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IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
TAWAS CITY, MICHIGAN

AUDITORS' REPORT  
YEAR ENDED JUNE 30, 2022

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# *Stephenson & Company, P.C.*

**Certified Public Accountants & Consultants**

October 3, 2022

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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, 2022, 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, 2022, 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.

#### ***Emphasis of Matter***

As described in Note 2, Iosco Regional Educational Service Agency has implemented GASB Statement No. 87, "Leases", as of June 30, 2022. Our opinions are not modified with respect to this matter.

#### ***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 Iosco 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 3, 2022, included in the Single Audit Report issued under a separate cover, on our consideration of Iosco 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 Iosco 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 Iosco 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, 2022.

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 \$1,937,406 (net position). Of this amount, \$(6,174,015) (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 \$1,388,570. 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 \$7,085,362 an increase of \$1,031,679 in comparison with the prior year. Of this amount, \$1,921,653 is available for spending at the Agency's discretion (unassigned fund balance). This represents 17.4% 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, 2022

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, 2022

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 \$(1,937,406) at June 30, 2022. Of this amount, \$(6,174,015) 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, 2022</u>	<u>June 30, 2021</u>
Current Assets	\$ 12,795,190	\$ 11,183,256
Right to Use Assets, Net	76,069	58,491
Capital Assets, Net	<u>4,061,709</u>	<u>4,111,454</u>
Total Assets	<u>16,932,968</u>	<u>15,353,201</u>
Deferred Outflows of Resources	<u>4,099,864</u>	<u>5,035,761</u>
Current Liabilities	5,586,314	5,132,402
Noncurrent Liabilities	<u>11,218,049</u>	<u>16,391,644</u>
Total Liabilities	<u>16,804,363</u>	<u>21,524,046</u>
Deferred Inflows of Resources	<u>6,165,875</u>	<u>2,190,892</u>
<u>Net Position</u>		
Net Investment in Capital Assets	3,296,709	3,346,454
Restricted	939,900	789,758
Unrestricted (Deficit)	<u>(6,174,015)</u>	<u>(7,462,188)</u>
Total Net Position	<u>\$ (1,937,406)</u>	<u>\$ (3,325,976)</u>

The \$(6,174,015) 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 \$(6,174,015). 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, 2022

The Agency's net position was \$(1,937,406) at June 30, 2022. Net investment in capital assets totaled \$3,296,709. 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, \$(6,174,015) is an unrestricted (deficit).

TABLE 2  
CHANGES IN NET POSITION

	Governmental Activities	
	Year Ended June 30, 2022	Year Ended June 30, 2021
Revenue:		
Program Revenue:		
Charges for Services	\$ 2,414,711	\$ 2,264,184
Operating Grants and Contributions	6,469,639	5,563,277
Capital Grants and Contributions	226,916	524,098
General Revenue:		
Current Property Taxes	2,805,601	2,495,978
State School Aid – Unrestricted	1,667	2,351
Investment Earnings	29,188	16,545
Unrestricted Contributions	23,445	13,353
Gain (Loss) on Disposal of Capital Assets	13,206	0
Miscellaneous	56,546	38,421
Total Revenue	<u>12,040,919</u>	<u>10,918,207</u>
Functions/Program Expenses:		
Instruction	3,578,677	3,924,625
Support Services	3,969,420	3,601,088
Community Services	1,632,921	1,828,860
Food Services	20,273	13,178
Transfers to Other Districts	1,434,081	1,565,588
Interest on Long-Term Debt	16,977	16,977
Total Functions/Program Expenses	<u>10,652,349</u>	<u>10,950,316</u>
Change in Net Position	1,388,570	(32,109)
Net Position – Beginning	<u>(3,325,976)</u>	<u>(3,293,867)</u>
Net Position – Ending	<u>\$ (1,937,406)</u>	<u>\$ (3,325,976)</u>

Governmental activities increased the Agency's net position by \$1,388,570.

As reported in our Statement of Activities, the cost of all of our governmental activities this year was \$10,652,349. However, the amount that our taxpayers ultimately financed for these activities through Agency taxes was only \$2,805,601 because some of the cost was paid by those who benefited from the programs (\$2,414,711), by other governments and organizations who subsidized certain programs with grants and contributions (\$6,696,555), through unrestricted state aid (\$1,667), investment earnings (\$29,188), disposal of capital assets (\$13,206), and by miscellaneous sources (\$79,991).

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Iosco County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2022

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, 2022, 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 \$5,102,637. That amount is above both the original budget estimate of \$4,621,431 and the final amended budget of \$5,043,650. 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 \$4,473,916, which is below both the original budget estimate of \$4,588,161 and the final amended budget estimate of \$4,736,043. The variance between the actual expenditures, the original budget, and the final budget was primarily the result of reduced spending in the Community Services area.

The General Fund had total revenues of \$5,102,637, and total expenditures of \$4,473,916 with an ending fund balance of \$2,379,908.

GOVERNMENTAL FUND EXPENDITURES

Total governmental fund expenditures amounted to \$11,060,457. The governmental funds had a net increase in fund balance of \$1,031,679. The ending fund balance for all governmental funds was \$7,085,362 which represents 64% of current year expenditures. The ending fund balance percentage for the prior year represented 57% 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 \$528,721. The increase as related to the prior year's activity is primarily the result of increased Federal and State funding of approximately \$540,000.

The Vocational Education Fund fund balance increased by \$230,247. This increase is slightly less 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 increase in spending relating to instruction expenses and capital outlay.

The Special Education Fund fund balance increased by \$152,399. The increase as related to the prior year's activity is primarily the result of increased Federal and State funding.

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Iosco County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2022

CAPITAL ASSET AND LONG TERM LIABILITY ADMINISTRATION

Capital Assets

At the end of fiscal year 2022, the Agency had \$7,577,971 invested in land and buildings, furniture and equipment and vehicles and buses. Of this amount, \$3,516,262 in depreciation has been taken over the years. We currently have a net book value of \$4,061,709. Total additions for the year were \$283,656. Current year additions included the following:

2 Buses	\$ 227,628
5 Welders	32,212
Iron Worker Machine	12,965
Kitchen Cabinets	<u>10,851</u>
	<u>\$ 283,656</u>

Disposals for the current year consisted of 1 bus which had been totaled out. The Agency received \$55,000 in insurance proceeds related to the totaled bus.

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

Long-Term Debt

At June 30, 2022, the Agency had \$765,000 in bonds outstanding. In the current year, the Agency did not acquire any new debt.

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, 2022, the Agency's Net Pension Liability amounted to \$9,594,184. 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, 2022, the Agency's Net OPEB Liability amounted to \$627,798. 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.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Uncertainties in Federal and State funding were factors considered in preparing the Agency's budgets for the 2022-2023 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.

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Iosco County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2022

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  
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Tawas City, MI 48763  
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IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

STATEMENT OF NET POSITION  
June 30, 2022

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and Cash Equivalents	\$ 10,953,658
Receivables:	
Due from Other Governmental Units	1,212,248
Inventory:	
Building Trades Homes	171,029
Prepaid Items	4,114
Restricted Assets:	
Cash and Cash Equivalents	454,141
Noncurrent Assets:	
Right to Use Assets, Net of Accumulated Amortization	76,069
Capital Assets Not Being Depreciated	266,900
Capital Assets, Net of Accumulated Depreciation	<u>3,794,809</u>
Total Assets	<u>16,932,968</u>
<u>Deferred Outflows of Resources</u>	
Deferred Amount on Pension Expense Related to Net Pension Liability	2,975,040
Deferred Amount on OPEB Expense Related to Net OPEB Liability	<u>1,124,824</u>
Total Deferred Outflows of Resources	<u>4,099,864</u>
<u>Liabilities</u>	
Accounts Payable	86,436
Due to Other Governmental Units	1,595,474
Due to Related Parties	727,676
Interest Payable	2,829
Payroll Deductions and Withholdings	259,161
Salaries Payable	422,867
Unearned Revenue	2,491,871
Long-Term Liabilities	
Due within one year	47,021
Due in More Than One Year	949,046
Net Pension Liability	9,594,184
Net OPEB Liability	<u>627,798</u>
Total Liabilities	<u>16,804,363</u>
<u>Deferred Inflows of Resources</u>	
Deferred Amount on Net Pension Liability	3,815,158
Deferred Amount on Net OPEB Liability	<u>2,350,717</u>
Total Deferred Inflows of Resources	<u>6,165,875</u>
<u>Net Position</u>	
Net Investment in Capital Assets	3,296,709
Restricted For:	
Capital Projects	939,900
Unrestricted (Deficit)	<u>(6,174,015)</u>
Total Net Position	<u>\$ (1,937,406)</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, 2022

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	\$ 3,578,677	\$ 250,390	\$ 4,694,429	\$ 0	\$ 1,366,142
Support Services	3,969,420	2,160,086	1,557,368	226,916	(25,050)
Community Services	1,632,921	4,235	164,814	0	(1,463,872)
Food Services	20,273	0	53,028	0	32,755
Transfers to Other Districts	1,434,081	0	0	0	(1,434,081)
Interest on Long-Term Debt	<u>16,977</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(16,977)</u>
Total	<u>\$ 10,652,349</u>	<u>\$ 2,414,711</u>	<u>\$ 6,469,639</u>	<u>\$ 226,916</u>	<u>(1,541,083)</u>
General Revenues:					
Property Taxes, Levied for General, Special Education and Vocational Education Purposes					2,805,601
State School Aid - Unrestricted					1,667
Investment Earnings					29,188
Unrestricted Contributions					23,445
Gain (Loss) on Disposal of Capital Assets					13,206
Miscellaneous					<u>56,546</u>
Total General Revenues					<u>2,929,653</u>
Change in Net Position					1,388,570
Net Position - Beginning					<u>(3,325,976)</u>
Net Position - Ending					<u>\$ (1,937,406)</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, 2022

