operations will be paid for by property taxes, state aid and federal revenues that will be received throughout the year. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Agency's ability to use that net position for day-to-day operations. The remaining amount of net position, \$(4,425,381) is an unrestricted (deficit).

TABLE 2  
CHANGES IN NET POSITION

	<u>Governmental Activities</u>	
	<u>Year Ended June 30, 2023</u>	<u>Year Ended June 30, 2022</u>
Revenue:		
Program Revenue:		
Charges for Services	\$ 2,891,241	\$ 2,414,711
Operating Grants and Contributions	7,414,103	6,469,639
Capital Grants and Contributions	0	226,916
General Revenue:		
Current Property Taxes	2,931,198	2,805,601
State School Aid – Unrestricted	1,524	1,667
Investment Earnings	319,323	29,188
Unrestricted Contributions	52,318	23,445
Gain (Loss) on Disposal of Capital Assets	0	13,206
Miscellaneous	<u>39,278</u>	<u>56,546</u>
Total Revenue	<u>13,648,985</u>	<u>12,040,919</u>
Functions/Program Expenses:		
Instruction	3,635,674	3,578,677
Support Services	5,048,678	3,969,420
Community Services	2,092,504	1,632,921
Food Services	33,138	20,273
Transfers to Other Districts	1,372,638	1,434,081
Interest on Long-Term Debt	<u>16,977</u>	<u>16,977</u>
Total Functions/Program Expenses	<u>12,199,609</u>	<u>10,652,349</u>
Change in Net Position	1,449,376	1,388,570
Net Position – Beginning (Restated)	<u>(1,576,674)</u>	<u>(2,965,244)</u>
Net Position – Ending (Restated)	<u>\$ (127,298)</u>	<u>\$ (1,576,674)</u>

Governmental activities increased the Agency's net position by \$1,449,376.

As reported in our Statement of Activities, the cost of all of our governmental activities this year was \$12,199,609. However, the amount that our taxpayers ultimately financed for these activities through Agency taxes was only \$2,931,198 because some of the cost was paid by those who benefited from the programs (\$2,891,241), by other governments and organizations who subsidized certain programs with grants and contributions (\$7,414,103), through unrestricted state aid (\$1,524), investment earnings (\$319,323), and by miscellaneous sources (\$39,278).

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Iosco County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2023

MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS

The Agency's budgets are prepared according to Michigan law. The most significant budgeted funds are the General Fund, Vocational Education Fund and the Special Education Fund.

During the fiscal year ended June 30, 2023, the Agency amended the budgets of the major governmental funds two times. Significant changes to the General Fund budget were due to changes in State Aid, as well as an increase in Local Revenues. Significant changes to the Special Education Fund budget were related to changes to State Aid. Significant changes to the Vocational Education Fund budget were due to the receipt of awarded 61b funds.

General Fund

The General Fund actual revenue was \$6,082,515. That amount is above both the original budget estimate of \$5,003,907 and the final amended budget of \$5,823,479. The variance between the actual revenues, the original budget, and the final budget was primarily the result of funding changes in State Aid and Interdistrict Sources.

The actual expenditures of the General Fund were \$5,423,876, which is above the original budget estimate of \$4,874,787 and below the final amended budget estimate of \$5,569,091. The variance between the actual expenditures, the original budget, and the final budget was primarily the result of reduced spending in the Support Services area.

The General Fund had total revenues of \$6,082,515, and total expenditures of \$5,423,876 with an ending fund balance of \$3,397,620.

GOVERNMENTAL FUND EXPENDITURES

Total governmental fund expenditures amounted to \$12,606,688. The governmental funds had a net increase in fund balance of \$2,017,762. The ending fund balance for all governmental funds was \$9,463,856 which represents 75% of current year expenditures. The ending fund balance percentage for the prior year represented 67% of last year's expenditures. This fund balance will provide a contingency for unexpected expenditures and revenue cuts.

The General Fund fund balance increased by \$656,980. The increase as related to the prior year's activity is primarily the result of increased Federal and State funding of approximately \$524,000.

The Vocational Education Fund fund balance increased by \$305,303. This increase is approximately \$75,000 than the prior year's increase as a result of various fluctuations across the board. The biggest change for the Vocational Education Fund was an decrease in spending relating to instruction and support expenses totaling 163,839, offset by an increase in capital outlay of \$95,000.

The Special Education Fund fund balance increased by \$1,019,930. The increase as related to the prior year's activity is primarily the result of increased Local sources of \$288,337 in conjunction with increased State funding of \$696,221.

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Iosco County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2023

CAPITAL ASSET AND LONG TERM LIABILITY ADMINISTRATION

Capital Assets

At the end of fiscal year 2023, the Agency had \$7,400,266 invested in land and buildings, furniture and equipment and vehicles and buses. Of this amount, \$3,370,264 in depreciation has been taken over the years. We currently have a net book value of \$4,030,002. Total additions for the year were \$281,103. Current year additions included the following:

Const. in Progress: LED Sign	\$ 27,300
Const. in Progress: Exterior Painting	8,055
Security Camera/Door System	13,833
Tinted Glass Implementation	8,719
Trade Building Fiber Cable Project	6,526
8 Self-Contained Welding Benches	138,655
2019 Ford Escape	23,015
10 Yamaha MT-03 Motorcycles	<u>55,000</u>
	<u>\$ 281,103</u>

Disposals for the current year consisted of several buses and robotics equipment and related software, all of which had been fully depreciated. There were no gains or losses associated with these disposals.

Additional information on the Agency's capital assets can be found in Note 6 of this report.

Long-Term Debt

At June 30, 2023, the Agency had \$765,000 in bonds outstanding. In the current year, the Agency acquired new long-term leases totaling \$295,023, with ending balances of \$297,019.

State statutes limit the amount of general obligation debt that a school district may issue. The current debt limitation for the Agency is significantly greater than the outstanding debt of the Agency.

Additional information on the Agency's long-term debt can be found in Note 9 of this report.

Net Pension Liability

At June 30, 2023, the Agency's Net Pension Liability amounted to \$16,222,487. This constitutes their unfunded pension benefit obligation as of the measurement date of the Michigan Public School Employees Retirement System Plan.

Additional information on the District's Net Pension Liability can be found in Note 13 of this report.

Net OPEB Liability

At June 30, 2023, the Agency's Net OPEB Liability amounted to \$944,015. This constitutes their unfunded other post-employment benefits obligations as of the measurement date of the Michigan Public School Employees Retirement System Plan.

Additional information on the District's Net OPEB Liability can be found in Note 14 of this report.



IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Iosco County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2023

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Uncertainties in Federal and State funding were factors considered in preparing the Agency's budgets for the 2023-2024 fiscal year, which were built conservatively. The budgets will be revised once actual funding amounts are known. The Agency continues to work hard to keep expenditures down and to maintain revenue levels that are within their control.

REQUESTS FOR INFORMATION

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

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Business Manager  
Iosco Regional Educational Service Agency  
27 N. Rempert Road  
Tawas City, MI 48763  
Office Telephone (989) 362-3006

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

STATEMENT OF NET POSITION  
June 30, 2023

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and Cash Equivalents	\$ 14,491,703
Receivables:	
Due from Other Governmental Units	1,377,027
Inventory:	
Building Trades Homes	334,714
Prepaid Items	9,908
Restricted Assets:	
Cash and Cash Equivalents	503,391
Noncurrent Assets:	
Right to Use Assets, Net of Accumulated Amortization	294,584
Capital Assets Not Being Depreciated	302,255
Capital Assets, Net of Accumulated Depreciation	<u>3,727,747</u>
 Total Assets	 <u>21,041,329</u>
<u>Deferred Outflows of Resources</u>	
Deferred Amount on Pension Expense Related to Net Pension Liability	6,042,927
Deferred Amount on OPEB Expense Related to Net OPEB Liability	<u>1,604,032</u>
 Total Deferred Outflows of Resources	 <u>7,646,959</u>
<u>Liabilities</u>	
Accounts Payable	156,537
Due to Other Governmental Units	1,838,522
Due to Related Parties	1,508,034
Interest Payable	2,829
Payroll Deductions and Withholdings	342,038
Accrued Expenses	37,586
Salaries Payable	361,572
Unearned Revenue	3,004,664
Long-Term Liabilities	
Due within One Year	302,440
Due in More Than One Year	905,043
Net Pension Liability	16,222,487
Net OPEB Liability	<u>944,015</u>
 Total Liabilities	 <u>25,625,767</u>
<u>Deferred Inflows of Resources</u>	
Deferred Amount on Net Pension Liability	1,268,034
Deferred Amount on Net OPEB Liability	<u>1,921,785</u>
 Total Deferred Inflows of Resources	 <u>3,189,819</u>
<u>Net Position</u>	
Net Investment in Capital Assets	3,265,002
Restricted For:	
Capital Projects	1,033,081
Unrestricted (Deficit)	<u>(4,425,381)</u>
 Total Net Position	 <u>\$ (127,298)</u>

The accompanying notes to financial statements are an integral part of this statement.

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Government Type Activities
Instruction	\$ 3,635,674	\$ 216,632	\$ 5,358,115	\$ 0	\$ 1,939,073
Support Services	5,048,678	2,671,315	1,751,085	0	(626,278)
Community Services	2,092,504	3,294	256,711	0	(1,832,499)
Food Services	33,138	0	48,192	0	15,054
Transfers to Other Districts	1,372,638	0	0	0	(1,372,638)
Interest on Long-Term Debt	<u>16,977</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(16,977)</u>
Total	<u>\$ 12,199,609</u>	<u>\$ 2,891,241</u>	<u>\$ 7,414,103</u>	<u>\$ 0</u>	<u>(1,894,265)</u>
General Revenues:					
Property Taxes, Levied for General, Special Education and Vocational Education Purposes					2,931,198
State School Aid - Unrestricted					1,524
Investment Earnings					319,323
Unrestricted Contributions					52,318
Miscellaneous					<u>39,278</u>
Total General Revenues					<u>3,343,641</u>
Change in Net Position					1,449,376
Net Position - Beginning (Restated)					<u>(1,576,674)</u>
Net Position - Ending					<u>\$ (127,298)</u>

The accompanying notes to financial statements are an integral part of this statement.



IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2023

		<u>Special Revenue Funds</u>			
	<u>General</u>	<u>Vocational</u>	<u>Special</u>	<u>Other</u>	<u>Total</u>
	<u>Fund</u>	<u>Education</u>	<u>Education</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
<u>Assets</u>					
Cash and Cash Equivalents	\$ 7,990,805	\$ 2,787,955	\$ 3,148,521	\$ 564,422	\$ 14,491,703
Receivables:					
Due from Other Governmental Units	788,648	106,992	481,387	0	1,377,027
Due from Other Funds	1,211	0	0	0	1,211
Inventory:					
Building Trades Homes	0	334,714	0	0	334,714
Prepaid Items	693	8,910	305	0	9,908
Restricted Cash and Cash Equivalents	<u>503,391</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>503,391</u>
Total Assets	<u>\$ 9,284,748</u>	<u>\$ 3,238,571</u>	<u>\$ 3,630,213</u>	<u>\$ 564,422</u>	<u>\$ 16,717,954</u>
<u>Liabilities</u>					
Accounts Payable	\$ 42,317	\$ 30,405	\$ 64,020	\$ 19,795	\$ 156,537
Due to Other Governmental Units	1,595,663	9	242,850	0	1,838,522
Due to Other Funds	0	0	0	1,211	1,211
Due to Related Parties	1,508,034	0	0	0	1,508,034
Payroll Deductions and Withholdings	129,471	56,682	155,885	0	342,038
Accrued Expenditures	6,622	8,735	22,229	0	37,586
Salaries Payable	138,574	61,524	161,474	0	361,572
Unearned Revenue	<u>2,462,513</u>	<u>70,972</u>	<u>471,179</u>	<u>0</u>	<u>3,004,664</u>
Total Liabilities	<u>5,883,194</u>	<u>228,327</u>	<u>1,117,637</u>	<u>21,006</u>	<u>7,250,164</u>
<u>Deferred Inflows of Resources</u>					
Unavailable Revenue - Grants	<u>3,934</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,934</u>
<u>Fund Equity</u>					
Fund Balances:					
Nonspendable:					
Inventory	0	334,714	0	0	334,714
Prepaid Items	693	8,910	305	0	9,908
Restricted For:					
Capital Projects	503,391	0	0	529,690	1,033,081
Assigned To:					
Vocational Education	0	2,666,620	0	0	2,666,620
Special Education	0	0	2,512,271	0	2,512,271
Food Service	0	0	0	13,726	13,726
Unassigned	<u>2,893,536</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,893,536</u>
Total Fund Equity	<u>3,397,620</u>	<u>3,010,244</u>	<u>2,512,576</u>	<u>543,416</u>	<u>9,463,856</u>
Total Liabilities and Fund Equity	<u>\$ 9,284,748</u>	<u>\$ 3,238,571</u>	<u>\$ 3,630,213</u>	<u>\$ 564,422</u>	<u>\$ 16,717,954</u>

The accompanying notes to financial statements are an integral part of this statement.

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
June 30, 2023

Total Governmental Fund Balances	\$ 9,463,856
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets and right to use assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. Capital assets and right to use assets at the year-end consist of:

Capital Asset Cost	\$ 7,400,266	
Capital Asset Accumulated Depreciation	(3,370,264)	
Right to Use Asset Cost	418,098	
Right to Use Asset Accumulated Amortization	<u>(123,514)</u>	
		4,324,586

Certain receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	3,934
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Certain liabilities are not due and payable in the current period and are not reported in the funds:	
Accrued Interest on Long-Term Liabilities	(2,829)

Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources from pension expenses subsequent to the measurement date of net pension liability	6,042,927	
Deferred inflows of resources resulting from net pension liability	(1,268,034)	
Deferred outflows of resources from OPEB expenses subsequent to the measurement date of the net OPEB liability	1,604,032	
Deferred inflows of resources resulting from net OPEB liability	<u>(1,921,785)</u>	
		4,457,140

Long-term liabilities, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

Long-term liabilities at year end consist of:

Bonds Payable	(765,000)	
Leases Payable	(297,019)	
Compensated Absences Payable	(145,464)	
Net Pension Liability	(16,222,487)	
Net OPEB Liability	<u>(944,015)</u>	
		<u>(18,373,985)</u>

Total Net Position - Governmental Activities	\$ <u>(127,298)</u>
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The accompanying notes to financial statements are an integral part of this statement.

