EATON REGIONAL EDUCATION SERVICE AGENCY

REPORT ON FINANCIAL STATEMENTS
(with required and additional supplementary information)

YEAR ENDED JUNE 30, 2023

Maner Costerisan

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Eaton Regional Education Service Agency

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Eaton Regional Education Service Agency, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Eaton Regional Education Service Agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Eaton Regional Education Service Agency, as of June 30, 2023, and the respective changes in financial position, thereof 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Eaton Regional Education 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.

Change in Accounting Principle

As discussed in Note 15 to the financial statements, in 2023 the Agency adopted new accounting guidance, GASB Statement No. 96, *Subscription-based IT Arrangements*. 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 the 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 Eaton Regional Education 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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:

- 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 Eaton Regional Education 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 Eaton Regional Education Service Agency's ability to continue as a going concern for a reasonable period of time.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, 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 Eaton Regional Education Service Agency's basic financial statements. The accompanying additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information, including the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2023 on our consideration of Eaton Regional Education 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 Eaton Regional Education 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 Eaton Regional Education Service Agency's internal control over financial reporting and compliance.

Maner Costerisan PC

October 11, 2023

EATON REGIONAL EDUCATION SERVICE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

The management's discussion and analysis is provided at the beginning of the audit to provide in layman's terms the past and current position of the Agency's financial condition. This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplementary and additional information that presents all the Agency's revenue and expenditures by program.

Financial Highlights

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

Governmental-wide Statements:

- The liabilities and deferred inflows of resources of the Agency exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by ($24,598,812) (*net position*).

Fund level Statements:

- As of the close of the current fiscal year, the Agency's governmental funds reported combined ending fund balances of $8,560,752, an increase of $1,503,819 in comparison with the prior year.

- At the end of the current fiscal year, the aggregated fund balances for the Agency's operating funds (general fund, special education fund, and career and technical education fund) was $7,542,023 or 15% of the total expenditures of these operating funds. On page 15 you will find a breakdown of the fund balance of the three operating funds.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction of the Agency's basic financial statements. The Agency's basic financial statements comprise 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, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between these reported as net position. Over time, increases and 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., earned but unused vacation leave).

Both of the government-wide financial statements display functions of the Agency that are principally supported by taxes and intergovernmental revenues (governmental activities). The activities of the Agency include instruction, support services, community service, and transfers to locals and other services. The Agency has no business-type activities as of and for the year ended June 30, 2023.

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 the funds of the Agency fall within the governmental fund type category.

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 the 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 government 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 fund balance sheet and the governmental fund 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 numerous governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, special education fund, career and technical education fund, each of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Agency adopts annual appropriated budgets for its general, special education, and career and technical education funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

Fiduciary funds are for assets that belong to others, such as certain student activities funds where the Agency is the trustee or fiduciary. The Agency cannot use these assets to finance its operations, but it is responsible to ensure that these funds are used for their intended purposes. Only measurable and currently available funds are reported. Liabilities to beneficiaries are recognized when an event has occurred that compels the Agency to disburse fiduciary resources. The Agency does not currently have any fiduciary 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.

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 pension and OPEB related information.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

Our auditor has provided assurance in their independent auditor's 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 Additional Information identified above. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts in the financial section.

Government-wide Financial Analysis

The following table shows the Agency's net position as of June 30, 2023 and 2022.

Eaton Regional Education Service Agency's
Net Position

	2023	2022*
Assets		
Current assets	$ 17,506,373	$ 14,764,866
Capital assets	6,837,966	6,797,145
Total assets	24,344,339	21,562,011
Deferred outflows of resources	17,306,755	9,980,441
Liabilities		
Current liabilities	9,187,027	7,903,978
Noncurrent liabilities	2,751,555	2,848,932
Net pension liability	43,564,019	27,385,075
Net other postemployment benefit liability	2,417,585	1,799,153
Total liabilities	57,920,186	39,937,138
Deferred inflows of resources	8,329,720	17,609,306
Net position		
Net investment in capital assets	3,877,191	3,785,054
Restricted for special revenue	632,540	-
Unrestricted	(29,108,543)	(29,789,046)
Total net position	$ (24,598,812)	$ (26,003,992)

*The 2022 figures have not been updated for the adoption of GASB 96.

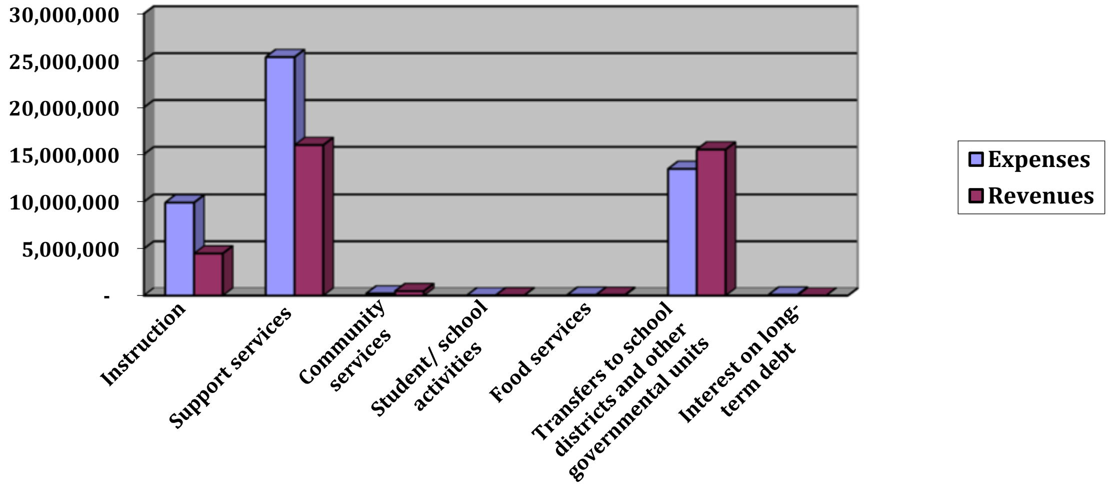
Eaton Regional Education Service Agency's
Changes in Net Position