		<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	\$ 6,090,767	\$ 2,547,284	\$ 1,813,776	\$ 501,831	\$ 10,953,658
Receivables:					
Due from Other Governmental Units	283,593	122,949	798,459	7,247	1,212,248
Building Trades Homes	0	171,029	0	0	171,029
Due from Other Funds	1,211	0	0	0	1,211
Prepaid Items	4,114	0	0	0	4,114
Restricted Cash and Cash Equivalents	<u>454,141</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>454,141</u>
Total Assets	<u>\$ 6,833,826</u>	<u>\$ 2,841,262</u>	<u>\$ 2,612,235</u>	<u>\$ 509,078</u>	<u>\$ 12,796,401</u>
<u>Liabilities</u>					
Accounts Payable	\$ 15,762	\$ 12,751	\$ 57,923	\$ 0	\$ 86,436
Due to Other Governmental Units	1,307,828	16	287,630	0	1,595,474
Due to Other Funds	0	0	0	1,211	1,211
Due to Related Parties	727,676	0	0	0	727,676
Payroll Deductions and Withholdings	85,581	51,045	122,535	0	259,161
Salaries Payable	147,380	72,509	202,978	0	422,867
Unearned Revenue	<u>2,162,204</u>	<u>0</u>	<u>329,667</u>	<u>0</u>	<u>2,491,871</u>
Total Liabilities	<u>4,446,431</u>	<u>136,321</u>	<u>1,000,733</u>	<u>1,211</u>	<u>5,584,696</u>
<u>Deferred Inflows of Resources</u>					
Unavailable Revenue - Grants	<u>7,487</u>	<u>0</u>	<u>118,856</u>	<u>0</u>	<u>126,343</u>
<u>Fund Equity</u>					
Fund Balances:					
Nonspendable:					
Inventory	0	171,029	0	0	171,029
Prepaid Items	4,114	0	0	0	4,114
Restricted For:					
Capital Projects	454,141	0	0	485,759	939,900
Assigned To:					
Vocational Education	0	2,502,025	0	0	2,502,025
Special Education	0	0	1,373,149	0	1,373,149
Food Service	0	0	0	22,108	22,108
Next Year's Budgeted Expenditures	0	31,887	119,497	0	151,384
Unassigned	<u>1,921,653</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,921,653</u>
Total Fund Equity	<u>2,379,908</u>	<u>2,704,941</u>	<u>1,492,646</u>	<u>507,867</u>	<u>7,085,362</u>
Total Liabilities and Fund Equity	<u>\$ 6,833,826</u>	<u>\$ 2,841,262</u>	<u>\$ 2,612,235</u>	<u>\$ 509,078</u>	<u>\$ 12,796,401</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, 2022

Total Governmental Fund Balances	\$ 7,085,362
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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	\$ 7,577,971	
Capital Asset Accumulated Depreciation	(3,516,262)	
Right to Use Asset Cost	181,566	
Right to Use Asset Accumulated Amortization	<u>(105,497)</u>	
		4,137,778

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	126,343
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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	2,975,040	
Deferred inflows of resources resulting from net pension liability	(3,815,158)	
Deferred outflows of resources from OPEB expenses subsequent to the measurement date of the net OPEB liability	1,124,824	
Deferred inflows of resources resulting from net OPEB liability	<u>(2,350,717)</u>	
		(2,066,011)

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)	
Capital Leases Payable	(76,128)	
Compensated Absences Payable	(154,939)	
Net Pension Liability	(9,594,184)	
Net OPEB Liability	<u>(627,798)</u>	
		<u>(11,218,049)</u>

Total Net Position - Governmental Activities	\$ <u>(1,937,406)</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, 2022

		Special Revenue Funds			
	General Fund	Vocational Education Fund	Special Education Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenues</u>					
Local Sources	\$ 550,365	\$ 1,139,214	\$ 1,721,385	\$ 942	\$ 3,411,906
State Sources	2,641,978	498,814	1,613,858	1,300	4,755,950
Federal Sources	168,428	70,445	1,543,518	51,728	1,834,119
Interdistrict Sources	1,741,866	6,497	269,151	0	2,017,514
Total Revenues	<u>5,102,637</u>	<u>1,714,970</u>	<u>5,147,912</u>	<u>53,970</u>	<u>12,019,489</u>
<u>Expenditures</u>					
Current:					
Instruction	536,604	981,801	2,128,319	0	3,646,724
Support Services	1,456,756	406,327	2,125,021	0	3,988,104
Community Services	1,493,851	0	178,242	0	1,672,093
Food Services	0	0	0	19,647	19,647
Outgoing Transfers to Other Districts	984,844	65,230	369,996	14,011	1,434,081
Capital Outlay	1,400	45,303	246,292	0	292,995
Debt Service:					
Interest and Fees on Long-Term Debt	461	3,709	2,643	0	6,813
Total Expenditures	<u>4,473,916</u>	<u>1,502,370</u>	<u>5,050,513</u>	<u>33,658</u>	<u>11,060,457</u>
Excess of Revenues Over (Under)					
Expenditures	<u>628,721</u>	<u>212,600</u>	<u>97,399</u>	<u>20,312</u>	<u>959,032</u>
<u>Other Financing Sources (Uses)</u>					
Proceeds from Sale of Assets	0	17,647	55,000	0	72,647
Operating Transfers In	0	0	0	100,000	100,000
Operating Transfers Out	(100,000)	0	0	0	(100,000)
Total Other Financing Sources (Uses)	<u>(100,000)</u>	<u>17,647</u>	<u>55,000</u>	<u>100,000</u>	<u>72,647</u>
Net Change in Fund Balances	528,721	230,247	152,399	120,312	1,031,679
Fund Balances - Beginning of Year	<u>1,851,187</u>	<u>2,474,694</u>	<u>1,340,247</u>	<u>387,555</u>	<u>6,053,683</u>
Fund Balances - End of Year	<u>\$ 2,379,908</u>	<u>\$ 2,704,941</u>	<u>\$ 1,492,646</u>	<u>\$ 507,867</u>	<u>\$ 7,085,362</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, 2022

Total Net Change in Fund Balances - Governmental Funds	\$ 1,031,679
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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	126,343
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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	\$	(273,960)	
Capital Outlay Reported in the Governmental Funds		283,656	
Gain (Loss) on Disposal of Capital Assets		(59,441)	
Amortization of Lease Assets		<u>(105,497)</u>	
			(155,242)

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	3,692,147		
Actual Pension Contributions and the Cost of Benefits Earned, net of Employee Contributions		(718,211)	
Deferred Amount on Net Pension Liability		(3,237,761)	
Actual OPEB Contributions and the Cost of Benefits Earned, net of Employee Contributions		(217,686)	
Net OPEB Liability		1,524,695	
Deferred Amount on Net OPEB Liability		<u>(737,222)</u>	
			305,962

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	105,438
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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>(25,610)</u>
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Change in Net Position of Governmental Activities	\$ <u><u>1,388,570</u></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, 2022

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, 2022

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, 2022

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, 2022, 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, 2022

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, 2022

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, 2022 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 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.

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:

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

<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

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, 2022.

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.

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Fund Balances (Continued)

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, 2022, the foundation allowance was based on the average of pupil membership counts taken in October (90%) and February (10%) of 2021.

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 2021 - August 2022. The local revenue is recognized as outlined in Note 1 Accounting for Property Taxes.

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.

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
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NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2022.

W. Economic Dependency

The Agency received approximately 40% 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.
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.

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2022

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES

For 2022, the Agency implemented GASB Statement No. 87 "Leases". The objective of this statement is to increase the usefulness of the government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the government's leasing activities.

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	\$ 10,953,658
Restricted Cash and Cash Equivalents	<u>454,141</u>
Total	<u>\$ 11,407,799</u>

The breakdown between deposits and investments is as follows:

Bank Deposits (Checking and Savings Accounts and Certificates of Deposit)	\$ 1,655,344
Investments in Pooled Funds	9,752,299
Petty Cash and Cash on Hand	<u>156</u>
Total	<u>\$ 11,407,799</u>

As of June 30, 2022, the Agency had the following investments.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Specific Identification Maturities</u>
Investment pools	<u>\$ 9,752,299</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.

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, 2022, the Agency's investment in the MILAF investment pool was rated AAAM by Standard & Poor's.

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2022

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2022, \$1,320,235 of the Agency's bank balance of \$1,820,235 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, 2022:

- Amounts invested in MILAF+ Portfolio of \$9,752,299. 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  
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NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2022

NOTE 4 - RECEIVABLES

Receivables at June 30, 2022, 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	\$ 473,650
State Sources	671,779
Interdistrict	<u>66,819</u>
Total Governmental Activities	<u>\$ 1,212,248</u>

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables as of June 30, 2022 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 ASSETS

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

	<u>Balance</u> <u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2022</u>
<u>Governmental Assets - Right to Use Assets</u>				
Right to Use Assets Being Amortized Equipment	\$ 58,491	\$ 123,075	\$ 0	\$ 181,566
Less Accumulated Amortization for: Equipment	<u>0</u>	<u>(105,497)</u>	<u>0</u>	<u>(105,497)</u>
Governmental Activities - Total Right to Use Assets - Net of Amortization	<u>\$ 58,491</u>	<u>\$ 17,578</u>	<u>\$ 0</u>	<u>\$ 76,069</u>

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2022

NOTE 6 - CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
<u>Governmental Activities - Capital Assets</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 266,900	\$ 0	\$ 0	\$ 266,900
Capital Assets Being Depreciated:				
Buildings and Improvements	4,868,977	0	0	4,868,977
Furniture, Fixtures and Equipment	889,011	56,028	0	945,039
Vehicles	251,621	0	0	251,621
Buses	1,112,912	227,628	(95,106)	1,245,434
Subtotal	<u>7,122,521</u>	<u>283,656</u>	<u>(95,106)</u>	<u>7,311,071</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(1,618,328)	(154,077)	0	(1,772,405)
Furniture, Fixtures and Equipment	(873,153)	(9,332)	0	(882,485)
Vehicles	(181,690)	(15,060)	0	(196,750)
Buses	(604,796)	(95,491)	35,665	(664,622)
Subtotal	<u>(3,277,967)</u>	<u>(273,960)</u>	<u>35,665</u>	<u>(3,516,262)</u>
Capital Assets Being Depreciated	<u>3,844,554</u>	<u>9,696</u>	<u>(59,441)</u>	<u>3,794,809</u>
Governmental Activities Total Capital Assets - Net of Depreciation	<u>\$ 4,111,454</u>	<u>\$ 9,696</u>	<u>\$ (59,441)</u>	<u>\$ 4,061,709</u>

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

Governmental Activities - Right to Use Assets

Support Services \$ 105,497

Governmental Activities - Capital Assets

Instruction \$ 106,622  
Support Services 117,979  
Community Services 48,754  
Food Services 605  
\$ 273,960

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, 2022.