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2023

		<u>Special Revenue Funds</u>			
	<u>General Fund</u>	<u>Vocational Education Fund</u>	<u>Special Education Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>					
Local Sources	\$ 640,671	\$ 1,306,602	\$ 2,009,722	\$ 20,840	\$ 3,977,835
State Sources	3,118,191	641,149	2,310,079	705	6,070,124
Federal Sources	211,631	81,152	1,564,246	47,487	1,904,516
Interdistrict Sources	<u>2,112,022</u>	<u>14,177</u>	<u>250,753</u>	<u>0</u>	<u>2,376,952</u>
Total Revenues	<u>6,082,515</u>	<u>2,043,080</u>	<u>6,134,800</u>	<u>69,032</u>	<u>14,329,427</u>
<u>Expenditures</u>					
Current:					
Instruction	540,879	1,070,233	1,979,455	0	3,590,567
Support Services	1,795,678	481,734	2,661,595	0	4,939,007
Community Services	1,854,246	0	208,169	0	2,062,415
Food Services	0	0	0	32,096	32,096
Outgoing Transfers to Other Districts	1,070,832	41,144	235,448	25,214	1,372,638
Capital Outlay	161,780	239,298	125,901	76,173	603,152
Debt Service:					
Interest and Fees on Long-Term Debt	<u>461</u>	<u>3,709</u>	<u>2,643</u>	<u>0</u>	<u>6,813</u>
Total Expenditures	<u>5,423,876</u>	<u>1,836,118</u>	<u>5,213,211</u>	<u>133,483</u>	<u>12,606,688</u>
Excess of Revenues Over (Under) Expenditures	<u>658,639</u>	<u>206,962</u>	<u>921,589</u>	<u>(64,451)</u>	<u>1,722,739</u>
<u>Other Financing Sources (Uses)</u>					
Lease Proceeds	98,341	98,341	98,341	0	295,023
Operating Transfers In	0	0	0	100,000	100,000
Operating Transfers Out	<u>(100,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(100,000)</u>
Total Other Financing Sources (Uses)	<u>(1,659)</u>	<u>98,341</u>	<u>98,341</u>	<u>100,000</u>	<u>295,023</u>
Net Change in Fund Balances	656,980	305,303	1,019,930	35,549	2,017,762
Fund Balances - Beginning of Year (Restated)	<u>2,740,640</u>	<u>2,704,941</u>	<u>1,492,646</u>	<u>507,867</u>	<u>7,446,094</u>
Fund Balances - End of Year	<u>\$ 3,397,620</u>	<u>\$ 3,010,244</u>	<u>\$ 2,512,576</u>	<u>\$ 543,416</u>	<u>\$ 9,463,856</u>

The accompanying notes to financial statements are an integral part of this statement.



IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2023

Total Net Change in Fund Balances - Governmental Funds	\$ 2,017,762
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Amounts reported for governmental activities in the statement of activities are different because:

Receivables not currently available are reported as revenue when collected or when currently available in the fund financial statements but are recognized as revenue when earned in the government-wide statements:

Grant Revenue Receivable, net of Current Year Deferrals and Recognitions	(122,409)
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Governmental funds report capital outlays and lease agreements as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense and amortization expense.

Depreciation Expense	\$ (312,810)	
Capital Outlay Reported in the Governmental Funds	576,126	
Amortization of Lease Assets	<u>(76,508)</u>	
		186,808

Governmental funds report district pension and OPEB contributions as expenditures. However, in the statement of activities, the cost of pension and OPEB benefits earned, net of employee contributions, is reported as pension or OPEB expense. The following amounts represent the current year net changes:

Net Pension Liability	(6,628,303)	
Actual Pension Contributions and the Cost of Benefits Earned, net of Employee Contributions	3,067,887	
Deferred Amount on Net Pension Liability	2,547,124	
Actual OPEB Contributions and the Cost of Benefits Earned, net of Employee Contributions	479,208	
Net OPEB Liability	(316,217)	
Deferred Amount on Net OPEB Liability	<u>428,932</u>	
		(421,369)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of repayments reported as expenditures in the governmental funds:

Leases Payable	74,132
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Governmental funds report the effect of debt proceeds as other financing sources when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Lease Proceeds	(295,023)
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Expenses are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds. The effect of the treatment of these activities is as follows:

Compensated Absences	<u>9,475</u>
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Change in Net Position of Governmental Activities	<u>\$ 1,449,376</u>
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The accompanying notes to financial statements are an integral part of this statement.

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Iosco Regional Educational Service Agency (Agency) conform to accounting principles generally accepted in the United States of America (GAAP) applicable to governments. The Agency is considered to be a local government unit. The following is a summary of the significant accounting policies:

A. Reporting Entity

Iosco Regional Educational Service Agency provides special education services to students in Iosco County, Michigan and parts of the counties of Alcona, Arenac, and Ogemaw. The Agency operates under an elected Board of Education (five members) represented by members elected by delegates from local agencies in the Iosco Regional Educational Service Agency's service area. The Board is responsible for adopting and amending budgets and for administering the school programs in accordance with governing laws.

The accompanying basic financial statements have been prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Agency's reporting entity applies all relevant GASB pronouncements for determining the various governmental organizations to be included in the reporting entity. Iosco Regional Educational Service Agency's Board of Education (Board) is the primary government which has oversight responsibility and control over all activities related to public school education in the area served by the Iosco Regional Educational Service Agency. The Board receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. As such, the Board is not included in any other governmental "reporting entity" as defined in GASB pronouncements since the Board members are a publicly elected governing body that has separate legal standing and is fiscally independent of other governmental entities.

B. Fund Accounting

The Agency uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Agency functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the Agency are grouped into the governmental category.

Governmental Funds

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Agency's major governmental funds:

General Fund - The General Fund is the general operating fund of the Agency. It is used to account for all financial resources except those required to be accounted for in another fund.

Vocational Education Fund - The Vocational Education Fund is used to account for all financial resources allocated for vocational education instruction and related supporting services within the Agency.

Special Education Fund - The Special Education Fund is used to account for all financial resources allocated for special education instruction and related supporting services within the Agency.

The other governmental funds of the Agency account for grants and other resources whose use is restricted for a particular purpose, and the acquisition or construction of major capital facilities.

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation

**Government-wide Financial Statements:**

The statement of net position and the statement of activities display information about the Agency as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Agency that are governmental and those that are considered business-type activities. The Agency does not currently have any business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Agency's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Agency, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Agency.

Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other purposes result from special revenue and capital project funds and the restrictions on their net position use. Restricted assets are used first to fund appropriations before unrestricted assets are used.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Fund Financial Statements:**

Fund financial statements report detailed information about the Agency. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The nonmajor funds are aggregated and presented in a single column.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenue, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.



IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting (Continued)

**Revenues – Exchange and Non-exchange Transactions:**

Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Agency, available means expected to be received within 60 days of the fiscal year-end.

Nonexchange transactions, in which the Agency receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Agency must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Agency on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available in advance, interest, tuition, grants, student fees and rentals.

**Deferred Outflows/Inflows of Resources:**

In addition to assets, the statement of financial 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 that time.

In addition to liabilities, the statement of financial 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.

**Expenses/Expenditures:**

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

E. Cash and Cash Equivalents

During the fiscal year ended June 30, 2023, investments included the Michigan Liquid Asset Fund (MILAF). MILAF is an investment pool managed by PFM Asset Management, LLC, which allows school districts within the State of Michigan to pool their funds for investment purposes. Investments in MILAF are valued at cost which equals market value.

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Cash Equivalents (Continued)

For presentation on the financial statements, investments in the cash management pools and investments with an original maturity of three months or less at the time they are purchased by the Agency are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

The Agency is required, under the 2014 School Improvement Bonds and the 2016 School Improvement Bonds, to maintain certain restricted assets in the General Fund. The Bonds require certain assets be deposited into the separate bank accounts referred to by the Bonds as Sinking Funds. The Agency did meet all of these requirements for the year ended June 30, 2023

F. Receivables

Receivables generally consist of grants, state aid, and other. All receivables are net of estimated uncollectible accounts. Receivables are recognized to the extent the amounts are determined material and substantiated, not only by supporting documentation but also by a reasonable systematic method of determining their existence, completeness, valuation, and collectability.

The allowance for doubtful accounts at June 30, 2023 was \$0.

G. Due From Other Governmental Units

This represents amounts receivable from the State of Michigan and other governmental units for federal, state and local reimbursable programs.

H. Prepaid Items

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

I. Restricted Assets

Restricted assets include assets set aside by the Board of Education to meet the security requirements included in the bonding agreement, as well as bond proceeds not yet spent, for the Qualified Zone Academy Bond.

J. Capital and Right to Use Assets

General capital assets are those assets not specifically related to activities reported in proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Agency does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

Right to use assets are initially measured at amount equal to the initial measurement of the lease/subscription-based information technology arrangement (SBITA) liability plus any lease/SBITA payments made prior to the lease/SBITA term, less incentives, and plus ancillary charges necessary to place the lease/SBITA into service.

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital and Right to Use Assets (Continued)

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Descriptions</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 - 50 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles and Buses	8 years

Intangible right-to-use assets are amortized over the shorter of the lease/SBITA term or the useful life of the underlying asset.

K. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due from/to other funds". These amounts are eliminated in the governmental columns of the statement of net position.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported as a liability in the fund financial statements at the time they are incurred, to the extent that they will be paid from current, expendable, financial resources. In general, payments made within 60 days after year end are considered to have been made with current available financial resources. However, bonds and other long-term obligations, compensated absences, claims and judgments, leases, contractually required pension contributions and special termination benefits that will be paid from governmental funds are recognized as a liability in the fund financial statements when they become due for payment.

M. Compensated Absences

The Agency reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made based on accumulated sick leave and wage rates at year-end, taking into consideration limits specified in the Agency's termination policy.

The entire compensated absences liability is reported on the government-wide financial statements. For the governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are included in "Salaries Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported in the governmental fund financial statements.

No liability amounts were recorded in governmental fund statements, in accordance with GASB 33, due to the fact that there was a legally enforceable document that set a date for payment of vested benefits subsequent to June 30, 2023.

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (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. Investments are reported at fair value.

O. Postemployment Benefits Other Than Pensions

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (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.

P. Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The Agency reports three categories of net position as follows:

Net investment in capital assets - consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

Restricted net position - net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the Agency's bonds. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position - consists of all other net position that does not meet the definition of the above two components and is available for general use by the Agency.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, management applies restricted net position first, unless a determination is made to use unrestricted net position. The Agency's policy concerning which to apply first varies with the intended use and legal requirements. Management typically makes this decision on a transactional basis at the incurrence of the expense.

Q. Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form—pre-paid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

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Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Fund Balances (Continued)

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal school board action—the Agency’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the school board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance. This classification reflects the amounts constrained by the Agency’s “intent” to be used for specific purposes, but are neither restricted nor committed. The school board or personnel authorized by the school board have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the Agency’s policy to use externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

R. Property Taxes

The Agency levies its property taxes on December 1, and various municipalities collect its property taxes and remit them to the Agency through February. The delinquent real property taxes of the Agency are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The County sells tax notes, the proceeds of which have been used to pay the Agency for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

S. Foundation Revenue

The State of Michigan has adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the Agency. For the year ended June 30, 2023, the foundation allowance was based on the average of pupil membership counts taken in October (90%) and February (10%) of 2022.

The state portion of the foundation allowance is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation allowance is funded primarily by non-prequalified property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through 11 payments from October 2022 - August 2023. The local revenue is recognized as outlined in Note 1 Accounting for Property Taxes.

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
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NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. State Categorical Revenue

The Agency also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as unearned revenue.

U. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/ expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/ expenses to the funds that initially paid for them are not presented on the financial statements.

V. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year ended June 30, 2023.

W. Economic Dependency

The Agency received approximately 42% of their revenue from the State of Michigan. Due to the significance of this revenue source to the Agency, the Agency is considered to be economically dependent.

X. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. 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.

Y. Budgetary Policies and Data

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 and an informational study for Capital Project Funds of school districts prior to the expenditure of monies in a fiscal year in accordance with GAAP.

Iosco Regional Educational Service Agency follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Agency's Superintendent submits to the Board 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 throughout the year. Individual amendments were not material in relation to the original appropriations.



IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
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NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Y. Budgetary Policies and Data (Continued)

4. Appropriations lapse at year-end and therefore cancel all encumbrances. These appropriations are re-established at the beginning of the following year.

Z. Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES

For 2023, the School District implemented GASB Statement No. 96 "Subscription-Based Information Technology Arrangements" (SBITA). The objective of this Statement is to increase the usefulness of government's financial statements by requiring recognition of certain SBITA assets and related liabilities. A SBITA, in short, is defined as a contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in exchange-like transaction.

NOTE 3 - DEPOSITS AND INVESTMENTS

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

Cash and Cash Equivalents	\$ 14,491,703
Restricted Cash and Cash Equivalents	<u>503,391</u>
Total	<u>\$ 14,995,094</u>

The breakdown between deposits and investments is as follows:

Bank Deposits (Checking and Savings Accounts and Certificates of Deposit)	\$ 960,884
Investments in Pooled Funds	14,034,054
Petty Cash and Cash on Hand	<u>156</u>
Total	<u>\$ 14,995,094</u>

As of June 30, 2023, the Agency had the following investments.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Specific Identification Maturities</u>
Investment pools	<u>\$ 14,034,054</u>	Daily

Interest Rate Risk

In accordance with its investment policy, the Agency 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 Agency's cash requirements.

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk

State law authorizes investments in investment pools as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district. As of June 30, 2023, the Agency's investment in the MILAF investment pool was rated AAAM by Standard & Poor's.

Concentration of Credit Risk

The Agency will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Agency'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. Investments in U.S. Treasury securities and those other securities completely guaranteed by the Treasury as to payment of principal and interest may be purchased in any dollar amount or up to 100% of the available reserve.

Investments in other types of authorized securities may be made with the provision that no more than fifty percent of the total current investment portfolio consists of one type of security.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. As of June 30, 2023, \$842,508 of the Agency's bank balance of \$1,092,508 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 Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Agency 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 approved in the District's Investment policy which is in accordance with State law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Agency will do business.

Foreign Currency Risk

The Agency is not authorized to invest in investments which have this type of risk.

Fair Value Measurements

The Agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Agency has the following recurring fair value measurements as of June 30, 2023:

- Amounts invested in MILAF+ Portfolio of \$14,034,054. The MILAF+ Portfolio is not registered under Rule 2a-7 under the Investment Company Act of 1940. The money market securities are valued using amortized cost, which generally approximates the current fair value of the security. However, the value is not obtained from a quoted price in an active market. (Level 2 inputs)

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2023

NOTE 4 - RECEIVABLES

Receivables at June 30, 2023, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amount</u>
Federal Sources	\$ 185,407
State Sources	1,179,281
Other Governmental Units	<u>12,339</u>
Total Governmental Activities	<u>\$ 1,377,027</u>

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables as of June 30, 2023 were as follows:

<u>DUE TO</u>	<u>DUE FROM</u> <u>Other Governmental</u> <u>Funds</u>
General Fund	\$ <u>1,211</u>

These balances result from the time lag between the dates that interfund goods and services are provided, transactions are recorded in the accounting system, and payments between funds are made.