	2023	2022*
Revenue		
Program revenue		
Charges for services	$ 13,827,720	$ 11,650,512
Operating grants and contributions	22,725,856	18,874,787
General revenue		
Property taxes, levied for general purposes	603,776	569,542
Property taxes, levied for special education	9,047,803	8,566,994
Property taxes, levied for career and technical education	3,012,922	2,850,320
Investment earnings	332,651	8,296
State sources not restricted to specific purposes	783,530	744,800
Other	288,538	231,368
Total revenue	50,624,318	43,496,619
Expenses		
Instruction	9,918,648	8,522,972
Supporting services	25,370,264	21,173,085
Community services	225,876	215,027
Student/school activities	14,234	1,446
Food Services	81,190	71,197
Transfers to school districts and other governmental units	13,509,865	12,292,614
Interest on long-term debt	99,061	101,769
Total expenses	49,219,138	42,378,110
Change in net position	1,405,180	1,118,509
Net position, beginning of year	(26,003,992)	(27,122,501)
Net position, end of year	$ (24,598,812)	$ (26,003,992)

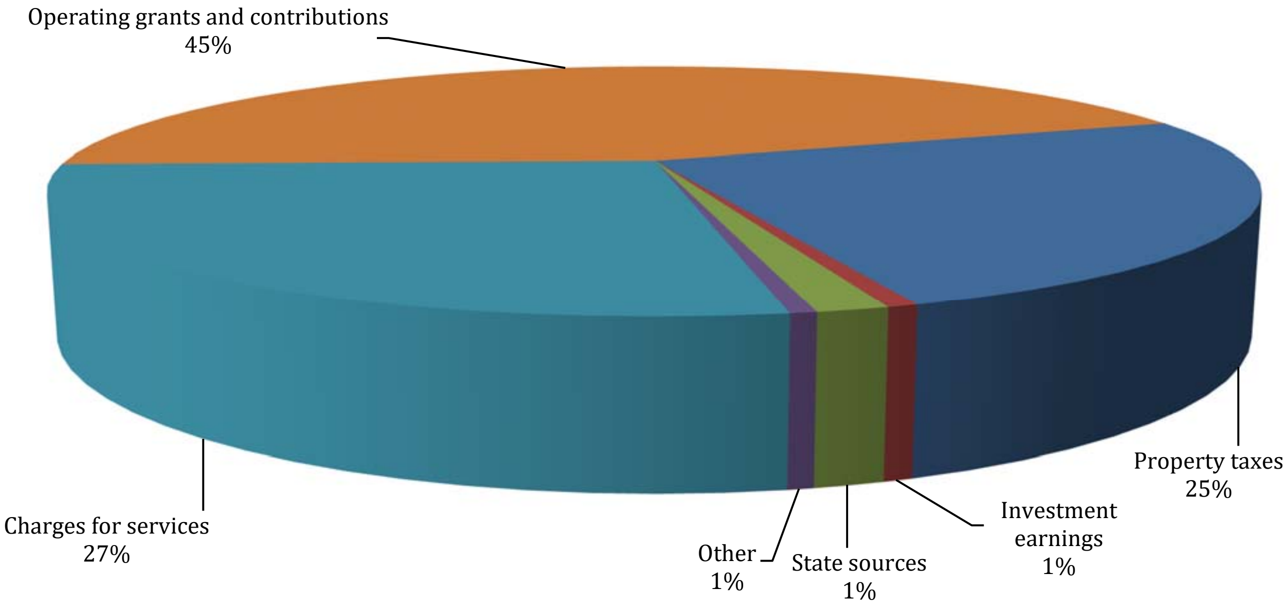
*The 2022 figures have not been updated for the adoption of GASB 96.

Governmental Activities. Net position increased by $1,405,180 during the current period.

Expenses and Program Revenues - Governmental Activities
Year Ended June 30, 2023



Revenues by Source - Governmental Activities
Year Ended June 30, 2023



Major Governmental Funds Budgeting and Operating Highlights

The Agency's budgets are prepared according to Michigan law. The most significant budgeted funds are the general fund, special education fund, and career and technical education fund.

During the fiscal year ended June 30, 2023, the Agency amended the budgets of these major governmental funds two times.

General Fund - The general fund actual revenue was $13.05 million. That amount is above the original budget estimate of $9.31 million and below the final budget amendment of $13.37 million. The variance with the final budget can be attributed to unspent grant funds that will carry over to the next fiscal year.