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
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NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2022

**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, 2022
Hale Schools Space Rental	7/1/2021	36 months	\$ 2,224.08	0.1%	\$ 79,944	\$ 26,608	\$ 53,336
Oscoda Schools Space Rental	7/1/2021	24 months	\$ 1,631.08	0.1%	\$ 39,105	19,536	19,569
Copier Machines	7/1/2021	12 months	\$ 4,867.89	0.1%	\$ 58,491	58,491	0
Postage Meters	7/1/2021	60 months	\$ 67.27	0.1%	\$ 4,026	803	3,223
Total Lease Agreements						<u>\$ 105,438</u>	<u>\$ 76,128</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 include 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 are to be made through June 30, 2023 at an implied interest rate of 0.1%.

Copier Machines - The Agency entered into a 5 year agreement, effective July 1, 2021, with Xerox Financial Services, LLC. for the use of copier machines. Per the agreement, monthly lease payments of \$4,876.89 are to be made through June 30, 2022 at an implied interest rate of 0.1%. The Agency has signed a replacement agreement for the period of July 1, 2022 through June 30, 2027 with a monthly payment of \$5,500.12 and total outflows of \$316,315.

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
2023	\$ 47,021	\$ 55
2024	27,493	16
2025	807	1
2026	807	0
	<u>\$ 76,128</u>	<u>\$ 72</u>

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2022

**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	\$ 20,328	\$ 240,328
2016 QZAB School Improvement Bond	2016	<u>545,000</u>	<u>95,375</u>	<u>640,375</u>
Total Bonds Payable		<u>\$ 765,000</u>	<u>\$ 115,703</u>	<u>\$ 880,703</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, 2022, 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>
<u>Primary Government</u>			
Governmental Activities	\$ <u>0</u>	\$ <u>154,939</u>	\$ <u>154,939</u>

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2022

**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, 2022:

	Balance July 1, 2021	Increase	Decrease	Balance June 30, 2022	Amount Due in One Year
<u>Governmental Activities</u>					
<b>Direct Borrowing:</b>					
Bonds	\$ 765,000	\$ 0	\$ 0	\$ 765,000	\$ 0
Long-Term Leases Payable	58,491	123,075	(105,438)	76,128	47,021
Compensated Absences Payable	<u>129,329</u>	<u>25,610</u> *	<u>0</u>	<u>154,939</u>	<u>0</u>
Total Long-Term Liabilities	<u>\$ 952,820</u>	<u>\$ 148,685</u>	<u>\$ (105,438)</u>	<u>\$ 996,067</u>	<u>\$ 47,021</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, 2022 are as follows:

Primary Government

**Direct Borrowing:**

<i>Bonds Payable</i>	Government Activities		
	Principal	Interest	Total
2023	\$ 0	\$ 16,977	\$ 16,977
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 - 2032	0	34,063	34,063
2033 - 2036	<u>545,000</u>	<u>27,250</u>	<u>572,250</u>
Total	<u>\$ 765,000</u>	<u>\$ 115,703</u>	<u>\$ 880,703</u>

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
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NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2022

**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:	
Great Start Readiness	\$ 360,732
Adult Education	168,363
Early Literacy Teacher Coaches	184,487
Mental Health and Support Services	<u>1,448,622</u>
Total General Fund	<u>2,162,204</u>
Special Education Fund:	
Medicaid Revenue	325,866
Early On	<u>3,801</u>
Total Special Education Fund	<u>329,667</u>
Total	<u>\$ 2,491,871</u>

**NOTE 11 - OPERATING TRANSFERS**

During the year ended June 30, 2022, 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.

During the year ended June 30, 2022, the Agency incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

<u>Fund/Function</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
Vocational Education Fund/Capital Outlay	\$ 44,900	\$ 45,303	\$ (403)
Special Education Fund/Outgoing Transfers to Other Districts	\$ 352,848	\$ 369,996	\$ (17,148)
Special Education Fund/Capital Outlay	\$ 180,878	\$ 246,292	\$ (65,414)

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
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NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2022

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 governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. 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 [www.michigan.gov/orsschools](http://www.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.

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, 2020 valuation will be amortized over a 18-year period beginning October 1, 2020 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2021.

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2022

NOTE 13 - DEFINED BENEFIT PLAN (CONTINUED)

Contributions (Continued)

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	19.78%
Member Investment Plan	3.0 - 7.0	19.78
Pension Plus	3.0 - 6.4	16.82
Pension Plus 2	6.2	19.59
Defined Contribution	0.0	13.39

Required contributions to the pension plan from the Agency were \$1,216,778 for the year ended September 30, 2021.

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

At June 30, 2022, the Agency reported a liability of \$9,594,184 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. The Agency's proportionate share 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, 2021, the Agency's proportionate share percent was 0.04052%, which was an increase of 0.00184% from its proportion measured as of September 30, 2020.

For the year ended June 30, 2022, the Agency recognized pension expense of \$1,528,690. At June 30, 2022, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 148,618	\$ 56,498
Change of assumptions	604,783	0
Net difference between projected and actual earnings on pension plan investments	0	3,084,499
Changes in proportion and differences between Agency contributions and proportionate share of contributions	1,006,120	20,382
Agency contributions subsequent to the measurement date	<u>1,215,519</u>	<u>0</u>
Total	<u>\$ 2,975,040</u>	<u>\$ 3,161,379</u>

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NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2022

NOTE 13 - DEFINED BENEFIT PLAN (CONTINUED)

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

In addition to the deferred inflows of resources noted above, the District also has \$653,779 in deferred inflows related to the 147(C) UAAL Stabilization allocation from the State of Michigan at year end.

\$561,740 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, 2023. 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)

	Amount
2022	\$ 134,528
2023	(209,079)
2024	(547,753)
2025	(779,554)
	<u>\$ (1,401,858)</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.

Additional information as of the latest actuarial valuation follows:

*Summary of Actuarial Assumptions:*

- λ Valuation Date: September 30, 2020
- λ Actuarial Cost Method: Entry Age, Normal
- λ Wage Inflation Rate: 2.75%
- λ Investment Rate of Return:
  - MIP and Basic Plans: 6.80%
  - Pension Plus Plan: 6.80%
  - 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

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NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2022

NOTE 13 - DEFINED BENEFIT PLAN (CONTINUED)

Actuarial Assumptions (Continued)

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.

*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, 2021 is based on the results of an actuarial valuation date of September 30, 2020, 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: 4.4367
- λ Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2021 MPSERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

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, 2021, are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.4%
Private Equity Pools	16.0	9.1
International Equity Pools	15.0	7.5
Fixed Income Pools	10.5	(0.7)
Real Estate and Infrastructure Pools	10.0	5.4
Absolute Return Pools	9.0	2.6
Real Return/Opportunistic Pools	12.5	6.1
Short-Term Investment Pools	2.0	(1.3)
	100.0%	

\*Long-term rates of return are net of administrative expenses and 2.0% inflation.

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

Rate of Return

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 27.3%. 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 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). This discount rate was based on the long term expected rate of return on pension plan investments of 6.80% (6.80% 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 6.80% (6.80% for the Pension Plus Plan, 6.0% 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:

<u>1% Decrease*</u>		<u>Current Single Discount</u>		<u>1% Increase*</u>	
<u>5.8% / 5.8% / 5.0%</u>		<u>Rate Assumption*</u>		<u>7.8% / 7.8% / 7.0%</u>	
\$	13,717,081	\$	9,594,184	\$	6,176,032

\* Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2.

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 CAFR, available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

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

At June 30, 2022, there were reported payables to MPERS of \$220,178 which accounts for the total outstanding contributions for all retirement plans, including the 147(C) UAAL Stabilization dollars.

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2022

NOTE 14 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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 governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. 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 [www.michigan.gov/orsschools](http://www.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.

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.

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Tawas City, Michigan

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

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, 2020 valuation will be amortized over a 18-year period beginning October 1, 2020 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2021.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.00%	8.43%
Personal Healthcare Fund (PHF)	0.00	7.57

Required contributions to the OPEB plan from the Agency were \$305,326 for the year ended September 30, 2021.

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

At June 30, 2022, the Agency reported a liability of \$627,798 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2020. 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, 2021, the Agency's proportion was 0.04113%, which was an increase of 0.00095% from its proportion measured as of October 1, 2020.

For the year ended June 30, 2022, the Agency recognized negative OPEB expense of \$238,651. At June 30, 2022, the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2022

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 (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 0	\$ 1,792,006
Changes of assumptions	524,808	78,531
Net difference between projected and actual earnings on OPEB plan investments	0	473,183
Changes in proportion and differences between Agency contributions and proportionate share of contributions	365,275	6,997
Agency contributions subsequent to the measurement date	<u>234,741</u>	<u>0</u>
Total	<u>\$ 1,124,824</u>	<u>\$ 2,350,717</u>

\$234,741 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, 2023. 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
2022	\$ (360,990)
2023	(330,558)
2024	(319,326)
2025	(318,538)
2026	(115,999)
Thereafter	<u>(15,223)</u>
	<u>\$ (1,460,634)</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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Tawas City, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2022

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

Actuarial Assumptions (Continued)

Additional information as of the latest actuarial valuation follows:

*Summary of Actuarial Assumptions:*

- λ Valuation Date: September 30, 2020
- λ Actuarial Cost Method: Entry Age, Normal
- λ Wage Inflation Rate: 2.75%
- λ Investment Rate of Return: 6.95%, net of investment expenses
- λ Projected Salary Increases: 2.75 - 11.55%, including wage inflation at 2.75%
- 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, 2021 is based on the results of an actuarial valuation date of September 30, 2020, 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: 6.1312
- λ Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2021 MPSERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

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NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2022

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

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, 2021, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	25.0%	5.4%
Private Equity Pools	16.0	9.1
International Equity Pools	15.0	7.5
Fixed Income Pools	10.5	(0.7)
Real Estate and Infrastructure Pools	10.0	5.4
Absolute Return Pools	9.0	2.6
Real Return/Opportunistic Pools	12.5	6.1
Short-Term Investment Pools	2.0	(1.3)
	<u>100.0%</u>	

\*Long-term rates of return are net of administrative expenses and 2.0% inflation.