NOTE 6 - CAPITAL AND RIGHT TO USE ASSETS

Capital and Right to Use asset activity for the fiscal year ended June 30, 2023, was as follows:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2023</u>
<u>Governmental Assets - Right to Use Assets</u>				
Right to Use Assets Being Amortized Equipment	\$ 181,566	\$ 295,023	\$ (58,491)	\$ 418,098
Less Accumulated Amortization for: Equipment	<u>(105,497)</u>	<u>(76,508)</u>	<u>58,491</u>	<u>(123,514)</u>
Governmental Activities - Total Right to Use Assets - Net of Amortization	<u>\$ 76,069</u>	<u>\$ 218,515</u>	<u>\$ 0</u>	<u>\$ 294,584</u>

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2023

NOTE 6 - CAPITAL AND RIGHT TO USE ASSETS (CONTINUED)

	Balance <u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2023</u>
<u>Governmental Activities - Capital Assets</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 266,900	\$ 0	\$ 0	\$ 266,900
Construction in Progress	<u>0</u>	<u>35,355</u>	<u>0</u>	<u>35,355</u>
Subtotal	<u>266,900</u>	<u>35,355</u>	<u>0</u>	<u>302,255</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	4,868,977	29,078	0	4,898,055
Furniture, Fixtures and Equipment	945,039	138,655	(154,129)	929,565
Vehicles	251,621	78,015	(14,758)	314,878
Buses	<u>1,245,434</u>	<u>0</u>	<u>(289,921)</u>	<u>955,513</u>
Subtotal	<u>7,311,071</u>	<u>245,748</u>	<u>(458,808)</u>	<u>7,098,011</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(1,772,405)	(153,264)	0	(1,925,669)
Furniture, Fixtures and Equipment	(882,485)	(19,286)	154,129	(747,642)
Vehicles	(196,750)	(20,821)	14,758	(202,813)
Buses	<u>(664,622)</u>	<u>(119,439)</u>	<u>289,921</u>	<u>(494,140)</u>
Subtotal	<u>(3,516,262)</u>	<u>(312,810)</u>	<u>458,808</u>	<u>(3,370,264)</u>
Capital Assets Being Depreciated	<u>3,794,809</u>	<u>(67,062)</u>	<u>0</u>	<u>3,727,747</u>
Governmental Activities Total				
Capital Assets - Net of Depreciation	<u>\$ 4,061,709</u>	<u>\$ (31,707)</u>	<u>\$ 0</u>	<u>\$ 4,030,002</u>

Depreciation/amortization expense was charged to activities of the Agency as follows:

Governmental Activities - Right to Use Assets

Support Services \$ 76,508

Governmental Activities - Capital Assets

Instruction	\$ 105,206
Support Services	146,094
Community Services	60,551
Food Services	<u>959</u>
	<u>\$ 312,810</u>

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2023

**NOTE 7 - SHORT-TERM DEBT**

The Agency has various options for short-term financing including tax anticipation notes, state aid anticipation notes and lines of credit.

The Agency did not enter into any short-term financing arrangements during the fiscal year ending June 30, 2023.

**NOTE 8 - LONG-TERM LEASES PAYABLE**

Lease agreements are summarized as follows:

Description	Date	Payment Terms	Payment Amount	Implied Interest Rate	Total Lease Liability	Current Year Additional Outflows	Balance June 30, 2023
Hale Schools Space Rental	7/1/2021	36 months	\$ 2,224.08	0.1%	\$ 79,944	\$ 26,648	\$ 26,688
Oscoda Schools Space Rental	7/1/2021	24 months	\$ 1,631.08	0.1%	\$ 39,105	19,569	0
Postage Meters	7/1/2021	60 months	\$ 67.27	0.1%	\$ 4,026	804	2,419
Copier Machines	1/5/23	60 months	\$ 5,500.12	4.5%	\$ 295,023	27,110	267,912
Total Lease Agreements						<u>\$ 74,131</u>	<u>\$ 297,019</u>

Hale Schools Space Rental - The Agency entered into a 3 year agreement, effective July 1, 2021, with Hale Area Schools for the use of 3 classrooms for educational purposes. The terms of this agreement include a fixed annual amount of \$8,546 for each classroom leased as well as an additional annual fee of \$1,051. Monthly lease payments of \$2,224.08 are to be made through June 30, 2024 at an implied interest rate of 0.1%.

Oscoda Schools Space Rental - The Agency entered into a 2 year agreement, effective July 1, 2021, with Oscoda Area Schools for the use of 2 classrooms and an office space for educational purposes. The terms of this agreement included a fixed annual amount of \$8,546 for each classroom leased, \$1,430 for each office space, and an annual fee of \$1,051. Monthly lease payments of \$1,631.08 were to be made through June 30, 2023 at an implied interest rate of 0.1%. The agency has not signed a renewal agreement with the District for this space at this time.

Copier Machines - The Agency entered into a 5 year agreement, effective January 5, 2023, with Xerox Financial Services, LLC. for the use of copier machines. Per the agreement, monthly lease payments of \$5,500.12 are to be made through January 4, 2028 at an implied interest rate of 4.5%.

Postage Meters - The Agency entered into a 5 year agreement, effective July 1, 2021, with Pitney Bowes for the use of a postage meter. Per the agreement, monthly lease payments of \$67.27 are to be made through July 31, 2026 at an implied interest rate of 0.1%.

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30	Principal	Interest
2024	\$ 82,440	\$ 11,071
2025	58,277	8,532
2026	60,918	5,891
2027	62,873	3,129
2028	32,511	489
	<u>\$ 297,019</u>	<u>\$ 29,112</u>

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2023

**NOTE 9 - LONG-TERM LIABILITIES**

Primary Government

A. Bonds Payable

	<u>Date of Contract</u>	<u>Principal Due</u>	<u>Interest</u>	<u>Total Obligation</u>
2014 QZAB School Improvement Bond	2014	\$ 220,000	\$ 10,164	\$ 230,164
2016 QZAB School Improvement Bond	2016	<u>545,000</u>	<u>88,562</u>	<u>633,562</u>
Total Bonds Payable		<u>\$ 765,000</u>	<u>\$ 98,726</u>	<u>\$ 863,726</u>

B. Detailed Long-Term Debt Disclosures

**Direct Borrowing**

2014 QZAB School Improvement Bonds

The bonds dated May 1, 2014, are due in full on May 1, 2024. The bonds are issued under the Qualified Zone Academy Bond program. Interest is eliminated through a tax credit. A set-aside amount of \$22,000 is required each year. Interest of 4.62% will be earned on the required deposits and will be used to reduce the final set-aside payment. If necessary, the District will levy taxes upon all taxable property in the District necessary to pay such debt service.

2016 QZAB School Improvement Bonds

The bonds dated May 11, 2016, are due in full on May 1, 2036. The bonds are issued under the Qualified Zone Academy Bond program. The bonds bear interest at the rate of 1.25%. Interest is reduced through a tax credit. In addition to biannual interest payments, a set-aside amount of \$27,250 is required each year. If necessary, the District will levy taxes upon all taxable property in the District necessary to pay such debt service.

C. Compensated Absences Payable

The Agency has an employee benefit plan that allows employees to accumulate sick and vacation pay days. As of June 30, 2023, the amount of accumulated sick and vacation pay liability for Iosco Regional Educational Service Agency was as follows:

	<u>Current Liability</u>	<u>Long-Term Liability</u>	<u>Total Balance</u>
Primary Government			
Governmental Activities	\$ <u>0</u>	\$ <u>145,464</u>	\$ <u>145,464</u>



IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2023

**NOTE 9 - LONG-TERM LIABILITIES (CONTINUED)**

**D. Changes in Long-Term Liabilities**

The following is a summary of long-term debt transactions of the Agency for the year ended June 30, 2023:

	Balance July 1, 2022	Increase	Decrease	Balance June 30, 2023	Amount Due in One Year
<u>Governmental Activities</u>					
<b>Direct Borrowing:</b>					
Bonds	\$ 765,000	\$ 0	\$ 0	\$ 765,000	\$ 220,000
Long-Term Leases Payable	76,128	295,023	(74,132)	297,019	82,440
Compensated Absences Payable	<u>154,939</u>	<u>0</u>	<u>(9,475) *</u>	<u>145,464</u>	<u>0</u>
Total Long-Term Liabilities	<u>\$ 996,067</u>	<u>\$ 295,023</u>	<u>\$ (83,607)</u>	<u>\$ 1,207,483</u>	<u>\$ 302,440</u>

\*Represents net of additions and retirements for the year.

Long-term leases are further defined at Note 8.

The interest expenses on long-term obligations for the year were \$16,977.

Compensated absences for the governmental funds are generally liquidated by the General, Vocational Education and Special Education funds.

The annual principal and interest requirements for long-term debt for the years after June 30, 2023 are as follows:

Primary Government

**Direct Borrowing:**

<i>Bonds Payable</i>	Government Activities		
	Principal	Interest	Total
2024	\$ 220,000	\$ 16,976	\$ 236,976
2025	0	6,812	6,812
2026	0	6,813	6,813
2027	0	6,812	6,812
2028	0	6,813	6,813
2029 - 2033	0	34,062	34,062
2034 - 2036	<u>545,000</u>	<u>20,438</u>	<u>565,438</u>
Total	<u>\$ 765,000</u>	<u>\$ 98,726</u>	<u>\$ 863,726</u>

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2023

NOTE 10 - UNEARNED REVENUE

Governmental Funds/Activities unearned revenue recognition is in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of unearned revenue are as follows:

General Fund:	
Adult Education	\$ 253,461
Early Literacy Teacher Coaches	66,738
Critical Incidence Mapping	1,549
MC Class	1,694
Mental Health and Support Services	<u>2,139,071</u>
Total General Fund	<u>2,462,513</u>
Special Education Fund:	
Medicaid Revenue	454,952
Early On	<u>16,227</u>
Total Special Education Fund	<u>471,179</u>
Vocational Education Fund	
CTE Teacher Recruitment & Retention	<u>70,972</u>
Total	\$ <u>3,004,664</u>

NOTE 11 - OPERATING TRANSFERS

During the year ended June 30, 2023, the following transfers were made:

<u>Transfer To:</u>	<u>Transfer From:</u>
	<u>General Fund</u>
Non-Major Governmental Funds	\$ <u>100,000</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 12 - EXCESS OF EXPENDITURES OVER APPROPRIATION IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Agency's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Agency for these budgetary funds were adopted at the functional level.

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
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NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2023

NOTE 12 - EXCESS OF EXPENDITURES OVER APPROPRIATION IN BUDGETARY FUNDS (CONTINUED)

During the year ended June 30, 2023, the Agency incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

<u>Fund/Function</u>	<u>Total</u> <u>Appropriations</u>	<u>Amount of</u> <u>Expenditures</u>	<u>Budget</u> <u>Variance</u>
General Fund/Capital Outlay	\$ 63,000	\$ 161,780	\$ (98,780)
Special Education Fund/Capital Outlay	\$ 38,412	\$ 125,901	\$ (87,489)
Vocational Education Fund/Capital Outlay	\$ 141,000	\$ 239,298	\$ (98,298)

NOTE 13 - DEFINED BENEFIT PLAN

Plan Description

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan and a fiduciary component unit of 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. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

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 the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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 Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at [Michigan.gov/ORSSchools](http://Michigan.gov/ORSSchools).

Benefits Provided

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. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. 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.

A DB plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Contributions

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

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
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NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2023

NOTE 13 - DEFINED BENEFIT PLAN (CONTINUED)

Contributions (Continued)

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 portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2021 valuation will be amortized over a 17-year period beginning October 1, 2021 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2022.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	20.14%
Member Investment Plan	3.0 - 7.0	20.14
Pension Plus	3.0 - 6.4	17.22
Pension Plus 2	6.2	19.93
Defined Contribution	0.0	13.73

Required contributions to the pension plan from the Agency were \$1,468,134 for the year ended September 30, 2022.

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

At June 30, 2023, the Agency reported a liability of \$16,222,487 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2021. The Agency's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2022, the Agency's proportionate share percent was 0.04313%, which was an increase of 0.00261% from its proportion measured as of September 30, 2021.

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NOTE 13 - DEFINED BENEFIT PLAN (CONTINUED)

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

For the year ended June 30, 2023, the Agency recognized pension expense of \$2,562,227. At June 30, 2023, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ 162,281	\$ 36,272
Change of assumptions	2,787,605	0
Net difference between projected and actual earnings on pension plan investments	38,042	0
Changes in proportion and differences between Agency contributions and proportionate share of contributions	1,189,814	9,786
Agency contributions subsequent to the measurement date	<u>1,865,185</u>	<u>0</u>
Total	<u>\$ 6,042,927</u>	<u>\$ 46,058</u>

In addition to the deferred inflows of resources noted above, the District also has \$1,221,976 in deferred inflows related to the 147(C) UAAL Stabilization allocation from the State of Michigan at year end.

\$643,209 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred (Inflows) and Deferred Outflows of Resources by Year (To Be Recognized in Future Pension Expenses)

	<u>Amount</u>
2023	\$ 1,357,527
2024	1,005,443
2025	768,086
2026	<u>1,000,628</u>
	<u>\$ 4,131,684</u>

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2023

NOTE 13 - DEFINED BENEFIT PLAN (CONTINUED)

Actuarial Assumptions (Continued)

Additional information as of the latest actuarial valuation follows:

*Summary of Actuarial Assumptions:*

- λ Valuation Date: September 30, 2021
- λ Actuarial Cost Method: Entry Age, Normal
- λ Wage Inflation Rate: 2.75%
- λ Investment Rate of Return:
  - Basic and MIP Plans: 6.00%
  - Pension Plus Plan: 6.00%
  - Pension Plus 2 Plan: 6.00%
- λ Projected Salary Increases: 2.75 - 11.55%, including wage inflation at 2.75%
- λ Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members

*Mortality:*

Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Active: RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

*Notes:*

- Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total pension liability as of September 30, 2022 is based on the results of an actuarial valuation date of September 30, 2021, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.3922
- λ Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2022 MPSERS Comprehensive Annual Financial Report found on the ORS website at [Michigan.gov/ORSSchools](http://Michigan.gov/ORSSchools).



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NOTE 13 - DEFINED BENEFIT PLAN (CONTINUED)

Long-Term Expected Rate of Return On Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2022, are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	25.0%	5.1%
Private Equity Pools	16.0	8.7
International Equity Pools	15.0	6.7
Fixed Income Pools	13.0	(0.2)
Real Estate and Infrastructure Pools	10.0	5.3
Absolute Return Pools	9.0	2.7
Real Return/Opportunistic Pools	10.0	5.8
Short-Term Investment Pools	2.0	(0.5)
	<u>100.0%</u>	

\*Long-term rates of return are net of administrative expenses and 2.2% inflation.

Rate of Return

For the fiscal year ended September 30, 2022, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was (4.18)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.00% was used to measure the total pension liability (6.00% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan, hybrid plans provided through non-university employers only). This discount rate was based on the long term expected rate of return on pension plan investments of 6.00% (6.00% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). 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 employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these 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.

Sensitivity of the Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Agency's proportionate share of the net pension liability, calculated using a discount rate of 6.00% (6.00% for the Pension Plus Plan, 6.00% for the Pension Plus 2 plan), as well as what the Agency'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:

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NOTES TO FINANCIAL STATEMENTS  
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NOTE 13 - DEFINED BENEFIT PLAN (CONTINUED)

1% Decrease*	Current Single Discount	1% Increase*
5.00%	Rate Assumption*	7.00%
6.00%		
\$ 21,407,656	\$ 16,222,487	\$ 11,949,674

Michigan Public School Employees' Retirement System (MPERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS ACFR, available on the ORS website at Michigan.gov/ORSSchools.