The actual expenditures of the general fund were $14.44 million. That amount is above the original budget of $10.91 million and below the final budget amendment of $14.90 million. The variance with the final budget can be attributed to grant expenditures that will carry over to the next fiscal year.

General fund had total revenues of $13.05 million plus transfers in and other financing sources of $2.04 million and total expenditures of $14.44 million plus transfers out of $369.48 thousand resulting in a net increase of $276.33 thousand and an ending fund balance of $2.63 million.

Special Education Fund - The special education fund actual revenue was $33.55 million. That amount is above the original budget of $29.55 million and above the final amendment of $33.24 million. The variance with the final budget can be attributed to more than expected revenue from local sources.

The actual expenditures of the special education fund were $30.22 million, which is above the original budget of $27.32 million and below the final amendment of $30.72 million. The variance with the final budget can be attributed to less than expected expenditures on pupil and instructional staff supporting services.

Special education fund had total revenue of $33.55 million and total expenditures of $30.22 million plus transfers out of $2.19 million resulting in a net increase of $1.14 million and an ending fund balance of $1.51 million.

Career and Technical Education Fund - The career and technical education fund actual revenue was $5.18 million. That amount is above the original budget of $4.91 million and consistent with the final amendment of $5.14 million.

The actual expenditures were $5.18 million, which is above the original budget of $4.78 million and above the final amendment of $5.08 million. The variance with the final budget can be attributed to more than expected expenditures for school administration and debt service.

Career and technical education fund had total revenue of $5.18 million plus other financing sources of $113.22 thousand and total expenditures of $5.18 million plus transfers out of $147.90 thousand resulting in a net decrease of $38.30 thousand and an ending fund balance of $3.40 million.

Governmental Funds - The focus of the Agency's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Agency's financing requirements. In particular, unassigned fund balance may serve as a useful measure of an agency's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Agency. At the end of the current fiscal year, unassigned fund balance was $2,423,217, while total fund balance of the general fund was $2,628,697. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 16% of total general fund expenditures and operating transfers out, while total fund balance represents 18%.

The fund balance of the Agency's general fund increased by $276,333 during the current fiscal year. The largest revenue source in this fund is state revenue which includes state aid. Expenditures consist primarily of costs associated with supporting early education, learning resources, executive administration, and fiscal services of the Agency.

The special education fund at year end had restricted fund balance of $1,471,359, while total fund balance of the special education fund was $1,510,056. Restricted fund balance represents approximately 5% of total special education fund expenditures and operating transfers out, while total fund balance also represents approximately 5%.

The fund balance of the Agency's special education fund increased by $1,141,241 from the prior year. These resources are restricted for special education programs administered by the Agency and transfers to local districts for special education programs. The largest portion of this fund's revenues come from local revenue which includes property taxes while the largest expenditures are for the center and categorical programs and pupil support services to the local districts which include a large number of itinerant staff.

The career and technical education fund at year end had restricted fund balance of $3,402,310, while total fund balance for the career and technical education fund was $3,403,270. Restricted fund balance represents approximately 64% of total career and technical education fund expenditures and operating transfers out, while total fund balance also represents approximately 64%.

The fund balance of the Agency's career and technical education fund decreased by $38,299 from the prior year. These resources are restricted for career and technical education purposes. The largest portion of this fund's revenues comes from property taxes while the expenditures are for the programs at the Technical Center.

Capital Assets and Debt Administration

Capital Assets - At the end of fiscal year 2023, the Agency had $12.10 million invested in construction in progress, buildings and improvements, furniture, fixtures and equipment, vehicles and buses, and right to use leased equipment, building space, and SBITAs. Of this amount, $5.26 million in depreciation has been taken over the years. The Agency has net capital assets of $6.84 million.

Eaton Regional Education Service Agency's
Capital Assets (Net of Depreciation)

	2023	2022*
Construction in process	$ 194,461	$ 20,376
Buildings and improvements	10,101,332	9,992,839
Furniture, fixtures, and equipment	1,474,134	1,408,676
Vehicles and buses	105,881	54,458
Right to use - leased equipment	-	96,662
Right to use - leased building space	113,220	-
Right to use - SBITAs	110,437	-
Subtotal	12,099,465	11,573,011
Accumulated depreciation	5,261,499	4,775,866
Total	$ 6,837,966	$ 6,797,145

*The 2022 figures have not been updated for the adoption of GASB 96.

Additional information on the Agency's capital assets can be found in Note 5 of this report.

The Agency's long-term obligations at June 30, 2023 is $2,976,923. Additional information on the Agency's long-term obligations can be found in Note 7 of this report.

<u>Economic Factors and Next Year's Budget</u>

At the time these financial statements were prepared and audited, the Agency was aware of existing circumstances that could affect its financial health in the future.

The Agency receives a substantial amount of its operating funds from local property taxes. Throughout the years, the Agency has experienced millage reductions in its three major operating funds due to the Headlee Amendment. Reductions to the millage rate happens when property values increase at a higher rate than inflation. The Agency will be asking voters to approve a .9 special education millage renewal/increase on the November 7, 2023 ballot. If the ballot passes, approximately $3.0 million in funds will be collected annually for 10 years. The additional funds will be used to help offset the funding shortfall in special education throughout the Agency's service area starting in the 2024-25 fiscal year.