Rate of Return

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 27.14%. 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 6.95% 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 6.95%. 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  
For the Year Ended June 30, 2022

**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 6.95%, 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 5.95%	Current Discount Rate 6.95%	1% Increase 7.95%
\$ 1,166,563	\$ 627,798	\$ 170,580

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
\$ 152,801	\$ 627,798	\$ 1,162,228

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2021 MPSERS CAFR, 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 \$6,680 for the year ended June 30, 2022.

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 \$83,602 for the year ended June 30, 2022. The assets of the plan are administered and held by 403(b) ASP, a third party administrator.

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
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NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2022

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, 2022, the Agency contributed \$59,989 on behalf of eligible employees. Employee contributions amounted to \$135,289 for eligible employees.

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
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NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2022

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, 2022, 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 - COMMITMENTS

During the 2021-22 fiscal year, the Board of Education approved leasing space at Tawas City Elementary for \$14,400 per year effective July 1, 2022 through June 30, 2025.

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
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NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2022

NOTE 21 - 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 2021-2022 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, 2022, as well as \$42,983 in Authorizer Fees and \$887,488 for Instructional and Support Services. There was an amount due to the Academy at June 30, 2022 of \$727,676, 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 \$7,789 for unpaid services rendered and operating expenses at year end.

NOTE 22 - PRIOR PERIOD ADJUSTMENTS

In 2022, the Agency implemented GASB Statement No. 87, Leases, which resulted in the following adjustment to assets and liabilities, with no overall effect to net position.

	<u>Governmental Activities</u>
Net Position - Beginning	\$ (3,325,976)
Net Book Value of Leased Asset	58,491
Lease Liability	<u>(58,491)</u>
Net Position - Beginning	\$ <u><u>(3,325,976)</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>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 (%)	0.04052 %	0.03868 %	0.03612 %	0.03419 %	0.03336 %	0.03210 %	0.02870 %	0.02753 %
Agency's proportionate share of net pension liability	\$ 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	\$ 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	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	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 2021.

**Changes of assumptions:** There were no changes of benefit assumptions in 2021.

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>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	\$ 1,405,570	\$ 1,202,380	\$ 1,038,259	\$ 944,512	\$ 867,134	\$ 788,911	\$ 712,684	\$ 535,732
Contributions in relation to statutorily required contributions*	<u>1,405,570</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>
Agency's covered payroll	\$ 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	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 2021.

**Changes of assumptions:** There were no changes of benefit assumptions in 2021.

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>2022</u>		<u>2021</u>		<u>2020</u>		<u>2019</u>		<u>2018</u>
Agency's proportion of net OPEB liability (%)	0.04113 %		0.04018 %		0.03735 %		0.03486 %		0.03342 %
Agency's proportionate share of net OPEB liability \$	627,798	\$	2,152,493	\$	2,681,143	\$	2,771,146	\$	2,959,939
Agency's covered payroll (OPEB) \$	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	16.76 %		60.06 %		81.90 %		93.21 %		106.18 %
Plan fiduciary net position as a percentage of total OPEB liability	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 2021.

**Changes of assumptions:** There were no changes of benefit assumptions in 2021.

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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required OPEB contributions	\$ 312,491	\$ 343,754	\$ 274,132	\$ 226,474	\$ 210,204
OPEB contributions in relation to statutorily required contributions*	<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>
Agency's covered payroll (OPEB)	\$ 4,154,735	\$ 3,661,206	\$ 3,512,463	\$ 3,183,895	\$ 2,935,074
OPEB contributions as a percentage of covered payroll	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 2021.

**Changes of assumptions:** There were no changes of benefit assumptions in 2021.

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, 2022

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
<u>Revenues</u>				
Local Sources	\$ 401,759	\$ 538,324	\$ 550,365	\$ 12,041
State Sources	2,264,076	2,438,352	2,641,978	203,626
Federal Sources	135,718	162,096	168,428	6,332
Interdistrict Sources	<u>1,819,878</u>	<u>1,904,878</u>	<u>1,741,866</u>	<u>(163,012)</u>
Total Revenues	<u>4,621,431</u>	<u>5,043,650</u>	<u>5,102,637</u>	<u>58,987</u>
<u>Expenditures</u>				
Current:				
Instruction	454,267	551,148	536,604	14,544
Support Services	1,488,545	1,475,116	1,456,756	18,360
Community Services	1,719,268	1,696,139	1,493,851	202,288
Outgoing Transfers to Other Districts	917,620	1,010,179	984,844	25,335
Capital Outlay	8,000	3,000	1,400	1,600
Debt Service:				
Interest and Fees on Long-Term Debt	<u>461</u>	<u>461</u>	<u>461</u>	<u>0</u>
Total Expenditures	<u>4,588,161</u>	<u>4,736,043</u>	<u>4,473,916</u>	<u>262,127</u>
Excess of Revenues Over (Under) Expenditures	33,270	307,607	628,721	321,114
<u>Other Financing Sources (Uses)</u>				
Operating Transfers Out	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>0</u>
Net Change in Fund Balances	(66,730)	207,607	528,721	321,114
Fund Balances - Beginning of Year	<u>1,851,187</u>	<u>1,851,187</u>	<u>1,851,187</u>	<u>0</u>
Fund Balances - End of Year	<u>\$ 1,784,457</u>	<u>\$ 2,058,794</u>	<u>\$ 2,379,908</u>	<u>\$ 321,114</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, 2022

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
<u>Revenues</u>				
Local Sources	\$ 1,110,473	\$ 1,133,200	\$ 1,139,214	\$ 6,014
State Sources	178,103	483,069	498,814	15,745
Federal Sources	70,445	70,445	70,445	0
Interdistrict Sources	<u>0</u>	<u>10,000</u>	<u>6,497</u>	<u>(3,503)</u>
Total Revenues	<u>1,359,021</u>	<u>1,696,714</u>	<u>1,714,970</u>	<u>18,256</u>
<u>Expenditures</u>				
Current:				
Instruction	949,475	995,279	981,801	13,478
Support Services	421,184	422,821	406,327	16,494
Outgoing Transfers to Other Districts	55,553	65,230	65,230	0
Capital Outlay	7,000	44,900	45,303	(403)
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>1,436,921</u>	<u>1,531,939</u>	<u>1,502,370</u>	<u>29,569</u>
<u>Other Financing Sources (Uses)</u>				
Proceeds from Sale of Assets	<u>0</u>	<u>34,572</u>	<u>17,647</u>	<u>(16,925)</u>
Net Change in Fund Balances	(77,900)	199,347	230,247	30,900
Fund Balances - Beginning of Year	<u>2,474,694</u>	<u>2,474,694</u>	<u>2,474,694</u>	<u>0</u>
Fund Balances - End of Year	<u>\$ 2,396,794</u>	<u>\$ 2,674,041</u>	<u>\$ 2,704,941</u>	<u>\$ 30,900</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, 2022

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
<u>Revenues</u>				
Local Sources	\$ 1,791,939	\$ 1,834,998	\$ 1,721,385	\$ (113,613)
State Sources	1,418,832	1,632,099	1,613,858	(18,241)
Federal Sources	1,376,262	1,521,698	1,543,518	21,820
Interdistrict Sources	<u>297,884</u>	<u>268,691</u>	<u>269,151</u>	<u>460</u>
Total Revenues	<u>4,884,917</u>	<u>5,257,486</u>	<u>5,147,912</u>	<u>(109,574)</u>
<u>Expenditures</u>				
Current:				
Instruction	2,080,134	2,222,664	2,128,319	94,345
Support Services	2,302,739	2,328,356	2,125,021	203,335
Community Services	164,707	198,144	178,242	19,902
Outgoing Transfers to Other Districts	368,098	352,848	369,996	(17,148)
Capital Outlay	70,000	180,878	246,292	(65,414)
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>4,988,321</u>	<u>5,285,533</u>	<u>5,050,513</u>	<u>235,020</u>
Excess of Revenues Over (Under) Expenditures	(103,404)	(28,047)	97,399	125,446
<u>Other Financing Sources (Uses)</u>				
Proceeds from Sale of Assets	<u>0</u>	<u>0</u>	<u>55,000</u>	<u>55,000</u>
Net Change in Fund Balances	(103,404)	(28,047)	152,399	180,446
Fund Balances - Beginning of Year	<u>1,340,247</u>	<u>1,340,247</u>	<u>1,340,247</u>	<u>0</u>
Fund Balances - End of Year	<u>\$ 1,236,843</u>	<u>\$ 1,312,200</u>	<u>\$ 1,492,646</u>	<u>\$ 180,446</u>

SUPPLEMENTARY INFORMATION

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
June 30, 2022

	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	
	<u>Food Service Fund</u>	<u>Durant Capital Project Fund</u>	<u>Total Other Governmental Funds</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ 14,861	\$ 486,970	\$ 501,831
Receivables:			
Due from Other Governmental Units	<u>7,247</u>	<u>0</u>	<u>7,247</u>
Total Assets	\$ <u>22,108</u>	\$ <u>486,970</u>	\$ <u>509,078</u>
 <u>Liabilities</u>			
Due to Other Funds	\$ <u>0</u>	\$ <u>1,211</u>	\$ <u>1,211</u>
 <u>Fund Equity</u>			
Fund Balances:			
Restricted For:			
Capital Projects	0	485,759	485,759
Assigned To:			
Food Service	<u>22,108</u>	<u>0</u>	<u>22,108</u>
Total Fund Equity	<u>22,108</u>	<u>485,759</u>	<u>507,867</u>
Total Liabilities and Fund Equity	\$ <u>22,108</u>	\$ <u>486,970</u>	\$ <u>509,078</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, 2022