Payables to the Michigan Public School Employees' Retirement System (MPERS)

At June 30, 2023, there were reported payables to MPERS of \$309,240 which accounts for the total outstanding contributions for all retirement plans, including the 147(C) UAAL Stabilization dollars.

NOTE 14 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

The Michigan Public School Employees' Retirement System (System or MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan and a fiduciary component unit of 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. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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 Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at Michigan.gov/ORSSchools.

Benefits Provided

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 healthcare 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. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

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NOTE 14 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

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.

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 were deposited into their 401(k) account.

Contributions

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

Employer OPEB 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 portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2021 valuation will be amortized over a 17-year period beginning October 1, 2021 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2022.

<u>OPEB Contribution Rates</u>		
<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Premium Subsidy	3.00%	8.09%
Personal Healthcare Fund (PHF)	0.00	7.23

Required contributions to the OPEB plan from the Agency were \$339,503 for the year ended September 30, 2022.

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NOTES TO FINANCIAL STATEMENTS  
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NOTE 14 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

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

At June 30, 2023, the Agency reported a liability of \$944,015 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2021. The Agency's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2022, the Agency's proportion was 0.04456%, which was an increase of 0.00343% from its proportion measured as of October 1, 2021.

For the year ended June 30, 2023, the Agency recognized negative OPEB expense of \$222,062. At June 30, 2023, the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 0	\$ 1,848,963
Changes of assumptions	841,431	68,514
Net difference between projected and actual earnings on OPEB plan investments	73,782	0
Changes in proportion and differences between Agency contributions and proportionate share of contributions	423,601	4,308
Agency contributions subsequent to the measurement date	<u>265,218</u>	<u>0</u>
Total	<u>\$ 1,604,032</u>	<u>\$ 1,921,785</u>

\$265,218 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

Deferred (Inflows) and Deferred Outflows of Resources by Year (To Be Recognized in Future OPEB Expenses)

	Amount
2023	\$ (219,773)
2024	(205,550)
2025	(202,492)
2026	20,304
2027	16,978
Thereafter	<u>7,562</u>
	<u>\$ (582,971)</u>

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NOTES TO FINANCIAL STATEMENTS  
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NOTE 14 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

*Summary of Actuarial Assumptions:*

- λ Valuation Date: September 30, 2021
- λ Actuarial Cost Method: Entry Age, Normal
- λ Wage Inflation Rate: 2.75%
- λ Investment Rate of Return: 6.00%, net of investment expenses
- λ Projected Salary Increases: 2.75 - 11.55%, including wage inflation at 2.75%
- λ Healthcare Cost Trend Rate: Pre-65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120.  
Post-65: 5.25% Year 1 ygraded to 3.5% Year 15; 3.0% Year 120.

Mortality: For Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006. For Active Members: RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

λ Other Assumptions:

- 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.
- Survivor Coverage: 80% of male retirees and 67% of female retirees are assumed to have coverages 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.

*Notes:*

- Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2018 valuation. The total OPEB liability as of September 30, 2022 is based on the results of an actuarial valuation date of September 30, 2021, and rolled forward using generally accepted actuarial procedures, including the experience study.

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NOTES TO FINANCIAL STATEMENTS  
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NOTE 14 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Actuarial Assumptions (Continued)

- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 6.2250
- $\lambda$  Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2022 MPSERS Comprehensive Annual Financial Report found on the ORS website at [Michigan.gov/ORSSchools](http://Michigan.gov/ORSSchools).

Long-Term Expected Rate of Return On Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2022, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.1%
Private Equity Pools	16.0	8.7
International Equity Pools	15.0	6.7
Fixed Income Pools	13.0	(0.2)
Real Estate and Infrastructure Pools	10.0	5.3
Absolute Return Pools	9.0	2.7
Real Return/Opportunistic Pools	10.0	5.8
Short-Term Investment Pools	2.0	(0.5)
	<u>100.0%</u>	

\*Long-term rates of return are net of administrative expenses and 2.2% inflation.

Rate of Return

For the fiscal year ended September 30, 2022, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was (4.99)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A 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 employer 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.



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NOTES TO FINANCIAL STATEMENTS  
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**NOTE 14 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

Sensitivity of the Agency's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Agency's proportionate share of the net OPEB liability, calculated using a discount rate of 6.00%, as well as what the Agency's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
\$ 1,583,494	\$ 944,015	\$ 405,494

Sensitivity of the Agency's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate

The following presents the Agency's proportionate share of the net OPEB liability, calculated using assumed trend rates, as well as what the Agency's proportionate share of the net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$ 395,308	\$ 944,015	\$ 1,559,949

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2022 MPSERS ACFR, available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**NOTE 15 - DEFERRED COMPENSATION PLANS**

The Agency offers its employees participation in the Tax-Deferred Payments (TDP) program through MPSERS. The program, available to all full-time employees who are members of the retirement system, permits them to defer a portion of their salary until future years for the purchase of additional years of service credit. Employees are eligible to voluntarily participate from the date of employment, however once an employee begins payments in the program, they must continue until completion of the purchase of the service credit or termination of employment from Iosco Regional Educational Service Agency. Payments into the program are vested once 10 years of service credit have been earned through the MPSERS. Employee contributions to the TDP program totaled \$7,170 for the year ended June 30, 2023.

The Agency also offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code Section 403(b). The plan, available to all full-time employees, permits them to defer a portion of their salary until future years. Employees are eligible to voluntarily participate from the date of employment and are vested immediately upon participation. Employee contributions to the Section 403(b) plan totaled \$85,453 for the year ended June 30, 2023. The assets of the plan are administered and held by 403(b) ASP, a third party administrator.

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NOTES TO FINANCIAL STATEMENTS  
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NOTE 16 - DEFINED CONTRIBUTION PLAN

Plan Description

The Agency's defined contribution pension plan (DC) provides retirement benefits to plan members and beneficiaries. The plan covers employees hired on or after July 1, 2010. The plan is affiliated with the Michigan Public School Employee's Retirement System (MPERS) Pension Plus Plan of Michigan. Also effective February 2013, former Basic/MIP members could elect to participate in the defined benefit contribution pension plan. Public Act 300 of 1980 of the State of Michigan, as amended, assigns the authority to establish and amend benefit provisions to the MPERS Board. The plan services are provided by The Office of Retirement Services, exclusively through ING as the plan administrator. MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. The report may be obtained by writing to MPERS, 7150 Harris Drive, P.O. Box 30673, Lansing, Michigan 48909-8103.

Funding Policy

Prior to February 2013, the Agency employees who were part of the PPP were required to contribute 2% of their earnings for the plan year, unless they elected out of the plan, subject to the limitations of sections 457 of the Internal Revenue Code. Employees could elect to contribute more than 2% in full percent increments. For employees that elected to participate, the employer would match 50% of the contribution up to 1%. Employer contributions were considered a section 401(a) contribution.

Beginning February 2013 and after, the rates vary depending on which plan the active member is a participant of. The School District employees that are part of the PPP with Premium Subsidy or a Personal Healthcare Fund (PHF) are not required to contribute. If they do contribute they can contribute in full percent increments and the employer will match 50% of the contribution up to 1%. For the PPP with PHF the employee and employer contribution is 2% for the PHF.

The following are the DC pension and PHF contribution requirements for each applicable plan option:

- For any new employees hired after September 3, 2012 that elect DC with PHF, the employer pension contribution is 3% and the employee contribution is 6%. For the PHF, both the employee and employer contribution is 2%.
- For Basic, Basic 4%, MIP-Fixed, MIP-Graded and MIP 7% plan members that elect the PHF, the employee and employer contributions are 2% for the PHF only.
- For former Basic/MIP members that elected DC with Premium Subsidy the employer contribution is 4% for the pension only. Employees are not required to contribute, but may, in 1% increments.
- For former Basic/MIP members that elected DC with a PHF, the employer contribution is 4% for the pension. Employees are not required to contribute for pension, but may, in 1% increments. Employee and employer contributions are 2% for the PHF.

Vesting

Employees become 100% vested after four years of service.

Plan Contributions

During the year ended June 30, 2023, the Agency contributed \$79,152 on behalf of eligible employees. Employee contributions amounted to \$175,852 for eligible employees.

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NOTES TO FINANCIAL STATEMENTS  
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NOTE 17 - RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Agency participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property, casualty and workers' disability compensation. The pools are considered public entity risk pools. The Agency pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. Each of the pools maintain reinsurance claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The Agency has not been informed of any special assessments being required.

The Agency continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTE 18 - GOVERNMENTAL REGULATION

Substantially all of the Agency's facilities are subject to federal, state and local provisions regulating the discharge of materials into the environment. Compliance with these provisions has not had, nor does the Agency expect such compliance to have, any material effect upon the capital expenditures, net revenue in excess of expenditures or financial condition of the Agency. Management believes that its current practices and procedures for the control and disposition of such wastes comply with applicable federal and state requirements.

NOTE 19 - CONTINGENCIES

The Agency participates in a number of federally assisted grant programs which are subject to program compliance audits. The audits of these programs for and including the year ended June 30, 2023, have been conducted and have been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time; although the Agency expects such amounts, if any, to be immaterial.

NOTE 20 - RELATED PARTY TRANSACTIONS

Iosco Regional Educational Service Agency entered into a contract with the Alternative Educational Academy of Iosco County on August 8, 2012 to oversee the operation of the public school academy. The contract was renewed for the 2022-2023 school year and may be renewed at the end of the term by sole direction of the Iosco Regional Educational Services Agency's Board if it determined that the Academy satisfies the following criteria:

1. The Academy demonstrates improved pupil academic achievement for all groups of pupils and meets the educational goals set forth in the Contract.
2. The Academy complies with the Contract and all applicable law.
3. The Academy meets generally accepted public sector accounting principles and demonstrates sound fiscal stewardship.
4. The Academy maintains adequate student enrollment sufficient to justify continued operation.

Iosco Regional Educational Service Agency received a total of \$100,000 for Administrative Services for the fiscal year ended June 30, 2023, as well as \$59,894 in Authorizer Fees and \$1,031,991 for Instructional and Support Services. There was an amount due to the Academy at June 30, 2023 of \$1,504,053, for the money that Iosco Regional Educational Service Agency is holding for the Academy at year end, and an amount due from the Academy of \$8,517 for unpaid services rendered and operating expenses at year end.

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2023

NOTE 21 - SUBSEQUENT EVENTS

On July 5, 2023, the Agency purchased Capacity-Building and Infrastructure Development programs for the Transforming Research into Action to Improve the Lives of Students (TRAILS) Tides Center in the amount of \$267,857. This amount will be covered, in full, by a \$892,857 Federal Grant awarded to the Agency on March 14, 2023. The remainder of this grant will be put toward similar TRAILS program purchases until September 30, 2024.

On August 16, 2023, the Board of Education awarded a bid for the construction of a subdivision road to Schaff & Associates for a total cost of \$207,044. This project is being facilitated by Russo Engineering for the Agency's Building Trades House Projects.

NOTE 22 - PRIOR PERIOD ADJUSTMENTS

As of June 30, 2022, the Agency had unearned revenues totaling \$360,732 related to the Great Start Readiness Program (GSRP due to obligations that were perceived to be unfulfilled). However, in the current year it was determined that since the Agency simply passed the GSRP monies on to their subrecipient, after taking an administrative fee, without any required monitoring of these funds, the Agency's obligations were complete and should have been recognized as revenue at that time. Therefore, the following Prior Period Adjustment was required to recognize the outstanding Unearned Revenue as revenue as of June 30, 2022:

	<u>Governmental Activities</u>	<u>General Fund</u>
Net Position - Beginning	\$ (1,937,406)	\$ 2,379,908
To Recognize Prior Unearned GSRP Revenue	<u>360,732</u>	<u>360,732</u>
Net Position - Beginning	\$ <u><u>(1,576,674)</u></u>	\$ <u><u>2,740,640</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

SCHEDULE OF THE AGENCY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN  
(Amounts were determined as of 9/30 of the 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>
Agency's proportion of net pension liability (%)	0.04313 %	0.04052 %	0.03868 %	0.03612 %	0.03419 %	0.03336 %	0.03210 %	0.02870 %	0.02753 %
Agency's proportionate share of net pension liability	\$ 16,222,487	\$ 9,594,184	\$ 13,286,331	\$ 11,962,352	\$ 10,279,117	\$ 8,646,165	\$ 8,007,452	\$ 7,010,713	\$ 6,064,213
Agency's covered payroll	\$ 4,360,970	\$ 3,746,391	\$ 3,583,995	\$ 3,273,525	\$ 2,972,915	\$ 2,787,642	\$ 2,848,258	\$ 2,395,239	\$ 2,365,975
Agency's proportionate share of net pension liability as a percentage of its covered payroll	371.99 %	256.09 %	370.71 %	365.43 %	345.76 %	310.16 %	281.14 %	292.69 %	256.31 %
Plan fiduciary net position as a percentage of pension liability	60.77 %	72.60 %	59.72 %	60.31 %	62.36 %	64.21 %	63.27 %	63.17 %	66.20 %

Notes to the Schedule of the Agency's Proportionate Share of the Net Pension Liability:

**Changes of benefit terms:** There were no changes of benefit terms in 2022.

**Changes of assumptions:** There were no changes of benefit assumptions in 2022.

The accompanying notes to financial statements are an integral part of this statement.

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

SCHEDULE OF THE AGENCY'S PENSION CONTRIBUTIONS  
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN  
(Amounts determined as of 6/30 of each 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>
Statutorily required contributions	\$ 1,628,457	\$ 1,405,570	\$ 1,202,380	\$ 1,038,259	\$ 944,512	\$ 867,134	\$ 788,911	\$ 712,684	\$ 535,732
Contributions in relation to statutorily required contributions*	<u>1,628,457</u>	<u>1,405,570</u>	<u>1,202,380</u>	<u>1,038,259</u>	<u>944,512</u>	<u>867,134</u>	<u>788,911</u>	<u>712,684</u>	<u>535,732</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>
Agency's covered payroll	\$ 4,551,741	\$ 4,154,735	\$ 3,661,206	\$ 3,512,463	\$ 3,183,895	\$ 2,935,074	\$ 2,800,892	\$ 2,641,667	\$ 2,410,269
Contributions as a percentage of covered payroll	35.78 %	33.83 %	32.84 %	29.56 %	29.67 %	29.54 %	28.17 %	26.98 %	22.23 %

\*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.

Notes to the Schedule of the Agency's Contributions:

**Changes of benefit terms:** There were no changes of benefit terms in 2022.

**Changes of assumptions:** There were no changes of benefit assumptions in 2022.

The accompanying notes to financial statements are an integral part of this statement.