The State of Michigan continues to support funding for early childhood education and the expansion of preschool programs. Increased funding for these programs has made it possible to meet the needs of students and families of the programs after years of minimal or no increases.

The Agency continues to evaluate capital project needs by utilizing a 10-year rolling plan. Capital projects consist of major equipment purchases, building and site improvements, and construction projects. The capital projects plan assists in forecasting the timing and cost of projects and purchases. This strategic approach is necessary since the Agency is prohibited from assessing a millage for sinking or debt funds.

The Agency successfully negotiated a successor contract with its support staff personnel bargaining unit prior to the June 30, 2023 expiration date. Management and union personnel reached a two-year agreement which includes new pay scales. This contract covers about twenty-five percent of the Agency's personnel. Additionally, the Agency successfully negotiated a two-year agreement in the prior fiscal year with its professional personnel bargaining unit, which will expire on June 30, 2024.

<u>Requests for Information</u>

This financial report is designed to provide our citizens, taxpayers, and customers with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have questions about this report or need additional information, contact Tina Monroe, Executive Director of Finance & Operations, Eaton Regional Education Service Agency, 1790 E. Packard Highway, Charlotte, MI 48813.

BASIC FINANCIAL STATEMENTS

EATON REGIONAL EDUCATION SERVICE AGENCY
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 6,132,236
Investments	4,285,600
Receivables	
Accounts receivable	91,702
Taxes receivable	3,835
Intergovernmental	6,747,863
Prepaids	245,137
Capital assets, not being depreciated/amortized	194,461
Capital assets, net of accumulated depreciation/amortization	6,643,505
TOTAL ASSETS	24,344,339
DEFERRED OUTFLOWS OF RESOURCES	
Related to pension	13,756,968
Related to other postemployment benefit	3,549,787
TOTAL DEFERRED OUTFLOWS OF RESOURCES	17,306,755
LIABILITIES	
Accounts payable	283,376
Accrued salaries and related items	854,954
Accrued retirement	808,531
Accrued expenditures	284,859
Accrued interest	16,038
Intergovernmental payable	2,556,034
Unearned revenue	4,157,867
Noncurrent liabilities	
Due within one year	225,368
Due in more than one year	2,751,555
Net pension liability	43,564,019
Net other postemployment benefit liability	2,417,585
TOTAL LIABILITIES	57,920,186
DEFERRED INFLOWS OF RESOURCES	
Related to pension	120,110
Related to other postemployment benefit	5,103,638
Related to state funding for pension	3,105,972
TOTAL DEFERRED INFLOWS OF RESOURCES	8,329,720
NET POSITION	
Net investment in capital assets	3,877,191
Restricted for special revenue (career and technical education fund)	630,365
Restricted for special revenue (food service fund)	2,175
Unrestricted	(29,108,543)
TOTAL NET POSITION	$ (24,598,812)

See notes to financial statements.

EATON REGIONAL EDUCATION SERVICE AGENCY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Governmental Activities: Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	$ 9,918,648	$ 26,411	$ 4,466,130	$ (5,426,107)
Support services	25,370,264	2,364,954	13,622,409	(9,382,901)
Community services	225,876	313,100	161,642	248,866
Student/school activities	14,234	-	17,744	3,510
Food services	81,190	1,538	66,670	(12,982)
Transfers to school districts and other governmental units	13,509,865	11,121,717	4,391,261	2,003,113
Interest on long-term debt	99,061	-	-	(99,061)
Total governmental activities	$ 49,219,138	$ 13,827,720	$ 22,725,856	(12,665,562)
General revenues				
Property taxes, levied for general purposes				603,776
Property taxes, levied for special education				9,047,803
Property taxes, levied for career and technical education				3,012,922
Investment earnings				332,651
State sources not restricted to specific purposes				783,530
Other				288,538
Total general revenues				14,070,742
CHANGE IN NET POSITION				1,405,180
NET POSITION, beginning of year				(26,003,992)
NET POSITION, end of year				$ (24,598,812)

See notes to financial statements.

EATON REGIONAL EDUCATION SERVICE AGENCY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