	Special Revenue Fund	Capital Projects Fund	
	Food Service Fund	Durant Capital Project Fund	Total Other Governmental Funds
<u>Revenues</u>			
Local Sources	\$ 40	\$ 902	\$ 942
State Sources	1,300	0	1,300
Federal Sources	<u>51,728</u>	<u>0</u>	<u>51,728</u>
Total Revenues	<u>53,068</u>	<u>902</u>	<u>53,970</u>
<u>Expenditures</u>			
Current:			
Food Services	19,647	0	19,647
Outgoing Transfers to Other Districts	<u>14,011</u>	<u>0</u>	<u>14,011</u>
Total Expenditures	<u>33,658</u>	<u>0</u>	<u>33,658</u>
Excess of Revenues Over (Under) Expenditures	19,410	902	20,312
<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	19,410	100,902	120,312
Fund Balances - Beginning of Year	<u>2,698</u>	<u>384,857</u>	<u>387,555</u>
Fund balances - End of Year	<u>\$ 22,108</u>	<u>\$ 485,759</u>	<u>\$ 507,867</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, 2022  
With Comparative Totals for the Year Ended June 30, 2021

	2022 Amended Budget	2022 Actual	2021 Actual
<u>Local Sources</u>			
Current Property Taxes	\$ 425,056	\$ 425,062	\$ 353,181
Drivers Education Tuition	49,705	49,930	41,950
Interest on Investments	2,799	10,608	3,178
Miscellaneous Local Sources	<u>60,764</u>	<u>64,765</u>	<u>41,991</u>
	<u>538,324</u>	<u>550,365</u>	<u>440,300</u>
<u>State Sources</u>			
State Aid Foundation Allowance	355,288	355,287	318,594
Great Start Readiness	849,689	805,328	830,642
Adult Education	547,870	563,388	552,084
Mental Health & Support	212,118	200,368	50,880
Motorcycle Safety Grant	30,000	25,641	37,611
MPERS Cost Offset and Reforms	15,000	98,837	29,427
MPERS UAAL Rate Stabilization	184,000	253,441	172,968
Other State Revenue	<u>244,387</u>	<u>339,688</u>	<u>98,422</u>
	<u>2,438,352</u>	<u>2,641,978</u>	<u>2,090,628</u>
<u>Federal Sources</u>			
Adult Education	109,478	109,478	94,976
Homeless Grants	2,000	8,332	0
Eisenhower Professional Development Grant	28,281	28,281	26,519
Positive Youth Development Grant	22,337	22,337	33,487
GEER Funds	0	0	7,891
MiConnect Grant	<u>0</u>	<u>0</u>	<u>16,584</u>
	<u>162,096</u>	<u>168,428</u>	<u>179,457</u>
<u>Interdistrict Sources</u>			
Improvement of Instruction	<u>1,904,878</u>	<u>1,741,866</u>	<u>1,606,384</u>
Total Revenues and Other Financing Sources	<u>\$ 5,043,650</u>	<u>\$ 5,102,637</u>	<u>\$ 4,316,769</u>

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

GENERAL FUND  
DETAILS OF EXPENDITURES COMPARED TO BUDGET  
For the Year Ended June 30, 2022  
With Comparative Totals for the Year Ended June 30, 2021

	2022 Amended Budget	2022 Actual	2021 Actual
<u>Instruction</u>			
Added Needs:			
Vocational Education			
Supplies, Materials and Other	\$ 0	\$ 0	\$ 8,752
Adult Education			
Basic:			
Salaries	324,944	334,408	278,839
Employee Benefits	146,617	136,255	107,188
Purchased Services	38,940	28,373	49,158
Supplies, Materials and Other	40,647	37,568	71,141
	<u>551,148</u>	<u>536,604</u>	<u>506,326</u>
Total Instruction	<u>551,148</u>	<u>536,604</u>	<u>515,078</u>
<u>Support Services</u>			
Pupil Services:			
Attendance Services			
Salaries	13,006	13,006	7,050
Employee Benefits	28,444	27,559	17,216
Purchased Services	100	74	0
Supplies, Materials and Other	100	0	15
	<u>41,650</u>	<u>40,639</u>	<u>24,281</u>
Health Services			
Salaries	98,030	98,330	0
Employee Benefits	62,926	64,818	2,037
Supplies, Materials and Other	20,000	12,892	70
	<u>180,956</u>	<u>176,040</u>	<u>2,107</u>
Pupil Support Services			
Purchased Services	54,000	48,690	48,628
Supplies, Materials and Other	11,500	1,872	6,131
	<u>65,500</u>	<u>50,562</u>	<u>54,759</u>
Total Pupil Services	<u>288,106</u>	<u>267,241</u>	<u>81,147</u>
Instructional Staff:			
Instructional Improvement			
Salaries	215,613	221,530	81,461
Employee Benefits	113,298	113,334	16,961
Purchased Services	123,281	117,810	94,171
	<u>452,192</u>	<u>452,674</u>	<u>192,593</u>
Computer Assisted Instruction			
Supplies, Materials and Other	0	2,430	9,035

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

GENERAL FUND  
DETAILS OF EXPENDITURES COMPARED TO BUDGET  
For the Year Ended June 30, 2022  
With Comparative Totals for the Year Ended June 30, 2021

	2022 Amended Budget	2022 Actual	2021 Actual
<u>Support Services</u> (Continued)			
Instructional Staff: (Continued)			
Supervision and Direction of Instructional Staff			
Salaries	\$ 13,387	\$ 13,387	\$ 15,000
Employee Benefits	7,438	7,438	8,075
Supplies, Materials and Other	0	0	571
	<u>20,825</u>	<u>20,825</u>	<u>23,646</u>
Total Instructional Staff	<u>473,017</u>	<u>475,929</u>	<u>225,274</u>
General Administration:			
Board of Education			
Salaries	3,600	2,637	2,760
Purchased Services	26,723	26,533	19,838
Supplies, Materials and Other	7,200	8,196	6,934
	<u>37,523</u>	<u>37,366</u>	<u>29,532</u>
Executive Administration			
Salaries	139,154	139,154	214,954
Employee Benefits	132,314	130,920	98,235
Purchased Services	13,489	13,466	11,088
Supplies, Materials and Other	1,000	963	3,715
	<u>285,957</u>	<u>284,503</u>	<u>327,992</u>
Total General Administration	<u>323,480</u>	<u>321,869</u>	<u>357,524</u>
School Administration:			
Special Education			
Salaries	4,606	4,606	8,656
Employee Benefits	19,972	18,930	21,908
Purchased Services	31,483	30,180	17,412
Supplies, Materials and Other	34,000	32,431	25,078
	<u>90,061</u>	<u>86,147</u>	<u>73,054</u>
Business:			
Fiscal Services			
Salaries	12,178	8,678	11,557
Employee Benefits	11,158	12,214	12,808
Purchased Services	18,000	14,760	3,300
Supplies, Materials and Other	6,500	6,987	6,876
Other Expenditures	952	1,705	882
	<u>48,788</u>	<u>44,344</u>	<u>35,423</u>

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

GENERAL FUND  
DETAILS OF EXPENDITURES COMPARED TO BUDGET  
For the Year Ended June 30, 2022  
With Comparative Totals for the Year Ended June 30, 2021

	2022 Amended Budget	2022 Actual	2021 Actual
<u>Support Services</u> (Continued)			
Operations and Maintenance:			
Salaries	\$ 18,494	\$ 18,494	\$ 11,898
Employee Benefits	21,329	23,424	9,411
Purchased Services	22,800	22,084	22,358
Supplies, Materials and Other	0	0	7,003
	<u>62,623</u>	<u>64,002</u>	<u>50,670</u>
Transportation:			
Purchased Services	13,900	15,446	7,555
Supplies, Materials and Other	100	8	2,449
	<u>14,000</u>	<u>15,454</u>	<u>10,004</u>
Central Services:			
Central Services			
Purchased Services	<u>3,000</u>	<u>804</u>	<u>0</u>
Staff and Personnel Services			
Salaries	67,722	67,722	62,111
Employee Benefits	37,028	33,647	25,009
	<u>104,750</u>	<u>101,369</u>	<u>87,120</u>
Technology			
Salaries	16,870	16,870	15,517
Employee Benefits	10,039	12,822	5,649
Purchased Services	30,782	40,923	19,884
Supplies, Materials and Other	9,600	8,982	6,009
	<u>67,291</u>	<u>79,597</u>	<u>47,059</u>
Total Central Services	<u>175,041</u>	<u>181,770</u>	<u>134,179</u>
Total Support Services	<u>1,475,116</u>	<u>1,456,756</u>	<u>967,275</u>
<u>Community Services</u>			
Other Community Services:			
Salaries	930,912	834,615	795,845
Employee Benefits	674,674	597,774	591,185
Purchased Services	11,000	6,188	5,514
Supplies, Materials and Other	79,553	55,274	45,276
Total Community Services	<u>1,696,139</u>	<u>1,493,851</u>	<u>1,437,820</u>

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

GENERAL FUND  
DETAILS OF EXPENDITURES COMPARED TO BUDGET  
For the Year Ended June 30, 2022  
With Comparative Totals for the Year Ended June 30, 2021

	2022 Amended Budget	2022 Actual	2021 Actual
<u>Outgoing Transfers to Other Districts</u>			
Adult Education	\$ 160,610	\$ 135,275	\$ 147,905
Great Start Readiness Transfers	<u>849,569</u>	<u>849,569</u>	<u>739,350</u>
Total Outgoing Transfers to Other Districts	<u>1,010,179</u>	<u>984,844</u>	<u>887,255</u>
<u>Capital Outlay</u>			
Support Services	0	0	329
Community Services	<u>3,000</u>	<u>1,400</u>	<u>2,055</u>
Total Capital Outlay	<u>3,000</u>	<u>1,400</u>	<u>2,384</u>
<u>Debt Service</u>			
Interest and Fees on Long-Term Debt	<u>461</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>\$ 4,836,043</u>	<u>\$ 4,573,916</u>	<u>\$ 3,910,273</u>