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

SCHEDULE OF THE AGENCY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN  
(Amounts were determined as of 9/30 of the fiscal year)

	<u>2023</u>		<u>2022</u>		<u>2021</u>		<u>2020</u>		<u>2019</u>		<u>2018</u>
Agency's proportion of net OPEB liability (%)	0.04457 %		0.04113 %		0.04018 %		0.03735 %		0.03486 %		0.03342 %
Agency's proportionate share of net OPEB liability	\$ 944,015	\$	627,798	\$	2,152,493	\$	2,681,143	\$	2,771,146	\$	2,959,939
Agency's covered payroll (OPEB)	\$ 4,360,970	\$	3,746,391	\$	3,583,995	\$	3,273,525	\$	2,972,915	\$	2,787,642
Agency's proportionate share of net OPEB liability as a percentage of its covered payroll	21.65 %		16.76 %		60.06 %		81.90 %		93.21 %		106.18 %
Plan fiduciary net position as a percentage of total OPEB liability	83.09 %		87.33 %		59.44 %		48.46 %		42.95 %		36.39 %

Notes to the Schedule of the Agency's Proportionate Share of the Net OPEB Liability:

**Changes of benefit terms:** There were no changes of benefit terms in 2022.

**Changes of assumptions:** There were no changes of benefit assumptions in 2022.

The accompanying notes to financial statements are an integral part of this statement.



IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

SCHEDULE OF THE AGENCY'S OPEB CONTRIBUTIONS  
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN  
(Amounts determined as of 6/30 of each year)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required OPEB contributions	\$ 353,797	\$ 312,491	\$ 343,754	\$ 274,132	\$ 226,474	\$ 210,204
OPEB contributions in relation to statutorily required contributions*	<u>353,797</u>	<u>312,491</u>	<u>343,754</u>	<u>274,132</u>	<u>226,474</u>	<u>210,204</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Agency's covered payroll (OPEB)	\$ 4,551,741	\$ 4,154,735	\$ 3,661,206	\$ 3,512,463	\$ 3,183,895	\$ 2,935,074
OPEB contributions as a percentage of covered payroll	7.77 %	7.52 %	9.39 %	7.80 %	7.11 %	7.16 %

\*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.

Notes to the Schedule of the Agency's OPEB Contributions:

**Changes of benefit terms:** There were no changes of benefit terms in 2022.

**Changes of assumptions:** There were no changes of benefit assumptions in 2022.

The accompanying notes to financial statements are an integral part of this statement.

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND  
For the Year Ended June 30, 2023

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
<u>Revenues</u>				
Local Sources	\$ 501,780	\$ 603,482	\$ 640,671	\$ 37,189
State Sources	2,418,095	3,053,679	3,118,191	64,512
Federal Sources	171,469	193,834	211,631	17,797
Interdistrict Sources	<u>1,912,563</u>	<u>1,972,484</u>	<u>2,112,022</u>	<u>139,538</u>
Total Revenues	<u>5,003,907</u>	<u>5,823,479</u>	<u>6,082,515</u>	<u>259,036</u>
<u>Expenditures</u>				
Current:				
Instruction	502,836	580,688	540,879	39,809
Support Services	1,607,770	1,944,415	1,795,678	148,737
Community Services	1,750,495	1,869,361	1,854,246	15,115
Outgoing Transfers to Other Districts	1,010,179	1,111,120	1,070,832	40,288
Capital Outlay	3,000	63,000	161,780	(98,780)
Debt Service:				
Interest and Fees on Long-Term Debt	<u>507</u>	<u>507</u>	<u>461</u>	<u>46</u>
Total Expenditures	<u>4,874,787</u>	<u>5,569,091</u>	<u>5,423,876</u>	<u>145,215</u>
Excess of Revenues Over (Under) Expenditures	<u>129,120</u>	<u>254,388</u>	<u>658,639</u>	<u>404,251</u>
<u>Other Financing Sources (Uses)</u>				
Lease Proceeds	0	0	98,341	98,341
Operating Transfers Out	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(1,659)</u>	<u>98,341</u>
Net Change in Fund Balances	29,120	154,388	656,980	502,592
Fund Balances - Beginning of Year (Restated)	<u>2,740,640</u>	<u>2,740,640</u>	<u>2,740,640</u>	<u>0</u>
Fund Balances - End of Year	<u>\$ 2,769,760</u>	<u>\$ 2,895,028</u>	<u>\$ 3,397,620</u>	<u>\$ 502,592</u>

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
VOCATIONAL EDUCATION FUND  
For the Year Ended June 30, 2023

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
<u>Revenues</u>				
Local Sources	\$ 1,140,163	\$ 1,301,262	\$ 1,306,602	\$ 5,340
State Sources	481,454	633,679	641,149	7,470
Federal Sources	81,825	81,152	81,152	0
Interdistrict Sources	<u>0</u>	<u>4,973</u>	<u>14,177</u>	<u>9,204</u>
Total Revenues	<u>1,703,442</u>	<u>2,021,066</u>	<u>2,043,080</u>	<u>22,014</u>
<u>Expenditures</u>				
Current:				
Instruction	1,214,931	1,120,153	1,070,233	49,920
Support Services	428,538	521,727	481,734	39,993
Outgoing Transfers to Other Districts	68,151	43,000	41,144	1,856
Capital Outlay	20,000	141,000	239,298	(98,298)
Debt Service:				
Interest and Fees on Long-Term Debt	<u>3,709</u>	<u>3,709</u>	<u>3,709</u>	<u>0</u>
Total Expenditures	<u>1,735,329</u>	<u>1,829,589</u>	<u>1,836,118</u>	<u>(6,529)</u>
Excess of Revenues Over (Under) Expenditures	(31,887)	191,477	206,962	15,485
<u>Other Financing Sources (Uses)</u>				
Lease Proceeds	<u>0</u>	<u>0</u>	<u>98,341</u>	<u>98,341</u>
Net Change in Fund Balances	(31,887)	191,477	305,303	113,826
Fund Balances - Beginning of Year	<u>2,704,941</u>	<u>2,704,941</u>	<u>2,704,941</u>	<u>0</u>
Fund Balances - End of Year	<u>\$ 2,673,054</u>	<u>\$ 2,896,418</u>	<u>\$ 3,010,244</u>	<u>\$ 113,826</u>

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
SPECIAL EDUCATION FUND  
For the Year Ended June 30, 2023

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
<u>Revenues</u>				
Local Sources	\$ 1,608,400	\$ 1,943,468	\$ 2,009,722	\$ 66,254
State Sources	1,590,304	2,208,928	2,310,079	101,151
Federal Sources	1,520,265	1,538,896	1,564,246	25,350
Interdistrict Sources	<u>260,934</u>	<u>248,138</u>	<u>250,753</u>	<u>2,615</u>
Total Revenues	<u>4,979,903</u>	<u>5,939,430</u>	<u>6,134,800</u>	<u>195,370</u>
<u>Expenditures</u>				
Current:				
Instruction	2,043,253	2,195,246	1,979,455	215,791
Support Services	2,693,955	2,890,092	2,661,595	228,497
Community Services	185,791	226,007	208,169	17,838
Outgoing Transfers to Other Districts	168,758	239,910	235,448	4,462
Capital Outlay	5,000	38,412	125,901	(87,489)
Debt Service:				
Interest and Fees on Long-Term Debt	<u>2,643</u>	<u>2,643</u>	<u>2,643</u>	<u>0</u>
Total Expenditures	<u>5,099,400</u>	<u>5,592,310</u>	<u>5,213,211</u>	<u>379,099</u>
Excess of Revenues Over (Under) Expenditures	(119,497)	347,120	921,589	574,469
<u>Other Financing Sources (Uses)</u>				
Lease Proceeds	<u>0</u>	<u>0</u>	<u>98,341</u>	<u>98,341</u>
Net Change in Fund Balances	(119,497)	347,120	1,019,930	672,810
Fund Balances - Beginning of Year	<u>1,492,646</u>	<u>1,492,646</u>	<u>1,492,646</u>	<u>0</u>
Fund Balances - End of Year	<u>\$ 1,373,149</u>	<u>\$ 1,839,766</u>	<u>\$ 2,512,576</u>	<u>\$ 672,810</u>

## SUPPLEMENTARY INFORMATION

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
June 30, 2023

	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Other Governmental Funds</u>
	<u>Food Service Fund</u>	<u>Durant Capital Project Fund</u>	
<u>Assets</u>			
Cash and Cash Equivalents	\$ <u>13,726</u>	\$ <u>550,696</u>	\$ <u>564,422</u>
<u>Liabilities</u>			
Accounts Payable	\$ 0	\$ 19,795	\$ 19,795
Due to Other Funds	<u>0</u>	<u>1,211</u>	<u>1,211</u>
Total Liabilities	<u>0</u>	<u>21,006</u>	<u>21,006</u>
<u>Fund Equity</u>			
Fund Balances:			
Restricted For:			
Capital Projects	0	529,690	529,690
Assigned To:			
Food Service	<u>13,726</u>	<u>0</u>	<u>13,726</u>
Total Fund Equity	<u>13,726</u>	<u>529,690</u>	<u>543,416</u>
Total Liabilities and Fund Equity	\$ <u>13,726</u>	\$ <u>550,696</u>	\$ <u>564,422</u>

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
OTHER GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2023

	Special Revenue Fund	Capital Projects Fund	
	Food Service Fund	Durant Capital Project Fund	Total Other Governmental Funds
<u>Revenues</u>			
Local Sources	\$ 736	\$ 20,104	\$ 20,840
State Sources	705	0	705
Federal Sources	<u>47,487</u>	<u>0</u>	<u>47,487</u>
Total Revenues	<u>48,928</u>	<u>20,104</u>	<u>69,032</u>
<u>Expenditures</u>			
Current:			
Food Services	32,096	0	32,096
Outgoing Transfers to Other Districts	25,214	0	25,214
Capital Outlay	<u>0</u>	<u>76,173</u>	<u>76,173</u>
Total Expenditures	<u>57,310</u>	<u>76,173</u>	<u>133,483</u>
Excess of Revenues Over (Under) Expenditures	(8,382)	(56,069)	(64,451)
<u>Other Financing Sources (Uses)</u>			
Operating Transfers In	<u>0</u>	<u>100,000</u>	<u>100,000</u>
Net Change in Fund Balances	(8,382)	43,931	35,549
Fund Balances - Beginning of Year	<u>22,108</u>	<u>485,759</u>	<u>507,867</u>
Fund balances - End of Year	<u>\$ 13,726</u>	<u>\$ 529,690</u>	<u>\$ 543,416</u>

INDIVIDUAL FUND SCHEDULES



IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

GENERAL FUND  
DETAILS OF REVENUES COMPARED TO BUDGET  
For the Year Ended June 30, 2023  
With Comparative Totals for the Year Ended June 30, 2022

	2023 Amended Budget	2023 Actual	2022 Actual
<u>Local Sources</u>			
Current Property Taxes	\$ 442,923	\$ 444,328	\$ 425,062
Drivers Education Tuition	39,700	44,224	49,930
Interest on Investments	90,000	118,485	10,608
Contributions	8,400	8,646	0
Miscellaneous Local Sources	<u>22,459</u>	<u>24,988</u>	<u>64,765</u>
	<u>603,482</u>	<u>640,671</u>	<u>550,365</u>
<u>State Sources</u>			
State Aid Foundation Allowance	313,972	313,973	355,287
Great Start Readiness	924,516	933,529	805,328
Adult Education	525,229	525,216	563,388
Mental Health & Support	381,601	297,295	200,368
Motorcycle Safety Grant	80,000	84,617	25,641
MPSERS Cost Offset and Reforms	15,000	113,229	98,837
MPSERS UAAL Rate Stabilization	440,399	481,562	253,441
Other State Revenue	<u>372,962</u>	<u>368,770</u>	<u>339,688</u>
	<u>3,053,679</u>	<u>3,118,191</u>	<u>2,641,978</u>
<u>Federal Sources</u>			
Adult Education	121,545	121,545	109,478
Homeless Grants - COVID-19	0	6,927	8,332
Rural Educaiton Achievement Grant	27,000	27,164	28,281
Homeless Grants	<u>45,289</u>	<u>55,995</u>	<u>22,337</u>
	<u>193,834</u>	<u>211,631</u>	<u>168,428</u>
<u>Interdistrict Sources</u>			
Improvement of Instruction	<u>1,972,484</u>	<u>2,112,022</u>	<u>1,741,866</u>
<u>Other Financing Sources</u>			
Lease Proceeds	<u>0</u>	<u>98,341</u>	<u>0</u>
Total Revenues and Other Financing Sources	<u>\$ 5,823,479</u>	<u>\$ 6,180,856</u>	<u>\$ 5,102,637</u>

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

GENERAL FUND  
DETAILS OF EXPENDITURES COMPARED TO BUDGET  
For the Year Ended June 30, 2023  
With Comparative Totals for the Year Ended June 30, 2022

	2023 Amended Budget	2023 Actual	2022 Actual
<u>Instruction</u>			
Adult Education			
Basic:			
Salaries	\$ 328,029	\$ 328,627	\$ 334,408
Employee Benefits	136,155	126,019	136,255
Purchased Services	59,408	45,507	28,373
Supplies, Materials and Other	<u>57,096</u>	<u>40,726</u>	<u>37,568</u>
Total Instruction	<u>580,688</u>	<u>540,879</u>	<u>536,604</u>
<u>Support Services</u>			
Pupil Services:			
Attendance Services			
Salaries	15,790	12,337	13,006
Employee Benefits	83,871	63,029	27,559
Purchased Services	1,545	0	74
Supplies, Materials and Other	<u>1,545</u>	<u>252</u>	<u>0</u>
	<u>102,751</u>	<u>75,618</u>	<u>40,639</u>
Health Services			
Salaries	190,732	188,156	98,330
Employee Benefits	125,497	116,034	64,818
Supplies, Materials and Other	<u>8,600</u>	<u>3,820</u>	<u>12,892</u>
	<u>324,829</u>	<u>308,010</u>	<u>176,040</u>
Pupil Support Services			
Purchased Services	55,553	46,068	48,690
Supplies, Materials and Other	<u>15,700</u>	<u>10,290</u>	<u>1,872</u>
	<u>71,253</u>	<u>56,358</u>	<u>50,562</u>
Total Pupil Services	<u>498,833</u>	<u>439,986</u>	<u>267,241</u>
Instructional Staff:			
Instructional Improvement			
Salaries	220,291	217,603	221,530
Employee Benefits	129,293	119,412	113,334
Purchased Services	<u>99,644</u>	<u>97,378</u>	<u>117,810</u>
	<u>449,228</u>	<u>434,393</u>	<u>452,674</u>
Great Start Collaborative			
Salaries	300	257	0
Employee Benefits	<u>20</u>	<u>20</u>	<u>0</u>
	<u>320</u>	<u>277</u>	<u>0</u>
Computer Assisted Instruction			
Supplies, Materials and Other	<u>0</u>	<u>0</u>	<u>2,430</u>

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

GENERAL FUND  
DETAILS OF EXPENDITURES COMPARED TO BUDGET  
For the Year Ended June 30, 2023  
With Comparative Totals for the Year Ended June 30, 2022