		Special Revenue			
	General Fund	Special Education Fund	Career and Technical Education Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 1,059,195	$ 1,610,370	$ 2,277,470	$ 1,185,201	$ 6,132,236
Investments	2,426,868	175,624	1,683,108	-	4,285,600
Receivables					
Accounts receivable	90,819	-	883	-	91,702
Property taxes receivable	182	2,740	913	-	3,835
Intergovernmental	3,372,237	2,937,241	437,554	831	6,747,863
Prepaids	205,480	38,697	960	-	245,137
TOTAL ASSETS	$ 7,154,781	$ 4,764,672	$ 4,400,888	$ 1,186,032	$ 17,506,373
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 85,893	$ 28,943	$ 8,495	$ 160,045	$ 283,376
Accrued salaries and related items	186,749	582,747	85,458	-	854,954
Accrued retirement	365,849	393,054	49,628	-	808,531
Accrued expenditures	61,838	199,357	23,664	-	284,859
Intergovernmental payable	1,125,177	1,160,905	262,994	6,958	2,556,034
Unearned revenue	2,700,578	889,610	567,379	300	4,157,867
TOTAL LIABILITIES	4,526,084	3,254,616	997,618	167,303	8,945,621
FUND BALANCES					
Nonspendable					
Prepaids	205,480	38,697	960	-	245,137
Restricted					
Special education	-	1,471,359	-	-	1,471,359
Career and technical education	-	-	3,402,310	-	3,402,310
Food service	-	-	-	2,175	2,175
Commited					
Student/school activities	-	-	-	34,760	34,760
Assigned					
Debt service	-	-	-	28,311	28,311
Capital projects	-	-	-	953,483	953,483
Unassigned	2,423,217	-	-	-	2,423,217
TOTAL FUND BALANCES	2,628,697	1,510,056	3,403,270	1,018,729	8,560,752
TOTAL LIABILITIES AND FUND BALANCES	$ 7,154,781	$ 4,764,672	$ 4,400,888	$ 1,186,032	$ 17,506,373

See notes to financial statements.

EATON REGIONAL EDUCATION SERVICE AGENCY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

Total governmental fund balances		$ 8,560,752
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred outflows of resources - related to pension		13,756,968
Deferred inflows of resources - related to pension		(120,110)
Deferred outflows of resources - related to other postemployment benefit		3,549,787
Deferred inflows of resources - related to other postemployment benefit		(5,103,638)
Deferred inflows of resources - related to state funding for pension		(3,105,972)
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
The cost of the capital assets is	$ 12,099,465	
Accumulated depreciation/amortization is	(5,261,499)	
		6,837,966
Long-term obligations are not due and payable in the current period and are not reported in the funds:		
General obligation bonds payable		(2,817,919)
Direct borrowing and direct placement		(142,856)
Compensated absences		(16,148)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid		(16,038)
Net pension liability		(43,564,019)
Net other postemployment benefit liability		(2,417,585)
Net position of governmental activities		$ (24,598,812)

See notes to financial statements.

EATON REGIONAL EDUCATION SERVICE AGENCY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

	General Fund	Special Revenue: Special Education Fund	Special Revenue: Career and Technical Education Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
Local sources					
Property taxes	$ 603,776	$ 9,047,803	$ 3,012,922	$ -	$ 12,664,501
Investment earnings	101,126	212,564	18,961	-	332,651
Student/school activities	-	-	-	17,744	17,744
Other	221,405	1,434,901	11,063	1,538	1,668,907
Total local sources	926,307	10,695,268	3,042,946	19,282	14,683,803
State sources	6,516,279	9,422,475	1,488,631	-	17,427,385
Federal sources	2,332,996	4,608,936	297,165	66,670	7,305,767
Interdistrict sources and other	3,277,785	8,824,605	346,483	-	12,448,873
TOTAL REVENUES	13,053,367	33,551,284	5,175,225	85,952	51,865,828
EXPENDITURES					
Current					
Instruction	3,737,061	3,381,597	2,845,051	-	9,963,709
Supporting services	8,292,021	15,419,327	2,293,813	-	26,005,161
Community service activities	184,292	42,552	911	-	227,755
Outgoing transfers to other districts	2,134,786	11,375,079	-	-	13,509,865
Food service	-	-	-	81,190	81,190
Student/school activities	-	-	-	14,234	14,234
Capital outlay	-	-	-	337,787	337,787
Debt service					
Principal repayment	94,787	-	36,992	140,000	271,779
Interest expense	450	-	2,080	100,425	102,955
TOTAL EXPENDITURES	14,443,397	30,218,555	5,178,847	673,636	50,514,435
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,390,030)	3,332,729	(3,622)	(587,684)	1,351,393
OTHER FINANCING SOURCES (USES)					
Proceeds from leases/SBITAs	39,206	-	113,220	-	152,426
Transfers in	1,996,638	-	-	712,228	2,708,866
Transfers out	(369,481)	(2,191,488)	(147,897)	-	(2,708,866)
TOTAL OTHER FINANCING SOURCES (USES)	1,666,363	(2,191,488)	(34,677)	712,228	152,426
NET CHANGE IN FUND BALANCES	276,333	1,141,241	(38,299)	124,544	1,503,819
FUND BALANCES					
Beginning of year	2,352,364	368,815	3,441,569	894,185	7,056,933
End of year	$ 2,628,697	$ 1,510,056	$ 3,403,270	$ 1,018,729	$ 8,560,752

See notes to financial statements.

EATON REGIONAL EDUCATION SERVICE AGENCY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

Net change in fund balances total governmental funds	$ 1,503,819
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation/amortization:	
Depreciation/amortization expense	(621,742)
Capital outlay	591,332
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable, beginning of the year	16,738
Accrued interest payable, end of the year	(16,038)
The issuance of long term obligations (e.g. bonds) provides current financial resources to governmental funds, while repayment of principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences in the treatment of long-term and related items are as follows:	
Proceeds from leases/SBITAs	(152,426)
Payments on general obligation bonds	140,000
Payments on direct borrowings and direct placement	131,779
Amortization of premium on bond issuance	3,194
Compensated absences 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:	
Accrued compensated absences, beginning of the year	16,148
Accrued compensated absences, end of the year	(16,148)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Pension related items	(634,159)
Other postemployment benefit related items	1,684,193
Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows to section 147c pension contributions subsequent to the measurement period:	
State aid funding for pension, beginning of the year	1,864,462
State aid funding for pension, end of the year	(3,105,972)
Change in net position of governmental activities	$ 1,405,180

See notes to financial statements.