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

VOCATIONAL EDUCATION FUND  
DETAILS OF REVENUES COMPARED TO BUDGET  
For the Year Ended June 30, 2022  
With Comparative Totals for the Year Ended June 30, 2021

	2022 Amended Budget	2022 Actual	2021 Actual
<u>Local Sources</u>			
Current Property Taxes	\$ 1,104,224	\$ 1,104,236	\$ 1,082,007
Interest on Investments	1,604	4,496	1,794
Contributions	14,964	14,964	6,000
Miscellaneous Local Sources	<u>12,408</u>	<u>15,518</u>	<u>9,248</u>
	<u>1,133,200</u>	<u>1,139,214</u>	<u>1,099,049</u>
<u>State Sources</u>			
Staff Development	0	3,533	0
Career Prep	0	1,952	0
Vocational Education	381,456	382,082	368,095
MPERS Cost Offset and Reforms	6,931	0	14,168
MPERS UAAL Rate Stabilization	88,067	104,632	83,290
Other State Revenue	<u>6,615</u>	<u>6,615</u>	<u>7,011</u>
	<u>483,069</u>	<u>498,814</u>	<u>472,564</u>
<u>Federal Sources</u>			
Career and Technical Education	<u>70,445</u>	<u>70,445</u>	<u>68,112</u>
<u>Interdistrict Sources</u>			
Improvement of Instruction	<u>10,000</u>	<u>6,497</u>	<u>15,481</u>
<u>Other Financing Sources</u>			
Proceeds from Sale of Assets	<u>34,572</u>	<u>17,647</u>	<u>0</u>
Total Revenues	<u>\$ 1,731,286</u>	<u>\$ 1,732,617</u>	<u>\$ 1,655,206</u>

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

VOCATIONAL EDUCATION FUND  
DETAILS OF EXPENDITURES COMPARED TO BUDGET  
For the Year Ended June 30, 2022  
With Comparative Totals for the Year Ended June 30, 2021

	2022 Amended Budget	2022 Actual	2021 Actual
<u>Instruction</u>			
Added Needs:			
Special Education			
Supplies, Materials and Other	\$ 4,837	\$ 4,837	\$ 3,746
 Vocational Education			
Salaries	439,733	449,966	422,268
Employee Benefits	399,401	395,678	347,355
Purchased Services	28,112	28,151	20,806
Supplies, Materials and Other	105,591	102,489	112,114
Other Expenses	16,925	0	110
	<u>989,762</u>	<u>976,284</u>	<u>902,653</u>
 At Risk			
Employee Benefits	680	680	900
 Total Instruction	<u>995,279</u>	<u>981,801</u>	<u>907,299</u>
<u>Support Services</u>			
Pupil Services:			
Guidance Services			
Salaries	6,429	6,429	8,645
 Health Services			
Supplies, Materials and Other	5,000	1,961	3,072
 Total Pupil Services	<u>11,429</u>	<u>8,390</u>	<u>11,717</u>
 Instructional Staff:			
Computer Assisted Instruction			
Supplies, Materials and Other	0	0	481
 Supervision and Direction of Instructional Staff			
Salaries	2,389	2,389	2,500
 Total Instructional Staff:	<u>2,389</u>	<u>2,389</u>	<u>2,981</u>
 School Administration:			
Office of the Principal			
Salaries	96,102	92,776	90,517
Employee Benefits	85,328	78,963	75,458
Purchased Services	29,936	32,421	20,948
Supplies, Materials and Other	20,000	20,774	5,904
	<u>231,366</u>	<u>224,934</u>	<u>192,827</u>

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

VOCATIONAL EDUCATION FUND  
DETAILS OF EXPENDITURES COMPARED TO BUDGET  
For the Year Ended June 30, 2022  
With Comparative Totals for the Year Ended June 30, 2021

Support Services (Continued)

School Administration: (Continued)			
Central Office			
Supplies, Materials and Other	\$ 150	\$ 123	\$ 104
Total School Administration	231,516	225,057	192,931
Business:			
Fiscal Services			
Salaries	11,952	8,950	8,776
Employee Benefits	8,036	7,377	7,585
	19,988	16,327	16,361
Operations and Maintenance:			
Salaries	24,000	22,849	27,497
Employee Benefits	25,245	20,792	22,223
Purchased Services	57,500	56,543	61,946
Supplies, Materials and Other	0	0	3,124
	106,745	100,184	114,790
Transportation:			
Other Expenses	4,699	4,699	4,860
Central Services:			
Technology			
Salaries	16,870	16,870	15,516
Employee Benefits	9,898	13,124	7,358
Supplies, Materials and Other	0	0	64
	26,768	29,994	22,938
Academic Student Assessment			
Purchased Services	0	0	720
Planning, Research, Development, and Evaluation			
Salaries	19,287	19,287	16,935
Total Central Services	46,055	49,281	40,593
Total Support Services	422,821	406,327	384,233
<u>Outgoing Transfers to Other Districts</u>			
Adult Education	3,151	3,151	3,767
Early/Middle College	62,079	62,079	48,834
Total Outgoing Transfers to Other Districts	65,230	65,230	52,601

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

VOCATIONAL EDUCATION FUND  
DETAILS OF EXPENDITURES COMPARED TO BUDGET  
For the Year Ended June 30, 2022  
With Comparative Totals for the Year Ended June 30, 2021

Capital Outlay

Instruction	\$ 0	\$ 0	\$ 3,522
Community Services	<u>44,900</u>	<u>45,303</u>	<u>5,488</u>
Total Capital Outlay	<u>44,900</u>	<u>45,303</u>	<u>9,010</u>

Debt Service

Interest and Fees on Long-Term Debt	<u>3,709</u>	<u>3,709</u>	<u>3,709</u>
Total Expenditures	<u>\$ 1,531,939</u>	<u>\$ 1,502,370</u>	<u>\$ 1,356,852</u>

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

SPECIAL EDUCATION FUND  
DETAILS OF REVENUES COMPARED TO BUDGET  
For the Year Ended June 30, 2022  
With Comparative Totals for the Year Ended June 30, 2021

	2022 Amended Budget	2022 Actual	2021 Actual
<u>Local Sources</u>			
Current Property Taxes	\$ 1,276,304	\$ 1,276,303	\$ 1,060,790
Interest on Investments	1,104	2,978	1,010
Medicaid Fee for Service	325,873	325,873	283,965
Volkswagon Bus Grant	223,671	108,060	524,098
Miscellaneous Local Sources	<u>8,046</u>	<u>8,171</u>	<u>14,256</u>
	<u>1,834,998</u>	<u>1,721,385</u>	<u>1,884,119</u>
<u>State Sources</u>			
Special Education	1,295,832	1,300,731	1,144,531
Staff Development	0	3,543	0
MPERS Cost Offset and Reforms	30,000	0	45,795
MPERS UAAL Rate Stabilization	296,889	295,706	269,239
Other State Revenue	<u>9,378</u>	<u>13,878</u>	<u>13,604</u>
	<u>1,632,099</u>	<u>1,613,858</u>	<u>1,473,169</u>
<u>Federal Sources</u>			
Medicaid Outreach	7,740	9,341	7,920
Pandemic - EBT Local Costs	614	614	0
Special Education	1,492,043	1,391,746	1,369,562
American Rescue Plan	8,101	141,817	0
GEER Funds	<u>13,200</u>	<u>0</u>	<u>5,470</u>
	<u>1,521,698</u>	<u>1,543,518</u>	<u>1,382,952</u>
<u>Interdistrict Sources</u>			
Special Education and Other Programs	268,691	269,151	296,246
Improvement of Instruction	<u>0</u>	<u>0</u>	<u>2,585</u>
	<u>268,691</u>	<u>269,151</u>	<u>298,831</u>
<u>Other Financing Sources</u>			
Proceeds from Sale of Assets	<u>0</u>	<u>55,000</u>	<u>0</u>
Total Revenues	<u>\$ 5,257,486</u>	<u>\$ 5,202,912</u>	<u>\$ 5,039,071</u>

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

SPECIAL EDUCATION FUND  
DETAILS OF EXPENDITURES COMPARED TO BUDGET  
For the Year Ended June 30, 2022  
With Comparative Totals for the Year Ended June 30, 2021

	2022 Amended Budget	2022 Actual	2021 Actual
<u>Instruction</u>			
Basic Programs:			
Preschool			
Supplies, Materials and Other	\$ 4,800	\$ 4,506	\$ 2,905
Added Needs:			
Added Needs			
Salaries	0	10,361	0
Employee Benefits	0	9,625	0
Purchased Services	0	12,852	0
	<u>0</u>	<u>32,838</u>	<u>0</u>
Special Education			
Salaries	593,565	601,600	546,140
Employee Benefits	413,005	402,465	408,145
Supplies, Materials and Other	0	0	3,954
	<u>1,006,570</u>	<u>1,004,065</u>	<u>958,239</u>
Trainable Mentally Impaired			
Salaries	192,273	190,867	230,784
Employee Benefits	239,661	195,959	194,166
Purchased Services	3,972	3,966	1,239
Supplies, Materials and Other	13,600	12,981	11,679
	<u>449,506</u>	<u>403,773</u>	<u>437,868</u>
Severely Mentally Impaired			
Salaries	60,482	41,253	59,070
Employee Benefits	52,467	40,189	40,481
Purchased Services	296,480	286,922	226,929
Supplies, Materials and Other	2,167	4,181	4,590
	<u>411,596</u>	<u>372,545</u>	<u>331,070</u>
Preschool Health			
Salaries	151,854	135,492	77,362
Employee Benefits	40,739	37,055	15,038
	<u>192,593</u>	<u>172,547</u>	<u>92,400</u>
Hearing Impaired			
Salaries	33,403	20,598	57,666
Employee Benefits	19,020	14,689	21,889
Purchased Services	85,000	83,045	92,691
Supplies, Materials and Other	2,800	2,714	1,044
	<u>140,223</u>	<u>121,046</u>	<u>173,290</u>

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

SPECIAL EDUCATION FUND  
DETAILS OF EXPENDITURES COMPARED TO BUDGET  
For the Year Ended June 30, 2022  
With Comparative Totals for the Year Ended June 30, 2021