	2023 Amended Budget	2023 Actual	2022 Actual
<u>Support Services</u> (Continued)			
Instructional Staff: (Continued)			
Supervision and Direction of Instructional Staff			
Salaries	\$ 15,759	\$ 18,505	\$ 13,387
Employee Benefits	15,030	22,365	7,438
	<u>30,789</u>	<u>40,870</u>	<u>20,825</u>
Total Instructional Staff	<u>480,337</u>	<u>475,540</u>	<u>475,929</u>
General Administration:			
Board of Education			
Salaries	3,600	2,190	2,637
Employee Benefits	110	135	0
Purchased Services	31,534	23,344	26,533
Supplies, Materials and Other	10,000	8,339	8,196
	<u>45,244</u>	<u>34,008</u>	<u>37,366</u>
Executive Administration			
Salaries	156,000	155,192	139,154
Employee Benefits	161,782	161,995	130,920
Purchased Services	17,598	16,293	13,466
Supplies, Materials and Other	22,700	22,389	963
	<u>358,080</u>	<u>355,869</u>	<u>284,503</u>
Total General Administration	<u>403,324</u>	<u>389,877</u>	<u>321,869</u>
School Administration:			
Special Education			
Salaries	6,600	4,627	4,606
Employee Benefits	24,011	15,251	18,930
Purchased Services	36,108	29,470	30,180
Supplies, Materials and Other	38,642	29,774	32,431
	<u>105,361</u>	<u>79,122</u>	<u>86,147</u>
Other School Administration			
Salaries	0	171	0
Employee Benefits	0	13	0
	<u>0</u>	<u>184</u>	<u>0</u>
Total School Administration	<u>105,361</u>	<u>79,306</u>	<u>86,147</u>

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

GENERAL FUND  
DETAILS OF EXPENDITURES COMPARED TO BUDGET  
For the Year Ended June 30, 2023  
With Comparative Totals for the Year Ended June 30, 2022

	2023 Amended Budget	2023 Actual	2022 Actual
<u>Support Services (Continued)</u>			
Business:			
Fiscal Services			
Salaries	\$ 18,000	\$ 19,081	\$ 8,678
Employee Benefits	28,394	30,683	12,214
Purchased Services	6,500	6,380	14,760
Supplies, Materials and Other	7,180	6,277	6,987
Other Expenditures	<u>5,535</u>	<u>4,487</u>	<u>1,705</u>
	<u>65,609</u>	<u>66,908</u>	<u>44,344</u>
Operations and Maintenance:			
Salaries	34,049	29,165	18,494
Employee Benefits	57,696	50,268	23,424
Purchased Services	42,747	31,123	22,084
Supplies, Materials and Other	<u>131</u>	<u>131</u>	<u>0</u>
	<u>134,623</u>	<u>110,687</u>	<u>64,002</u>
Transportation:			
Purchased Services	24,000	22,451	15,446
Supplies, Materials and Other	<u>3,000</u>	<u>4,974</u>	<u>8</u>
	<u>27,000</u>	<u>27,425</u>	<u>15,454</u>
Central Services:			
Central Services			
Purchased Services	<u>5,000</u>	<u>2,441</u>	<u>804</u>
Staff and Personnel Services			
Salaries	69,754	69,574	67,722
Employee Benefits	38,866	35,460	33,647
Purchased Services	<u>0</u>	<u>500</u>	<u>0</u>
	<u>108,620</u>	<u>105,534</u>	<u>101,369</u>
Technology			
Salaries	17,376	17,317	16,870
Employee Benefits	35,986	31,539	12,822
Purchased Services	46,680	45,729	40,923
Supplies, Materials and Other	<u>15,666</u>	<u>3,389</u>	<u>8,982</u>
	<u>115,708</u>	<u>97,974</u>	<u>79,597</u>
Total Central Services	<u>229,328</u>	<u>205,949</u>	<u>181,770</u>
Total Support Services	<u>1,944,415</u>	<u>1,795,678</u>	<u>1,456,756</u>

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

GENERAL FUND  
DETAILS OF EXPENDITURES COMPARED TO BUDGET  
For the Year Ended June 30, 2023  
With Comparative Totals for the Year Ended June 30, 2022

	2023 Amended Budget	2023 Actual	2022 Actual
<u>Community Services</u>			
Other Community Services:			
Salaries	\$ 1,036,234	\$ 1,034,588	\$ 834,615
Employee Benefits	762,194	759,276	597,774
Purchased Services	9,000	10,333	6,188
Supplies, Materials and Other	<u>61,933</u>	<u>50,049</u>	<u>55,274</u>
Total Community Services	<u>1,869,361</u>	<u>1,854,246</u>	<u>1,493,851</u>
<u>Outgoing Transfers to Other Districts</u>			
Adult Education	142,000	110,135	135,275
Great Start Readiness Transfers	<u>969,120</u>	<u>960,697</u>	<u>849,569</u>
Total Outgoing Transfers to Other Districts	<u>1,111,120</u>	<u>1,070,832</u>	<u>984,844</u>
<u>Capital Outlay</u>			
Support Services	3,000	100,643	0
Community Services	<u>60,000</u>	<u>61,137</u>	<u>1,400</u>
Total Capital Outlay	<u>63,000</u>	<u>161,780</u>	<u>1,400</u>
<u>Debt Service</u>			
Interest and Fees on Long-Term Debt	<u>507</u>	<u>461</u>	<u>461</u>
<u>Other Financing Uses</u>			
Operating Transfers Out	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Total Expenditures	<u>\$ 5,669,091</u>	<u>\$ 5,523,876</u>	<u>\$ 4,573,916</u>

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

VOCATIONAL EDUCATION FUND  
DETAILS OF REVENUES COMPARED TO BUDGET  
For the Year Ended June 30, 2023  
With Comparative Totals for the Year Ended June 30, 2022

	2023 Amended Budget	2023 Actual	2022 Actual
<u>Local Sources</u>			
Current Property Taxes	\$ 1,154,662	\$ 1,154,687	\$ 1,104,236
Interest on Investments	93,000	93,941	4,496
Contributions	10,000	10,600	14,964
Miscellaneous Local Sources	<u>43,600</u>	<u>47,374</u>	<u>15,518</u>
	<u>1,301,262</u>	<u>1,306,602</u>	<u>1,139,214</u>
<u>State Sources</u>			
Staff Development	0	0	3,533
Career Prep	0	0	1,952
Vocational Education	447,259	447,656	382,082
MPSERS Cost Offset and Reforms	6,931	0	0
MPSERS UAAL Rate Stabilization	163,067	172,391	104,632
Other State Revenue	<u>16,422</u>	<u>21,102</u>	<u>6,615</u>
	<u>633,679</u>	<u>641,149</u>	<u>498,814</u>
<u>Federal Sources</u>			
Career and Technical Education	<u>81,152</u>	<u>81,152</u>	<u>70,445</u>
<u>Interdistrict Sources</u>			
Improvement of Instruction	<u>4,973</u>	<u>14,177</u>	<u>6,497</u>
<u>Other Financing Sources</u>			
Lease Proceeds	0	98,341	0
Proceeds from Sale of Assets	<u>0</u>	<u>0</u>	<u>17,647</u>
Total Revenues	<u>\$ 2,021,066</u>	<u>\$ 2,141,421</u>	<u>\$ 1,732,617</u>

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

VOCATIONAL EDUCATION FUND  
DETAILS OF EXPENDITURES COMPARED TO BUDGET  
For the Year Ended June 30, 2023  
With Comparative Totals for the Year Ended June 30, 2022

	2023 Amended Budget	2023 Actual	2022 Actual
<u>Instruction</u>			
Added Needs:			
Special Education			
Supplies, Materials and Other	\$ 6,000	\$ 5,144	\$ 4,837
 Vocational Education			
Salaries	480,902	463,510	449,966
Employee Benefits	429,832	412,679	395,678
Purchased Services	40,972	34,936	28,151
Supplies, Materials and Other	161,347	152,874	102,489
	<u>1,113,053</u>	<u>1,063,999</u>	<u>976,284</u>
 At Risk			
Employee Benefits	1,100	1,090	680
 Total Instruction	<u>1,120,153</u>	<u>1,070,233</u>	<u>981,801</u>
<u>Support Services</u>			
Pupil Services:			
Guidance Services			
Salaries	9,790	9,340	6,429
 Health Services			
Purchased Services	6,700	6,380	0
Supplies, Materials and Other	3,000	2,513	1,961
	<u>9,700</u>	<u>8,893</u>	<u>1,961</u>
 Total Pupil Services	<u>19,490</u>	<u>18,233</u>	<u>8,390</u>
 Instructional Staff:			
Supervision and Direction of Instructional Staff			
Salaries	3,000	3,000	2,389
 School Administration:			
Office of the Principal			
Salaries	106,758	103,281	92,776
Employee Benefits	107,438	107,117	78,963
Purchased Services	35,905	33,688	32,421
Supplies, Materials and Other	23,000	20,381	20,774
	<u>273,101</u>	<u>264,467</u>	<u>224,934</u>
 Central Office			
Supplies, Materials and Other	600	563	123
 Total School Administration	<u>273,701</u>	<u>265,030</u>	<u>225,057</u>

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

VOCATIONAL EDUCATION FUND  
DETAILS OF EXPENDITURES COMPARED TO BUDGET  
For the Year Ended June 30, 2023  
With Comparative Totals for the Year Ended June 30, 2022

	2023 Amended Budget	2023 Actual	2022 Actual
<u>Support Services (Continued)</u>			
Business:			
Fiscal Services			
Salaries	\$ 15,553	\$ 12,027	\$ 8,950
Employee Benefits	21,077	17,352	7,377
Supplies, Materials and Other	4,000	3,505	0
	<u>40,630</u>	<u>32,884</u>	<u>16,327</u>
Operations and Maintenance:			
Salaries	27,500	17,878	22,849
Employee Benefits	29,638	20,301	20,792
Purchased Services	70,800	64,977	56,543
	<u>127,938</u>	<u>103,156</u>	<u>100,184</u>
Transportation:			
Other Expenses	9,491	5,659	4,699
Central Services:			
Technology			
Salaries	17,376	17,317	16,870
Employee Benefits	12,194	17,826	13,124
Purchased Services	650	0	0
Supplies, Materials and Other	500	0	0
	<u>30,720</u>	<u>35,143</u>	<u>29,994</u>
Academic Student Assessment			
Purchased Services	737	2,609	0
Planning, Research, Development, and Evaluation			
Salaries	16,020	16,020	19,287
Total Central Services	<u>47,477</u>	<u>53,772</u>	<u>49,281</u>
Total Support Services	<u>521,727</u>	<u>481,734</u>	<u>406,327</u>
<u>Outgoing Transfers to Other Districts</u>			
Adult Education	0	4,114	3,151
Early/Middle College	43,000	37,030	62,079
Total Outgoing Transfers to Other Districts	<u>43,000</u>	<u>41,144</u>	<u>65,230</u>



IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

VOCATIONAL EDUCATION FUND  
DETAILS OF EXPENDITURES COMPARED TO BUDGET  
For the Year Ended June 30, 2023  
With Comparative Totals for the Year Ended June 30, 2022

	<u>2023 Amended Budget</u>	<u>2023 Actual</u>	<u>2022 Actual</u>
<u>Capital Outlay</u>			
Support Services	\$ 0	\$ 98,341	\$ 0
Community Services	<u>141,000</u>	<u>140,957</u>	<u>45,303</u>
Total Capital Outlay	<u>141,000</u>	<u>239,298</u>	<u>45,303</u>
<u>Debt Service</u>			
Interest and Fees on Long-Term Debt	<u>3,709</u>	<u>3,709</u>	<u>3,709</u>
Total Expenditures	<u>\$ 1,829,589</u>	<u>\$ 1,836,118</u>	<u>\$ 1,502,370</u>

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

SPECIAL EDUCATION FUND  
DETAILS OF REVENUES COMPARED TO BUDGET  
For the Year Ended June 30, 2023  
With Comparative Totals for the Year Ended June 30, 2022

	2023 Amended Budget	2023 Actual	2022 Actual
<u>Local Sources</u>			
Current Property Taxes	\$ 1,331,468	\$ 1,332,183	\$ 1,276,303
Interest on Investments	68,000	75,893	2,978
Contributions	3,160	3,507	0
Medicaid Fee for Service	400,000	457,001	325,873
Volkswagen Bus Grant	118,856	118,856	108,060
Miscellaneous Local Sources	<u>21,984</u>	<u>22,282</u>	<u>8,171</u>
	<u>1,943,468</u>	<u>2,009,722</u>	<u>1,721,385</u>
<u>State Sources</u>			
Special Education	1,626,039	1,741,011	1,300,731
Staff Development	0	0	3,543
MPERS Cost Offset and Reforms	30,000	0	0
MPERS UAAL Rate Stabilization	551,889	568,024	295,706
Other State Revenue	<u>1,000</u>	<u>1,044</u>	<u>13,878</u>
	<u>2,208,928</u>	<u>2,310,079</u>	<u>1,613,858</u>
<u>Federal Sources</u>			
Medicaid Outreach	6,700	15,323	9,341
Pandemic - EBT Local Costs	628	628	614
Special Education	1,418,712	1,435,391	1,391,746
American Rescue Plan	<u>112,856</u>	<u>112,904</u>	<u>141,817</u>
	<u>1,538,896</u>	<u>1,564,246</u>	<u>1,543,518</u>
<u>Interdistrict Sources</u>			
Special Education and Other Programs	247,638	250,232	269,151
Improvement of Instruction	<u>500</u>	<u>521</u>	<u>0</u>
	<u>248,138</u>	<u>250,753</u>	<u>269,151</u>
<u>Other Financing Sources</u>			
Lease Proceeds	0	98,341	0
Proceeds from Sale of Assets	<u>0</u>	<u>0</u>	<u>55,000</u>
	<u>0</u>	<u>98,341</u>	<u>55,000</u>
Total Revenues	<u>\$ 5,939,430</u>	<u>\$ 6,233,141</u>	<u>\$ 5,202,912</u>

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

SPECIAL EDUCATION FUND  
DETAILS OF EXPENDITURES COMPARED TO BUDGET  
For the Year Ended June 30, 2023  
With Comparative Totals for the Year Ended June 30, 2022