EATON REGIONAL EDUCATION SERVICE AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Eaton Regional Education Service Agency (the "Agency") is governed by the Eaton Regional Education Service Agency Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the Agency. The Agency receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities. However, the Agency is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the Agency's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Agency. All fiduciary activities, if any, are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds (currently none), even though the latter are excluded from the government-wide financial statements.

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

Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the Agency's funds, including its fiduciary funds (currently none). Separate statements for each fund category - governmental and fiduciary (currently none) - are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Agency reports the following *Major Governmental Fund*:

> The *General Fund* is the Agency's primary operating fund. It accounts for all financial resources of the Agency, except those required to be accounted for in another fund.

The Agency reports the following *Major Special Revenue Governmental Funds:*

> The *Special Education Fund* accounts for revenue sources that are legally restricted to expenditures for special education programs.
>
> The *Career and Technical Education Fund* accounts for revenue sources that are legally restricted to expenditures for career and technical education.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

The Agency reports the following *Nonmajor Funds:*

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The nonmajor *Special Revenue Funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The Agency accounts for its food service and student/school activities as special revenue funds.

The *General, Special Education, and Career and Technical Education Capital Projects Funds* account for the accumulation of resources for the construction/purchase of construction/capital assets.

During the course of operations, the Agency has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources.* The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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 regarding certain types of assets, liabilities, revenues, and expenses. 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.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting.* Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are generally collected within 60 days of the end of the current fiscal period, or shortly thereafter. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, state and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end or shortly thereafter).

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a State-wide formula. The foundation 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 districts. For the current year ended, the foundation allowance was based on pupil membership counts.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by Non-PRE property taxes which may be levied at a rate up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as an intergovernmental receivable.

The Agency also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

All other revenue items are generally considered to be measurable and available only when cash is received by the Agency.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Information

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue funds. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The Agency does not utilize encumbrance accounting.

The Agency follows these procedures in establishing the budgetary data reflected in the financial statements:

a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.

b. Public hearings are conducted to obtain taxpayer comments.

c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund and the major special revenue funds are noted in the required supplementary information section.

d. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.

e. The budget was amended during the year with supplemental appropriations, the last one approved prior to year-end June 30, 2023. The Agency does not consider these amendments to be significant.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Cash Equivalents

The Agency's cash and cash equivalents are considered to be cash on hand and demand deposits.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Investments

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

a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.

c. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services, and which matures not more than 270 days after the date of purchase.

d. The United States government or federal agency obligations repurchase agreements.

e. Bankers acceptances of United States banks.

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

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

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Capital Assets

Capital assets, which include property, plant, equipment, transportation vehicles, and right to use assets are reported in the government-wide financial statements. Capital assets are defined by the Agency as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Land and construction in progress are not depreciated. Right to use assets of the Agency are amortized using the straight-line method over the shorter of the lease/subscription period, or the estimated useful lives. The other property, plant, and equipment of the Agency are depreciated using the straight-line method over the following estimated useful lives:

Capital Asset Classes	Lives
Buildings and improvements	20 - 50 years
Furniture, fixtures, and equipment	5 - 20 years
Vehicles and buses	8 years
Right to use - leased equipment	5 years
Right to use - leased building space	3 years
Right to use - SBITAs	2 - 5 years

Defined Benefit Plans

For purposes of measuring the net pension and other postemployment benefit liability, deferred outflows of resources and deferred inflows of resources related to pension and other postemployment benefit, and pension and other postemployment benefit expense, information about the fiduciary net position of the Michigan Public Employees' Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. 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.

Deferred Outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Agency has two items that qualify for reporting in this category. They are pension and other postemployment benefit related items reported in the government-wide statement of net position. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

<u>Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)</u>

Deferred Inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Agency has three items that qualify for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

Net Position Flow Assumption

Sometimes the Agency will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Agency's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Fund Balance Flow Assumptions

Sometimes the Agency will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Agency's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Agency itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Agency's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the Agency that can, by adoption of a board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action remains in place until a similar action is taken (the adoption of another board action) to remove or revise the limitation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Fund Balance Policies (continued)

Amounts in the assigned fund balance classification are intended to be used by the Agency for specific purposes but do not meet the criteria to be classified as committed. The Board of Education has by resolution authorized the superintendent or their designee to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Leases and Subscription-based IT Arrangements (SBITA)

The Agency is a lessee for a noncancelable lease/subscription of equipment and building space and subscription-based IT arrangements. The Agency recognizes a lease/SBITA liability and an intangible right-to-use lease/subscription asset in the government-wide financial statements. The Agency recognizes lease/SBITA liabilities with an initial, individual value that it considers significant to the government-wide financial statements, or with annual lease payments that are considered significant to the fund in which they are accounted for.