	2022 Amended Budget	2022 Actual	2021 Actual
<u>Instruction</u> (Continued)			
Added Needs: (Continued)			
Visually Impaired			
Salaries	\$ 10,000	\$ 9,734	\$ 11,489
Employee Benefits	765	745	879
Purchased Services	1,611	1,705	1,088
Supplies, Materials and Other	<u>0</u>	<u>0</u>	<u>181</u>
	<u>12,376</u>	<u>12,184</u>	<u>13,637</u>
Resource Room			
Purchased Services	<u>5,000</u>	<u>4,815</u>	<u>108</u>
	<u>5,000</u>	<u>4,815</u>	<u>108</u>
Total Added Needs	<u>2,217,864</u>	<u>2,123,813</u>	<u>2,006,612</u>
Total Instruction	<u>2,222,664</u>	<u>2,128,319</u>	<u>2,009,517</u>
<u>Support Services</u>			
Pupil Services:			
Attendance Services			
Supplies, Materials and Other	<u>0</u>	<u>8,586</u>	<u>0</u>
Guidance Services			
Purchased Services	<u>1,200</u>	<u>1,067</u>	<u>243</u>
Health Services			
Salaries	150,790	138,565	167,137
Employee Benefits	102,245	91,924	105,041
Purchased Services	2,285	2,264	1,334
Supplies, Materials and Other	<u>7,160</u>	<u>6,445</u>	<u>4,399</u>
	<u>262,480</u>	<u>239,198</u>	<u>277,911</u>
Psychological Services			
Purchased Services	<u>0</u>	<u>21,917</u>	<u>0</u>
Speech			
Salaries	211,380	197,945	80,004
Employee Benefits	149,439	120,796	66,928
Purchased Services	15,270	15,420	10,982
Supplies, Materials and Other	<u>126,634</u>	<u>2,533</u>	<u>0</u>
	<u>502,723</u>	<u>336,694</u>	<u>157,914</u>
Special Education Teacher Consultant			
Employee Benefits	<u>755</u>	<u>720</u>	<u>466</u>
Total Pupil Services	<u>767,158</u>	<u>608,182</u>	<u>436,534</u>

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

SPECIAL EDUCATION FUND  
DETAILS OF EXPENDITURES COMPARED TO BUDGET  
For the Year Ended June 30, 2022  
With Comparative Totals for the Year Ended June 30, 2021

	2022 Amended Budget	2022 Actual	2021 Actual
<u>Support Services (Continued)</u>			
Instructional Staff:			
Computer Assisted Instruction			
Supplies, Materials and Other	\$ 0	\$ 0	\$ 200
Supervision and Direction of Instructional Staff			
Salaries	0	24,577	0
Employee Benefits	42,992	40,251	65,245
Purchased Services	3,150	3,150	3,060
Supplies, Materials and Other	0	15,125	0
	<u>46,142</u>	<u>83,103</u>	<u>68,305</u>
Director of Special Education			
Salaries	125,450	96,923	101,861
Employee Benefits	34,604	34,883	25,147
Purchased Services	41,447	27,444	55,387
Supplies, Materials and Other	3,500	3,711	3,474
	<u>205,001</u>	<u>162,961</u>	<u>185,869</u>
Total Instructional Staff	<u>251,143</u>	<u>246,064</u>	<u>254,374</u>
School Administration:			
Central Office			
Purchased Services	76,014	75,050	67,494
Supplies, Materials and Other	17,839	18,517	11,417
	<u>93,853</u>	<u>93,567</u>	<u>78,911</u>
Business:			
Fiscal Services			
Salaries	40,729	40,729	39,938
Employee Benefits	33,653	31,320	30,209
Purchased Services	3,000	1,549	2,300
Supplies, Materials and Other	3,500	4,326	3,813
	<u>80,882</u>	<u>77,924</u>	<u>76,260</u>
Staff Secretary			
Salaries	12,656	12,656	13,107
Employee Benefits	14,363	13,456	16,372
	<u>27,019</u>	<u>26,112</u>	<u>29,479</u>
Total Business	<u>107,901</u>	<u>104,036</u>	<u>105,739</u>

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

SPECIAL EDUCATION FUND  
DETAILS OF EXPENDITURES COMPARED TO BUDGET  
For the Year Ended June 30, 2022  
With Comparative Totals for the Year Ended June 30, 2021

	2022 Amended Budget	2022 Actual	2021 Actual
<u>Support Services</u> (Continued)			
Operations and Maintenance:			
Salaries	\$ 18,447	\$ 18,018	\$ 19,830
Employee Benefits	19,286	17,360	19,792
Purchased Services	50,850	45,571	52,874
Supplies, Materials and Other	<u>0</u>	<u>165</u>	<u>4,271</u>
	<u>88,583</u>	<u>81,114</u>	<u>96,767</u>
Transportation:			
Salaries	312,678	309,029	280,204
Employee Benefits	261,324	250,862	225,869
Purchased Services	92,894	83,812	107,144
Supplies, Materials and Other	<u>114,000</u>	<u>112,496</u>	<u>72,602</u>
	<u>780,896</u>	<u>756,199</u>	<u>685,819</u>
Central Services:			
Central Services			
Purchased Services	<u>0</u>	<u>3,000</u>	<u>0</u>
ISD Planner/Monitor			
Salaries	76,350	76,350	79,275
Employee Benefits	38,868	38,868	35,851
Purchased Services	<u>0</u>	<u>0</u>	<u>8,375</u>
	<u>115,218</u>	<u>115,218</u>	<u>123,501</u>
Staff and Personnel Services			
Employee Benefits	10,182	10,182	0
Purchased Services	<u>0</u>	<u>290</u>	<u>0</u>
	<u>10,182</u>	<u>10,472</u>	<u>0</u>
Technology			
Salaries	64,321	64,321	61,839
Employee Benefits	49,101	42,848	48,498
Supplies, Materials and Other	<u>0</u>	<u>0</u>	<u>175</u>
	<u>113,422</u>	<u>107,169</u>	<u>110,512</u>
Total Central Services	<u>238,822</u>	<u>235,859</u>	<u>234,013</u>
Total Support Services	<u>2,328,356</u>	<u>2,125,021</u>	<u>1,892,157</u>
<u>Community Services</u>			
Early Intervention			
Salaries	104,352	103,655	76,048
Employee Benefits	77,805	70,953	49,603
Purchased Services	100	100	622
Supplies, Materials and Other	<u>15,887</u>	<u>3,534</u>	<u>7,857</u>
Total Community Services	<u>198,144</u>	<u>178,242</u>	<u>134,130</u>

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

SPECIAL EDUCATION FUND  
 DETAILS OF EXPENDITURES COMPARED TO BUDGET  
 For the Year Ended June 30, 2022  
With Comparative Totals for the Year Ended June 30, 2021

	2022 Amended Budget	2022 Actual	2021 Actual
<u>Outgoing Transfers to Other Districts</u>			
Medicaid Transfers	\$ 154,855	\$ 168,758	\$ 149,988
Volkswagen Grant Transfers	<u>197,993</u>	<u>201,238</u>	<u>475,744</u>
Total Outgoing Transfers to Other Districts	<u>352,848</u>	<u>369,996</u>	<u>625,732</u>
<u>Capital Outlay</u>			
Instruction	8,000	18,664	1,905
Support Services	<u>172,878</u>	<u>227,628</u>	<u>296,127</u>
Total Capital Outlay	<u>180,878</u>	<u>246,292</u>	<u>298,032</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>			
Operating Transfers Out	<u>0</u>	<u>0</u>	<u>5,000</u>
Total Expenditures	<u>\$ 5,285,533</u>	<u>\$ 5,050,513</u>	<u>\$ 4,967,211</u>



***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

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
TAWAS CITY, MICHIGAN

SINGLE AUDIT REPORTS  
YEAR ENDED JUNE 30, 2022

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### DISTRICT PREPARED DOCUMENTS

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS



***Stephenson & Company, P.C.***  
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October 3, 2022

**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, 2022, 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 3, 2022.

**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 3, 2022  
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.*



***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 3, 2022

**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, 2022. 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, 2022.

***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 Auditor's 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during 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, 2022, 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 3, 2022, 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, 2022

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, 84.027X, 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, 2022.

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, 2022.

IOSCO REGIONAL EDUCATION SERVICE AGENCY  
Tawas City, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2022

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, 2021	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue June 30, 2022	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:								
211970	10.553	\$ 4,195	\$ 4,195	\$ 766	\$ 0	\$ 766	\$ 0	\$ 0
211971		1,162	0	0	1,162	1,162	0	0
221970		282	0	0	282	0	282	0
221971		11,526	0	0	11,526	9,684	1,842	0
		<u>17,165</u>	<u>4,195</u>	<u>766</u>	<u>12,970</u>	<u>11,612</u>	<u>2,124</u>	<u>0</u>
National School Lunch Program:								
211960	10.555	4,173	4,173	757	0	757	0	0
211961		1,597	0	0	1,597	1,597	0	0
211965		1,894	0	0	1,894	1,894	0	0
220910		10,404	0	0	10,404	10,404	0	0
221960		210	0	0	210	0	210	0
221961		24,653	0	0	24,653	19,780	4,873	0
		<u>42,931</u>	<u>4,173</u>	<u>757</u>	<u>38,758</u>	<u>34,432</u>	<u>5,083</u>	<u>0</u>
Total Child Nutrition Cluster		<u>60,096</u>	<u>8,368</u>	<u>1,523</u>	<u>51,728</u>	<u>46,044</u>	<u>7,207</u>	<u>0</u>
Passed through Michigan Department of Education								
Pandemic EBT Local Level Costs	10.649	<u>614</u>	<u>0</u>	<u>0</u>	<u>614</u>	<u>614</u>	<u>0</u>	<u>0</u>
Total U.S. Department of Agriculture		<u>60,710</u>	<u>8,368</u>	<u>1,523</u>	<u>52,342</u>	<u>46,658</u>	<u>7,207</u>	<u>0</u>
<u>U.S. Department of Education</u>								
Passed through Michigan Department of Education:								
Federal Adult Education 221130 221977	84.002	85,298	0	0	85,298	85,298	0	0
Federal Adult Education 221190 221710		<u>24,180</u>	<u>0</u>	<u>0</u>	<u>24,180</u>	<u>24,180</u>	<u>0</u>	<u>0</u>
		<u>109,478</u>	<u>0</u>	<u>0</u>	<u>109,478</u>	<u>109,478</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, 2022