	2023 Amended Budget	2023 Actual	2022 Actual
<u>Instruction</u>			
Basic Programs:			
Preschool			
Supplies, Materials and Other	\$ 5,250	\$ 4,495	\$ 4,506
Added Needs:			
Added Needs			
Salaries	0	0	10,361
Employee Benefits	3,795	3,785	9,625
Purchased Services	7,148	7,148	12,852
	<u>10,943</u>	<u>10,933</u>	<u>32,838</u>
Special Education			
Salaries	685,418	649,325	601,600
Employee Benefits	450,151	451,608	402,465
Supplies, Materials and Other	1,000	1,000	0
	<u>1,136,569</u>	<u>1,101,933</u>	<u>1,004,065</u>
Trainable Mentally Impaired			
Salaries	202,663	106,059	190,867
Employee Benefits	257,746	220,448	195,959
Purchased Services	6,820	5,442	3,966
Supplies, Materials and Other	15,050	14,229	12,981
	<u>482,279</u>	<u>346,178</u>	<u>403,773</u>
Severely Mentally Impaired			
Salaries	66,900	56,859	41,253
Employee Benefits	50,264	29,809	40,189
Purchased Services	60,000	75,898	66,466
Supplies, Materials and Other	8,300	7,285	4,181
	<u>185,464</u>	<u>169,851</u>	<u>152,089</u>
Preschool Health			
Salaries	153,244	143,117	135,492
Employee Benefits	70,368	49,933	37,055
	<u>223,612</u>	<u>193,050</u>	<u>172,547</u>
Hearing Impaired			
Salaries	40,705	44,643	20,598
Employee Benefits	23,229	30,775	14,689
Purchased Services	58,500	55,354	83,045
Supplies, Materials and Other	4,000	3,285	2,714
	<u>126,434</u>	<u>134,057</u>	<u>121,046</u>

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

SPECIAL EDUCATION FUND  
DETAILS OF EXPENDITURES COMPARED TO BUDGET  
For the Year Ended June 30, 2023  
With Comparative Totals for the Year Ended June 30, 2022

	2023 Amended Budget	2023 Actual	2022 Actual
<u>Instruction (Continued)</u>			
Added Needs: (Continued)			
Visually Impaired			
Salaries	\$ 14,500	\$ 11,993	\$ 9,734
Employee Benefits	995	723	745
Purchased Services	2,700	2,057	1,705
Supplies, Materials and Other	<u>1,500</u>	<u>375</u>	<u>0</u>
	<u>19,695</u>	<u>15,148</u>	<u>12,184</u>
Resource Room			
Purchased Services	<u>5,000</u>	<u>3,810</u>	<u>4,815</u>
Total Added Needs	<u>2,189,996</u>	<u>1,974,960</u>	<u>1,903,357</u>
Total Instruction	<u>2,195,246</u>	<u>1,979,455</u>	<u>1,907,863</u>
<u>Support Services</u>			
Pupil Services:			
Attendance Services			
Supplies, Materials and Other	<u>18,000</u>	<u>10,406</u>	<u>8,586</u>
Guidance Services			
Employee Benefits	300	51	0
Purchased Services	1,500	1,415	1,067
Supplies, Materials and Other	<u>6,576</u>	<u>6,576</u>	<u>0</u>
	<u>8,376</u>	<u>8,042</u>	<u>1,067</u>
Health Services			
Salaries	153,806	141,551	138,565
Employee Benefits	124,554	115,003	91,924
Purchased Services	3,500	2,953	2,264
Supplies, Materials and Other	<u>11,600</u>	<u>9,425</u>	<u>6,445</u>
	<u>293,460</u>	<u>268,932</u>	<u>239,198</u>
Psychological Services			
Salaries	61,288	61,378	0
Employee Benefits	53,105	51,751	0
Purchased Services	57,000	50,211	242,373
Supplies, Materials and Other	<u>11,000</u>	<u>9,558</u>	<u>0</u>
	<u>182,393</u>	<u>172,898</u>	<u>242,373</u>

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

SPECIAL EDUCATION FUND  
DETAILS OF EXPENDITURES COMPARED TO BUDGET  
For the Year Ended June 30, 2023  
With Comparative Totals for the Year Ended June 30, 2022

	2023 Amended Budget	2023 Actual	2022 Actual
<u>Support Services (Continued)</u>			
Pupil Services: (Continued)			
Speech			
Salaries	\$ 250,123	\$ 246,700	\$ 197,945
Employee Benefits	168,541	161,211	120,796
Purchased Services	15,030	8,711	15,420
Supplies, Materials and Other	<u>0</u>	<u>0</u>	<u>2,533</u>
	<u>433,694</u>	<u>416,622</u>	<u>336,694</u>
Special Education Teacher Consultant			
Employee Benefits	<u>785</u>	<u>417</u>	<u>720</u>
Visually Impaired			
Salaries	0	1,170	0
Employee Benefits	0	284	0
Supplies, Materials and Other	<u>2,044</u>	<u>2,033</u>	<u>0</u>
	<u>2,044</u>	<u>3,487</u>	<u>0</u>
Pupil Support Services			
Supplies, Materials and Other	<u>11,113</u>	<u>1,674</u>	<u>0</u>
Total Pupil Services	<u>949,865</u>	<u>882,478</u>	<u>828,638</u>
Instructional Staff:			
Supervision and Direction of Instructional Staff			
Salaries	30,423	30,423	24,577
Employee Benefits	76,485	68,531	40,251
Purchased Services	3,300	3,272	3,150
Supplies, Materials and Other	<u>16,520</u>	<u>17,193</u>	<u>15,125</u>
	<u>126,728</u>	<u>119,419</u>	<u>83,103</u>
Director of Special Education			
Salaries	97,995	82,858	96,923
Employee Benefits	72,243	65,242	34,883
Purchased Services	52,450	50,206	27,444
Supplies, Materials and Other	<u>7,150</u>	<u>7,047</u>	<u>3,711</u>
	<u>229,838</u>	<u>205,353</u>	<u>162,961</u>
Total Instructional Staff	<u>356,566</u>	<u>324,772</u>	<u>246,064</u>
School Administration:			
Central Office			
Purchased Services	99,671	84,963	75,050
Supplies, Materials and Other	<u>27,750</u>	<u>26,239</u>	<u>18,517</u>
	<u>127,421</u>	<u>111,202</u>	<u>93,567</u>

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

SPECIAL EDUCATION FUND  
DETAILS OF EXPENDITURES COMPARED TO BUDGET  
For the Year Ended June 30, 2023  
With Comparative Totals for the Year Ended June 30, 2022

	2023 Amended Budget	2023 Actual	2022 Actual
<u>Support Services (Continued)</u>			
Business:			
Fiscal Services			
Salaries	\$ 54,000	\$ 54,671	\$ 40,729
Employee Benefits	65,722	64,534	31,320
Purchased Services	1,575	578	1,549
Supplies, Materials and Other	<u>23,750</u>	<u>19,519</u>	<u>4,326</u>
	<u>145,047</u>	<u>139,302</u>	<u>77,924</u>
 Staff Secretary			
Salaries	19,036	18,190	12,656
Employee Benefits	<u>47,531</u>	<u>46,231</u>	<u>13,456</u>
	<u>66,567</u>	<u>64,421</u>	<u>26,112</u>
 Total Business	<u>211,614</u>	<u>203,723</u>	<u>104,036</u>
 Operations and Maintenance:			
Salaries	19,000	14,243	18,018
Employee Benefits	49,657	50,094	17,360
Purchased Services	99,597	72,879	45,571
Supplies, Materials and Other	<u>0</u>	<u>0</u>	<u>165</u>
	<u>168,254</u>	<u>137,216</u>	<u>81,114</u>
 Transportation:			
Salaries	303,023	295,117	309,029
Employee Benefits	304,143	280,562	250,862
Purchased Services	86,460	68,482	83,812
Supplies, Materials and Other	<u>120,000</u>	<u>114,094</u>	<u>112,496</u>
	<u>813,626</u>	<u>758,255</u>	<u>756,199</u>
 Central Services:			
Central Services			
Purchased Services	<u>0</u>	<u>0</u>	<u>3,000</u>
 ISD Planner/Monitor			
Salaries	82,964	82,964	76,350
Employee Benefits	41,520	41,520	38,868
Purchased Services	<u>250</u>	<u>234</u>	<u>0</u>
	<u>124,734</u>	<u>124,718</u>	<u>115,218</u>
 Staff and Personnel Services			
Employee Benefits	9,637	9,637	10,182
Purchased Services	4,623	1,123	290
Supplies, Materials and Other	<u>3,800</u>	<u>705</u>	<u>0</u>
	<u>18,060</u>	<u>11,465</u>	<u>10,472</u>

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

SPECIAL EDUCATION FUND  
DETAILS OF EXPENDITURES COMPARED TO BUDGET  
For the Year Ended June 30, 2023  
With Comparative Totals for the Year Ended June 30, 2022

	2023 Amended Budget	2023 Actual	2022 Actual
<u>Support Services</u> (Continued)			
Central Services (Continued)			
Technology			
Salaries	\$ 66,042	\$ 65,893	\$ 64,321
Employee Benefits	53,410	41,873	42,848
Supplies, Materials and Other	500	0	0
	<u>119,952</u>	<u>107,766</u>	<u>107,169</u>
Total Central Services	<u>262,746</u>	<u>243,949</u>	<u>235,859</u>
Total Support Services	<u>2,890,092</u>	<u>2,661,595</u>	<u>2,345,477</u>
<u>Community Services</u>			
Early Intervention			
Salaries	107,012	117,183	103,655
Employee Benefits	108,985	76,960	70,953
Purchased Services	500	0	100
Supplies, Materials and Other	3,000	2,262	3,534
	<u>219,497</u>	<u>196,405</u>	<u>178,242</u>
Other Community Services:			
Salaries	0	4,498	0
Employee Benefits	0	3,338	0
Supplies, Materials and Other	6,510	3,928	0
	<u>6,510</u>	<u>11,764</u>	<u>0</u>
Total Community Services	<u>226,007</u>	<u>208,169</u>	<u>178,242</u>
<u>Outgoing Transfers to Other Districts</u>			
Medicaid Transfers	239,910	235,448	168,758
Volkswagen Grant Transfers	0	0	201,238
Total Outgoing Transfers to Other Districts	<u>239,910</u>	<u>235,448</u>	<u>369,996</u>
<u>Capital Outlay</u>			
Instruction	38,412	27,560	18,664
Support Services	0	98,341	227,628
Total Capital Outlay	<u>38,412</u>	<u>125,901</u>	<u>246,292</u>
<u>Debt Service</u>			
Interest and Fees on Long-Term Debt	<u>2,643</u>	<u>2,643</u>	<u>2,643</u>
<u>Other Financing Uses</u>			
Total Expenditures	<u>\$ 5,592,310</u>	<u>\$ 5,213,211</u>	<u>\$ 5,050,513</u>



***Stephenson & Company, P.C.***  
**Certified Public Accountants & Consultants**

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IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
TAWAS CITY, MICHIGAN

SINGLE AUDIT REPORTS  
YEAR ENDED JUNE 30, 2023



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### DISTRICT PREPARED DOCUMENTS

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS



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October 27, 2023

**INDEPENDENT AUDITORS' 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**

Board of Education  
Iosco Regional Educational Service Agency  
Tawas City, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Iosco Regional Educational Service Agency as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Iosco Regional Educational Service Agency's basic financial statements and have issued our report thereon dated October 27, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Iosco Regional Educational Service Agency'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 Iosco Regional Educational Service Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Iosco Regional Educational Service Agency'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 entity'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 have not been identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Iosco Regional Educational Service Agency'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*.

Board of Education  
losco Regional Educational Service Agency  
October 27, 2023  
Page Two

**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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Stephenson & Company, P.C.*





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October 27, 2023

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

Board of Education  
Iosco Regional Educational Service Agency  
Tawas City, Michigan

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Iosco Regional Educational Service Agency'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 Iosco Regional Educational Service Agency's major federal programs for the year ended June 30, 2023. Iosco Regional Educational Service Agency's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Iosco Regional Educational Service Agency complied, in all material respects, with the types of 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, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audit 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* 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Iosco Regional Educational Service Agency 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 Iosco Regional Educational Service Agency's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to the 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 Iosco Regional Educational Service Agency's federal programs.

### *Auditors' Responsibilities 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 Iosco Regional Educational Service Agency'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 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 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 Iosco Regional Educational Service Agency's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with 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 risk 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 Iosco Regional Educational Service Agency'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 Iosco Regional Educational Service Agency'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 Iosco Regional Educational Service Agency'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 Auditors' 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 or audit we did not identify any deficiencies in internal control over compliance that we considered 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.

#### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Iosco Regional Educational Service Agency as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Iosco Regional Educational Service Agency's basic financial statements. We issued our report thereon dated October 27, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the Uniform Guidance, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Stephenson & Company, P.C.*

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2023

Summary of Auditors' Results

1. The auditors' report expresses unmodified opinions on the financial statements of Iosco Regional Educational Service Agency.
2. No material weaknesses in internal control relating to the audit of the financial statements are reported in the Independent Auditors' 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*.
3. No instances of noncompliance material to the financial statements of Iosco Regional Educational Service Agency, which are required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No material weaknesses relating to the audit of internal control over major federal award programs are reported in the Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for Iosco Regional Educational Service Agency expresses an unmodified opinion on all major federal programs.
6. No audit findings relative to the major federal award programs for Iosco Regional Educational Service Agency are reported in this schedule.
7. The programs tested as major programs included: Special Education Cluster, ALN 84.027, 84.027A, 84.027X, 84.173, and 84.173X
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Iosco Regional Educational Service Agency was determined to be a low-risk auditee.

Findings - Financial Statement Audit

There were no findings related to the financial statements which were required to be reported in accordance with generally accepted government auditing standards for the year ended June 30, 2023.

Findings and Questioned Costs - Major Federal Award Programs Audit

There were no findings or questioned costs related to the major federal award program audit for the year ended June 30, 2023.



IOSCO REGIONAL EDUCATION SERVICE AGENCY  
Tawas City, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2023

Federal Grantor or Pass Through Grantor Program Title/Grantor's Number	Federal ALN	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2022	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue June 30, 2023	Current Year Cash Transferred to Subrecipients
<u>U.S. Department of Agriculture</u>								
Child Nutrition Cluster:								
Passed through Michigan Department of Education:								
Cash Assistance:								
School Breakfast Program:								
221970	10.553	\$ 282	\$ 282	\$ 282	\$ 1,706	\$ 1,988	\$ 0	\$ 0
221971		11,526	11,526	1,842	0	1,842	0	0
231970		15,012	0	0	12,698	15,012	(2,314)	0
		<u>26,820</u>	<u>11,808</u>	<u>2,124</u>	<u>14,404</u>	<u>18,842</u>	<u>(2,314)</u>	<u>0</u>
National School Lunch Program:								
221960	10.555	210	210	210	3,203	3,413	0	0
221961		24,653	24,653	4,873	0	4,873	0	0
231960		29,880	0	0	29,880	29,880	0	0
		<u>54,743</u>	<u>24,863</u>	<u>5,083</u>	<u>33,083</u>	<u>38,166</u>	<u>0</u>	<u>0</u>
Total Child Nutrition Cluster		<u>81,563</u>	<u>36,671</u>	<u>7,207</u>	<u>47,487</u>	<u>57,008</u>	<u>(2,314)</u>	<u>0</u>
Passed through Michigan Department of Education								
Pandemic EBT Local Level Costs	10.649	<u>628</u>	<u>0</u>	<u>0</u>	<u>628</u>	<u>628</u>	<u>0</u>	<u>0</u>
Total U.S. Department of Agriculture		<u>82,191</u>	<u>36,671</u>	<u>7,207</u>	<u>48,115</u>	<u>57,636</u>	<u>(2,314)</u>	<u>0</u>
<u>U.S. Department of Education</u>								
Passed through Michigan Department of Education:								
Federal Adult Education 231130 231977	84.002	97,123	0	0	97,123	97,123	0	0
Federal Adult Education 231190 231710		24,422	0	0	24,422	24,422	0	0
		<u>121,545</u>	<u>0</u>	<u>0</u>	<u>121,545</u>	<u>121,545</u>	<u>0</u>	<u>0</u>
Special Education Cluster:								
Handicapped and Preschool Programs:								
Passed through Michigan Department of Education:								
Special Education - General Supervision 230493 - GSG	84.027	<u>137,900</u>	<u>0</u>	<u>0</u>	<u>137,900</u>	<u>137,900</u>	<u>0</u>	<u>0</u>

Handicapped and Preschool Programs:  
Passed through Michigan Department of Education:

The accompanying notes are an integral part of this schedule.