At the commencement of a lease/subscription, the Agency initially measures the lease/SBITA liability at the present value of payments expected to be made during the lease/subscription term. Subsequently, the lease/SBITA liability is reduced by the principal portion of lease/subscription payments made. The lease/SBITA asset is initially measured as the initial amount of the lease/SBITA liability, adjusted for lease/subscription payments made at or before the lease/subscription commencement date, plus certain initial direct costs. Subsequently, the lease/SBITA asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases/SBITAs include how the Agency determines (1) the discount rate it uses to discount the expected lease/subscription payments to present value, (2) lease/subscription term, and (3) lease/subscription payments.

- The Agency uses the interest rate charged by the lessor/SBITA vendor as the discount rate. When the interest rate charged by the lessor/SBITA vendor is not provided, the Agency generally uses its estimated incremental borrowing rate as the discount rate for leases/SBITAs.

- The lease/subscription term includes the noncancelable period of the lease/subscription. Lease/subscription payments included in the measurement of the lease/SBITA liability are composed of fixed payments and purchase option price that the Agency is reasonably certain to exercise.

The Agency monitors changes in circumstances that would require a remeasurement of its lease/SBITA and will remeasure the lease/SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the lease/SBITA liability.

Lease/SBITA assets are reported with other capital assets and lease/SBITA liabilities are reported with long-term obligations in the statement of net position.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes

Property taxes levied by the Agency are collected by various municipalities and periodically remitted to the Agency. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

Property taxes receivable are recorded net of allowances for uncollectible taxes.

For the year ended June 30, 2023, the Agency levied the following amounts per $1,000 of assessed valuation:

Fund	Mills
General fund	0.1776
Special revenue funds	
Special education fund	2.6712
Career and technical education fund	0.8899

Compensated Absences

Support staff personnel hired before July 1, 2000 are eligible for a maximum sick leave payment of $3,000. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Long-term Obligations

In the government-wide financial statements, long-term bonds and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year in which they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2023, the Agency had deposits and investments subject to the following risk.

Custodial Credit Risk - Deposits

In the case of deposits, there is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. As of June 30, 2023, $5,972,723 of the Agency's bank balance of $6,472,723 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was $6,132,236.

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 allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the Agency will do business.

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.

Investment Type	Fair Value	Weighted Average Maturity (Years)
Michigan Class Investment pool	$ 4,285,600	0.1233
Portfolio weighted average maturity		0.1233

One day maturity equals 0.0027, one year equals 1.00.

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. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Investment Type	Fair Value	Rating	Rating Agency
Michigan Class Investment pool	$ 4,285,600	AAAm	Standard & Poor's

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Foreign Currency Risk

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

Fair Value Measurement

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

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the Agency's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

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

The Agency does not have any investments that are subject to the fair value hierarchy.

Investments in Entities that Calculate Net Asset Value per Share

The Agency holds shares or interests in the Michigan CLASS investment pool where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

The Michigan CLASS investment pool invest in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated "A1" or better), collateralized bank deposits, repurchase agreements (collateralized at 102% by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statues and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Investments in Entities that Calculate Net Asset Value per Share (continued)

At the year ended June 30, 2023, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency, if eligible	Redemption Notice Period
Michigan Class Investment pool	$ 4,285,600	$ -	No restrictions	None

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

The following summarizes the categorization of these amounts as of June 30, 2023:

The above amounts as previously reported in Note 2:	Total
Deposits	$ 6,132,233
Investments	4,285,600
Petty cash and cash on hand	3
	$ 10,417,836

The amounts are reported in the financial statements as follows:

Cash and cash equivalents	$ 6,132,236
Investments	4,285,600
	$ 10,417,836

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2023 consist of the following:

	Government-wide
Federal sources	$ 2,599,806
State sources	3,216,256
Interdistrict sources	756,690
Other sources	175,111
	$ 6,747,863

No allowance for doubtful accounts is considered necessary based on previous experience.

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

The outstanding balances between funds result mainly from time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

There were no interfund receivables and payables as of June 30, 2023.

NOTE 5 - CAPITAL ASSETS

A summary of changes in the Agency's capital assets follows:

	(As Restated) Balance July 1, 2022	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2023
Capital assets not being depreciated/amortized				
Construction in process	$ 20,376	$ 174,085	$ -	$ 194,461
Capital assets being depreciated/amortized				
Buildings and improvements	9,992,839	108,493	-	10,101,332
Furniture, fixtures, and equipment	1,408,676	104,905	(39,447)	1,474,134
Vehicles and buses	54,458	51,423	-	105,881
Right to use - leased equipment	96,662	-	(96,662)	-
Right to use - leased building space	-	113,220	-	113,220
Right to use - SBITAs	71,231	39,206	-	110,437
Subtotal	11,623,866	417,247	(136,109)	11,905,004
Accumulated depreciation/amortization				
Buildings and improvements	4,174,189	340,994	-	4,515,183
Furniture, fixtures, and equipment	508,577	148,187	(39,447)	617,317
Vehicles and buses	35,103	12,699	-	47,802
Right to use - leased equipment	57,997	38,665	(96,662)	-
Right to use - leased building space	-	37,740	-	37,740
Right to use - SBITAs	-	43,457	-	43,457
Subtotal	4,775,866	621,742	(136,109)	5,261,499
Net capital assets being depreciated/amortized	6,848,000	(204,495)	-	6,643,505
Net governmental capital assets	$ 6,868,376	$ (30,410)	$ -	$ 6,837,966