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, 2021	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue June 30, 2022	Current Year Cash Transferred to Subrecipients
Special Education Cluster:								
Handicapped and Preschool Programs:								
Passed through Michigan Department of Education:								
Special Education - General Supervision 210493 - GSG	84.027	\$ 125,400	\$ 0	\$ 0	\$ 125,400	\$ 125,400	\$ 0	0
Handicapped and Preschool Programs:								
Passed through Michigan Department of Education:								
Special Education Flow Through 210450 2021	84.027	1,151,334	1,143,228	141,094	5,036	141,094	5,036	0
Special Education Flow Through 220450 2022		1,169,193	0	0	1,158,037	880,814	277,223	0
		2,320,527	1,143,228	141,094	1,163,073	1,021,908	282,259	0
Handicapped and Preschool Programs:								
Passed through Michigan Department of Education:								
COVID-19 - Special Education ARP - Flowthrough	84.027X	190,665	0	0	110,499	0	110,499	0
Handicapped and Preschool Programs:								
Passed through Michigan Department of Education:								
Special Education Preschool 210460 2021	84.173	42,288	0	0	42,288	42,288	0	0
Handicapped and Preschool Programs:								
Passed through Michigan Department of Education:								
COVID-19 - ARP Preschool Flowthrough 221285 21-22	84.173X	16,423	0	0	16,423	8,101	8,322	0
Total Special Education Cluster		2,695,303	1,143,228	141,094	1,457,683	1,197,697	401,080	0
Passed through Clare Gladwin Educational Service District:								
Secondary CTE Perkins 213520	84.048A	68,112	68,112	3,930	0	3,930	0	0
Secondary CTE Perkins 213520		70,445	0	0	70,445	29,093	41,352	0
		138,557	68,112	3,930	70,445	33,023	41,352	0

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, 2022

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, 2021	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue June 30, 2022	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 221340 21-22	84.181	\$ 60,985	\$ 0	\$ 0	\$ 60,985	\$ 60,985	\$ 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	0	0	14,895	0	14,895	0
Passed through Michigan Department of Education: McKinney-Vento Homeless Education Assistance Act Homeless Students' Assistance Grants 212320 Homeless Students' Assistance Grants 222320	84.196	43,810 52,598 96,408	28,175 0 28,175	1,893 0 1,893	0 23,122 23,122	1,893 22,337 24,230	0 785 785	0 0 0
Passed through Michigan Department of Education: Small Rural School Achievement Program S358A203636 Small Rural School Achievement Program S358A211588	84.358A	25,088 25,833 50,921	22,640 0 22,640	0 0 0	2,448 25,833 28,281	2,448 25,833 28,281	0 0 0	0 0 0
Passed through Michigan Department of Education: COVID-19 - American Rescue Plan - Homeless	84.425W	28,553	0	0	8,332	0	8,332	0
Total U.S. Department of Education		3,206,604	1,262,155	146,917	1,773,221	1,453,694	466,444	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 20-21 Medicaid Outreach Claims 21-22	93.778	7,920 9,341 17,261	7,920 0 7,920	2,779 0 2,779	0 9,341 9,341	2,779 9,341 12,120	0 0 0	3,979 0 3,979
Total Federal Financial Awards		\$ 3,284,575	\$ 1,278,443	\$ 151,219	\$ 1,834,904	\$ 1,512,472	\$ 473,651	\$ 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, 2022

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, 2022. 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. The Schedule of Expenditures of Federal Awards is a summary of the cash activity of the Organization's federal awards and does not present transactions that would be included in financial statements of the Organization presented on the accrual basis of accounting, as contemplated by accounting principles generally accepted in the United States of America.
- 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. The amounts reported on the R7120, Grants Section Auditors' Report, reconcile with this schedule.
- D. Iosco Regional Education Service Agency did not elect to use a flat de minimus rate of 10% of modified total direct costs for their indirect cost rate.

Note 3 - Reconciliation to Financial Statements:

General Fund	\$ 168,428
Vocational Education	70,445
Special Education	1,543,518
Food Service Fund	<u>51,728</u>
Federal Revenue Presented in the Financial Statements	1,834,119

Accounts receivable for the year ended June 30, 2022 received more than 60 days after year-end and to be 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>\$ 1,834,904</u>

IOSCO REGIONAL EDUCATIONAL SERVICE AGENCY  
Tawas City, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 PROVIDED TO SUBRECIPIENTS  
For the Year Ended June 30, 2022

<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, 2021</u>	<u>Current Year Transfer to Subrecipient</u>	<u>Current Year Subrecipient Federal Expenditures</u>	<u>Adjustments</u>	<u>Due to Subrecipient June 30, 2022</u>
Title XIX Medical Assistance Program: Medicaid Outreach Claims:		93.778	N/A					
2020 - 2021:								
Hale Area Schools				\$ 524	\$ 524	\$ 0	\$ 0	\$ 0
Oscoda Area Schools				2,117	2,117	0	0	0
Tawas Area Schools				1,201	1,201	0	0	0
Whittemore-Prescott Area Schools				<u>137</u>	<u>137</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Federal Awards Provided to Subrecipients				<u>3,979</u>	<u>3,979</u>	<u>0</u>	<u>0</u>	<u>0</u>
2021 - 2022:								
Hale Area Schools				0	0	510	0	510
Oscoda Area Schools				0	0	2,181	0	2,181
Tawas Area Schools				0	0	1,073	0	1,073
Whittemore-Prescott Area Schools				<u>0</u>	<u>0</u>	<u>540</u>	<u>0</u>	<u>540</u>
				<u>0</u>	<u>0</u>	<u>4,304</u>	<u>0</u>	<u>4,304</u>
Total Federal Awards Provided to Subrecipients				<u>\$ 3,979</u>	<u>\$ 3,979</u>	<u>\$ 4,304</u>	<u>\$ 0</u>	<u>\$ 4,304</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, 2021.

### **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, 2021.



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

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Brenden A. Stephenson, CPA/PFS, CFP®  
Cynthia R. Scott, CPA, CFE

October 3, 2022

Management and the Board  
Iosco Regional Education 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 Education Service Agency for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standard, *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 November 1, 2021. 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 3, 2022. 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**

### **COMMUNICATIONS 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 Education Service Agency are described in Note 1 to the financial statements. As described in Note 2 to the financial statements, the losco Regional Education Service Agency changed accounting policies related to Leases, by adopting statement of *Governmental Accounting Standards* (GASB Statement) No 87, "Leases", in 2022. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Net Position. No new accounting policies were adopted and the application of existing policies was not changed during 2022. We noted no transactions entered into by the losco Regional Education 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 estimate(s) affecting the losco Regional Education 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. Management has corrected all such misstatements, none of which are considered to be material, either individually or in the aggregate, to the financial statements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion 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 dated October 3, 2022.

##### **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 Education 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**

### **COMMUNICATIONS 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 Losco Regional Education 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 Iosco Regional Education Service Agency as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the Iosco Regional Education 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 Iosco Regional Education Service Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Iosco Regional Education 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 however become aware of the following deficiencies in internal control other than significant deficiencies or material weaknesses, or other matters that are opportunities for strengthening internal controls and operating efficiency.

### **FINANCIAL STATEMENT PREPARATION CONTROLS**

In conjunction with our audit, we have been contracted to prepare the financial statements and related disclosures based on the information provided to us by Management. We would like to stress that this service is allowable under AICPA ethics guidelines and may be the most efficient and effective method for preparation of the Agency's financial statements. However, if at any point in the audit we as auditors are part of the Agency's control system for producing reliable financial statements, auditing standards indicate that the Agency has a control deficiency. If Management is not able to prepare financial statements, including disclosures, and the auditors are contracted to prepare these statements, this is considered a control deficiency. The effect of this deficiency is that reporting errors or omissions could occur in the preparation of the annual financial report that would be departures from Generally Accepted Accounting Principles (GAAP) and the Agency would not be in a position to detect the errors or omissions. We recommend that Management and those charged with governance evaluate and document their decision on the costs and benefits of whether to contract for this service with our firm.

Subsequent to June 30, 2022, the Agency hired a Business Manager who is a CPA and has prepared various school district financial statements and related disclosures. We believe this comment will be fully resolved for next year's audit, as a result of this hire.

### **EQUITABLE COST ALLOCATION**

During our audit, it was noted that copier fees were allocated equally between the Adult Education Academy of Iosco County and the Adult Education Academy of Ogemaw County. However, the utilization of copiers is not equal, resulting in an unequitable cost allocation between Academies. In addition, we noted that the allocation of postage meter costs was only being allocated to one of the Academies when both utilize the meter. We recommend that the Agency begin allocating based on printer distribution to facilities along with usage, as well as develop a better allocating method for the postage costs.

### **IT INVENTORY LISTING**

During the audit it was noted that the Agency's Technology Director was in the process of updating the IT inventory listing. However, the final inventory listing provided was not complete in that not all items included purchase dates, location, and/or funding source.

## APPENDIX II MANAGEMENT COMMENTS

The State requires that the listing include the federal funding source, date purchased, description, serial number, cost, tag number, and location of the equipment, and any disposition data including the date of disposal and sale price of the property. We recommend that the Technology Director continue to update the inventory listing to include the required attributes as soon as possible.

### SPECIAL EDUCATION INDIRECT COSTS

During the audit, we noted that while the Agency drew down the approved indirect cost total on their Special Education Flowthrough budget, the budget utilized an indirect cost rate of 12.79% in error. However, according to the Grant Award Notification, the actual approved Indirect Cost Rate for the Agency was only 2.82%, making up a potential overdraw in indirect costs of about \$103,000.

While we recognize that this was an error of the State in approving the budget at an incorrect rate, we recommend that the Agency implement procedures to verify the indirect cost rates included in their grant budgets, agree with those included on their Grant Award Notifications.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various governmental unit personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

### 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	
Timeliness of Third-Party Driver Testing Deposits				X