IOSCO REGIONAL EDUCATION SERVICE AGENCY  
Tawas City, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2023

Federal Grantor or Pass Through Grantor Program Title/Grantor's Number	Federal ALN	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2022	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue June 30, 2023	Current Year Cash Transferred to Subrecipients
Special Education Flow Through 210450 2021	84.027	\$ 1,151,334	\$ 1,148,264	\$ 5,036	\$ 3,072	\$ 8,108	\$ 0	\$ 0
Special Education Flow Through 220450 2022		1,169,193	1,158,037	277,223	7,836	277,223	7,836	0
Special Education Flow Through 230450 2023		1,183,771	0	0	1,172,475	1,004,365	168,110	0
		<u>3,504,298</u>	<u>2,306,301</u>	<u>282,259</u>	<u>1,183,383</u>	<u>1,289,696</u>	<u>175,946</u>	<u>0</u>
Handicapped and Preschool Programs: Passed through Marquette-Alger RESA: IDEA Grant Funded Initiatives								
Special Education Teacher Tuition Reimbursement	84.027A	<u>8,605</u>	<u>0</u>	<u>0</u>	<u>8,605</u>	<u>8,605</u>	<u>0</u>	<u>0</u>
Handicapped and Preschool Programs: Passed through Michigan Department of Education: COVID-19 - Special Education ARP - Flowthrough	84.027X	<u>190,665</u>	<u>110,499</u>	<u>110,499</u>	<u>98,156</u>	<u>208,655</u>	<u>0</u>	<u>0</u>
Handicapped and Preschool Programs: Passed through Michigan Department of Education: Special Education Preschool 230460 2023	84.173	<u>43,443</u>	<u>0</u>	<u>0</u>	<u>43,443</u>	<u>43,443</u>	<u>0</u>	<u>0</u>
Handicapped and Preschool Programs: Passed through Michigan Department of Education: COVID-19 - ARP Preschool Flowthrough 221285 21-22	84.173X	<u>16,423</u>	<u>16,423</u>	<u>8,322</u>	<u>0</u>	<u>8,322</u>	<u>0</u>	<u>0</u>
Total Special Education Cluster		<u>3,901,334</u>	<u>2,433,223</u>	<u>401,080</u>	<u>1,471,487</u>	<u>1,696,621</u>	<u>175,946</u>	<u>0</u>
Passed through Clare Gladwin Educational Service District: Secondary CTE Perkins 223520	84.048A	70,445	70,445	41,352	0	41,352	0	0
Secondary CTE Perkins 233520		<u>81,152</u>	<u>81,152</u>	<u>0</u>	<u>81,152</u>	<u>81,152</u>	<u>0</u>	<u>0</u>
		<u>151,597</u>	<u>151,597</u>	<u>41,352</u>	<u>81,152</u>	<u>122,504</u>	<u>0</u>	<u>0</u>

The accompanying notes are an integral part of this schedule.

IOSCO REGIONAL EDUCATION SERVICE AGENCY  
Tawas City, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2023

Federal Grantor or Pass Through Grantor Program Title/Grantor's Number	Federal ALN	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2022	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue June 30, 2023	Current Year Cash Transferred to Subrecipients
Passed through Michigan Department of Education: Early Intervention Services Cluster Special Education Formula Grant for Infants and Toddlers: Early On Michigan 231340 22-23	84.181	\$ 62,060	\$ 0	\$ 0	\$ 62,060	\$ 62,060	\$ 0	0
Passed through Michigan Department of Education: Early Intervention Services Cluster Special Education Formula Grant for Infants and Toddlers: COVID-19 - ARP Infant and Toddler Formula Grants 2212	84.181X	26,399	14,895	14,895	14,748	29,643	0	0
Passed through Michigan Department of Education: McKinney-Vento Homeless Education Assistance Act Homeless Students' Assistance Grants 222320 Homeless Students' Assistance Grants 232320	84.196	52,598 58,403 111,001	23,122 0 23,122	785 0 785	4,457 50,753 55,210	5,242 42,156 47,398	0 8,597 8,597	0 0 0
Passed through Michigan Department of Education: Small Rural School Achievement Program S358A221513	84.358A	27,164	0	0	27,164	27,164	0	0
Passed through Michigan Department of Education: COVID-19 - American Rescue Plan - Homeless	84.425W	28,553	8,332	8,332	6,927	14,395	864	0
Total U.S. Department of Education		4,429,653	2,631,169	466,444	1,840,293	2,121,330	185,407	0
<u>U.S. Department of Health and Human Services</u>								
Passed through Michigan Department of Community Health: Title XIX Medical Assistance Program: Medicaid Outreach Claims 22-23	93.778	15,323	0	0	15,323	15,323	0	4,304
Total Federal Financial Awards		\$ 4,527,167	\$ 2,667,840	\$ 473,651	\$ 1,903,731	\$ 2,194,289	\$ 183,093	\$ 0

The accompanying notes are an integral part of this schedule.

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY

Tawas City, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2023

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Iosco Regional Education Service Agency under programs of the federal government for the year ended June 30, 2023. 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 Iosco Regional Education Service Agency, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Iosco Regional Education Service Agency.

Note 2 - Summary of Significant Accounting Policies

- A. Expenditures reported on the schedule of federal expenditures are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where in certain types of expenditures are not allowable or are limited as a reimbursement. Cash received is recorded on the cash basis. Revenues are recognized when qualifying expenditures have been incurred and all grant requirements have been met.
- B. Expenditures on this schedule reconcile with amounts reported in the financial statements and the financial reports submitted to the Michigan Department of Education.
- C. Management has utilized the MDE NexSys Grant Auditor Report (GAR) in preparing the Schedule of Expenditures of Federal Awards.
- D. The amounts reported on the Recipient Entitlement Balance Report, or PAL Report, agree with this schedule for USDA donated food commodities and are reported in the Cash Receipts column.
- E. Expenditures include spoilage or pilferage.
- F. Iosco Regional Educational Service Agency did not elect to use a flat de minimis rate of 10% of modified total direct costs for their indirect cost rate.

Note 3 - Reconciliation to the Michigan Department of Education (MDE) NexSys Grant Section Auditors Report (GAR):

Agency total current year payments per MDE NexSys GAR	\$ 2,013,486
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Addition of receipts not passed through the Michigan Department of Education and not included in the NexSys System:

Special Education Teacher Tuition Reimbursement	8,605
Secondary CTE Perkins 223520	41,352
Secondary CTE Perkins 233520	81,152
Small Rural School Achievement Program S358A203636	27,164
Medicaid Outreach Claims 22-23	<u>15,323</u>
Federal Revenue Presented in the Financial Statements	<u>173,596</u>

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2023

Note 3 - Reconciliation to the Michigan Department of Education (MDE) NexSys Grant Section Auditors Report (GAR): (Continued)

Plus payments out of NexSys in the prior year, but not received by the Agency until after June 30, 2022:

School Breakfast Program 221970	\$ 282
School Breakfast Program 221971	1,842
National School Lunch Program 221960	210
National School Lunch Program 221961	4,873
	<u>7,207</u>

Federal Revenue on the Schedule of Expenditures of Federal Awards	<u>\$ 2,194,289</u>
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Note 4 - Reconciliation to Financial Statements:

General Fund	\$ 211,631
Vocational Education	81,152
Special Education	1,564,246
Food Service Fund	47,487
Federal Revenue Presented in the Financial Statements	<u>1,904,516</u>

Accounts receivable for the year ended June 30, 2022 received more than 60 days after year-end and recognized as federal revenue in fiscal year June 30, 2023 financial statements:

Homeless Students' Assistance Grants 222320	<u>(785)</u>
Federal Revenue on the Schedule of Expenditures of Federal Awards	<u>\$ 1,903,731</u>

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 PROVIDED TO SUBRECIPIENTS  
For the Year Ended June 30, 2023

<u>Federal Program Title/Subrecipient</u>	<u>Project Number</u>	<u>Federal ALN</u>	<u>Approved Grant Award Amount</u>	<u>Due to Subrecipient July 1, 2022</u>	<u>Current Year Transfer to Subrecipient</u>	<u>Current Year Subrecipient Federal Expenditures</u>	<u>Adjustments</u>	<u>Due to Subrecipient June 30, 2023</u>
Title XIX Medical Assistance Program: Medicaid Outreach Claims:		93.778	N/A					
2021 - 2022:								
Hale Area Schools				\$ 510	\$ 510	\$ 0	\$ 0	\$ 0
Oscoda Area Schools				2,181	2,181	0	0	0
Tawas Area Schools				1,073	1,073	0	0	0
Whittemore-Prescott Area Schools				<u>540</u>	<u>540</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Federal Awards Provided to Subrecipients				<u>4,304</u>	<u>4,304</u>	<u>0</u>	<u>0</u>	<u>0</u>
2022 - 2023:								
Hale Area Schools				0	0	616	0	616
Oscoda Area Schools				0	0	3,693	0	3,693
Tawas Area Schools				0	0	1,324	0	1,324
Whittemore-Prescott Area Schools				<u>0</u>	<u>0</u>	<u>1,098</u>	<u>0</u>	<u>1,098</u>
				<u>0</u>	<u>0</u>	<u>6,731</u>	<u>0</u>	<u>6,731</u>
Total Federal Awards Provided to Subrecipients				<u>\$ 4,304</u>	<u>\$ 4,304</u>	<u>\$ 6,731</u>	<u>\$ 0</u>	<u>\$ 6,731</u>



## IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY

27 NORTH REMPERT ROAD, TAWAS CITY, MI 48763

PHONE: (989) 362-3006 ♦ FAX: (989) 362-9076

### **Summary Schedule of Prior Year Audit Findings:**

#### **Findings – Financial Statements Audit**

There were no findings related to the financial statements which were required to be reported in accordance with generally accepted government auditing standards for the year ended June 30, 2022.

#### **Findings and Questioned Costs – Major Federal Award Programs Audit**

There were no findings related to major federal award programs which were required to be reported in accordance with generally accepted government auditing standards for the year ended June 30, 2022.





*Stephenson & Company, P.C.*  
Certified Public Accountants & Consultants

Alan J. Stephenson, CPA  
Donald W. Brannan, CPA  
Kyle E. Troyer, CPA  
Robert J. Morand, CPA  
Brenden A. Stephenson, CPA/PFS, CFP®  
Cynthia R. Scott, CPA, CFE

October 27, 2023

Management and the Board  
Iosco Regional Educational Service Agency  
27 N. Rempert Road  
Tawas City, MI 48763

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Iosco Regional Educational Service Agency for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 27, 2023. Professional standards also require that we communicate to you the following information related to our audit. The appendices to this letter set forth those communications as follows:

I Communication with Those Charged with Governance

II Management Comments

We discussed these matters with various personnel of the Agency during the audit and met with management on October 27, 2023. We would also be pleased to meet with you to discuss these matters at your convenience.

This information is intended solely for the information and use of management, the Board of Education, others within the Agency and the Michigan Department of Education and are not intended to be, and should not be, used by anyone other than those specified parties.

Very truly yours,

*Stephenson & Company, P.C.*

## **APPENDIX I**

### **COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

#### **Significant Audit Matters**

##### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the losco Regional Educational Service Agency are described in Note 1 to the financial statements. As described in Note 2 to the financial statements, the losco Regional Educational Service Agency changed accounting policies related to subscription-based technologies, by adopting statement of *Governmental Accounting Standards* (GASB Statement) No 96, "Subscription-Based Information Technology Arrangements", in 2023. We noted no transactions entered into by the losco Regional Educational Service Agency during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

- Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the losco Regional Educational Service Agency's financial statements were:

Management's estimate of the Net Pension Liability and the Net OPEB Liability are based on the actuarial valuations audited by the Auditor General. We evaluated the key factors and assumptions used to develop the Net Pension Liability and the Net OPEB Liability in determining that they are reasonable in relation to the financial statements taken as a whole.

- The financial statement disclosures are neutral, consistent, and clear.

##### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

##### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The adjustments identified during the audit have been communicated to management. Management has corrected all such misstatements, including those considered to be material, either individually or in the aggregate, to the financial statements taken as a whole.

##### **Disagreements with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

##### **Management Representations**

We have requested certain representations from management that are included in the management representation letter date October 27, 2023.

##### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the losco Regional Educational Service Agency's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.



## **APPENDIX I**

### **COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

#### **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Iosco Regional Educational Service Agency's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### **Other Matters**

We applied certain limited procedures to the Management Discussion and Analysis, the Budgetary Comparison Information, and the Required Pension and OPEB Schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Combining Nonmajor Funds and Individual Fund Financial Statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

## **APPENDIX II**

### **MANAGEMENT COMMENTS**

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the losco Regional Educational Service Agency as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the losco Regional Educational Service Agency'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 the losco Regional Educational Service Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the losco Regional Educational Service Agency'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 entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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 may exist that have not been identified.

During our audit, we did become aware of the following deficiency in internal control, other than a significant deficiency or material weakness or other matter, that is an opportunity for strengthening internal controls and operating efficiency.

#### **IT INVENTORY LISTING**

During the audit it was noted that, while the final inventory listing provided was complete, items appeared in our testing which were disposed of before proper authorization was filed. In some cases, approval was documented after the fact and in others documentation was absent. Although the Agency's Technology Director has direct knowledge and control over these disposals maintaining a timely and documented approval process is critical to prove the appropriateness for a disposal, as well as discourage the loss of inventory through fraudulent claims.

We recommend that the Agency strengthen existing procedures to document the disposal of technology by requiring that items may be recycled only after an application for the items' disposal is submitted and authorization by the Superintendent or his designee, is given by a dated signature.

We will review the status of this comment during our next audit engagement. We have already discussed the comment and suggestion with various agency personnel, and we will be pleased to discuss it in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation.

## APPENDIX II MANAGEMENT COMMENTS

### STATUS OF PRIOR YEAR COMMENTS:

We have reviewed the status of comments and recommendations made in the prior year. The status of prior year comments is as follows:

<u>Comment</u>	<u>Implemented/ Situation Corrected</u>	<u>Management Decision To Not Implement</u>	<u>Progress Made</u>	<u>Situation Still Exists</u>
Financial Statement Preparation Controls	X			
Equitable Cost Allocation			X	
IT Inventory Listing			X	
Special Education Indirect Costs	X			