Depreciation/amortization for the fiscal year ended June 30, 2023 amounted to $621,742. The Agency allocated depreciation/amortization to the various activities as follows:

Governmental activities	
Instruction	$ 138,275
Support services	480,306
Community services	3,161
Total governmental activities	$ 621,742

NOTE 6 - INTERGOVERNMENTAL PAYABLES

Intergovernmental payables as of June 30, 2023 consisted of the following:

Governmental Activities	Amount
Interdistrict payables	$ 2,310,795
Other governmental payables	245,239
Total governmental activities	$ 2,556,034

NOTE 7 - LONG-TERM OBLIGATIONS

The following is a summary of the changes in long-term obligations of the Agency for the year ended June 30, 2023:

	General Obligation Bonds	Direct Borrowings and Direct Placement	Compensated Absences	Total
Balance, July 1, 2022, as restated	$ 2,961,113	$ 122,209	$ 16,148	$ 3,099,470
Additions	-	152,426	-	152,426
Deletions	(143,194)	(131,779)	-	(274,973)
Balance, June 30, 2023	2,817,919	142,856	16,148	2,976,923
Due within one year	145,000	80,368	-	225,368
Due in more than one year	$ 2,672,919	$ 62,488	$ 16,148	$ 2,751,555

The Agency issues general and limited obligation bonds to provide funds for the acquisition, construction, and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Agency. Other long-term obligations include direct borrowings and direct placement related to leases and SBITAs and employee compensated absences.

NOTE 7 - LONG-TERM OBLIGATIONS (continued)

Long-term obligations currently outstanding are as follows:

General Obligation Bonds	
2018 Building & Site Bonds dated May 22, 2018, which bear interest ranging from 3.00% to 3.50%, are due in annual installments of $145,000 to $375,000 each May 1st through 2038. Payments are made from the Debt Service Fund.	$ 2,770,000
Plus premium on bond issuance	47,919
Total general obligation bonds	2,817,919
Direct Borrowing and Direct Placement	
Vocational education space lease due in semi-annual installments of $19,536 through June 2025, with an implied interest rate of 2.00%.	76,228
Eidex subscription due in annual installments of $35,968 through July 2023, with an implied interest rate of 2.00%.	35,263
Accounting software subscription due in annual installments ranging from $7,998 to $8,488 through July 2026, with an implied interest rate of 2.00%.	31,365
Total direct borrowing and direct placement	142,856
Total general obligation bonds and direct borrowing and direct placement	2,960,775
Compensated absences	16,148
Total general long-term obligations	$ 2,976,923

The Agency's outstanding notes from direct borrowings and direct placement related to governmental activities of $142,856 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

NOTE 7 - LONG-TERM OBLIGATIONS (continued)

The annual payments to amortize the general obligation bonds are as follows:

Year Ending June 30,	General Obligation Bonds Principal	General Obligation Bonds Interest	Direct Borrowing and Direct Placement Principal	Direct Borrowing and Direct Placement Interest	Compensated Absences	Total
2024	$ 145,000	$ 96,226	$ 80,368	$ 2,669	$ -	$ 324,263
2025	150,000	91,876	46,172	1,058	-	289,106
2026	155,000	86,626	7,995	326	-	249,947
2027	-	81,200	8,321	166	-	89,687
2028	325,000	75,600	-	-	-	400,600
2029 - 2033	915,000	287,354	-	-	-	1,202,354
2034 - 2038	1,080,000	116,026	-	-	-	1,196,026
	2,770,000	834,908	142,856	4,219	-	3,751,983
Premium on bond issuance	47,919	-	-	-	-	47,919
Compensated absences	-	-	-	-	16,148	16,148
	$ 2,817,919	$ 834,908	$ 142,856	$ 4,219	$ 16,148	$ 3,816,050

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

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

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

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided - Overall

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

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

Benefits Provided - Pension

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

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

Pension Reform 2010

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

Pension Reform 2012

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

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

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

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

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

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

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

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

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

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

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

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

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform of 2017

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

Benefits Provided - Other Postemployment Benefit (OPEB)

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

Retiree Healthcare Reform of 2012

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

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

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Regular Retirement (no reduction factor for age)

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

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

Member Contributions

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

Employer Contributions

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

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

Pension and OPEB contributions made in the fiscal year ending September 30, 2022 were determined as of the September 30, 2019 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2019 are amortized over an 17-year period beginning October 1, 2021 and ending September 30, 2038.

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

	Pension	Other Postemployment Benefit
October 1, 2022 - September 30, 2023	13.75% - 20.16%	7.21% - 8.07%
October 1, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions (continued)

The Agency's pension contributions for the year ended June 30, 2023 were equal to the required contribution total. Total pension contributions were approximately $5,483,000. Of the total pension contributions approximately $5,308,000 was contributed to fund the Defined Benefit Plan and approximately $175,000 was contributed to fund the Defined Contribution Plan.

The Agency's OPEB contributions for the year ended June 30, 2023 were equal to the required contribution total. Total OPEB contributions were approximately $1,058,000. Of the total OPEB contributions approximately $976,000 was contributed to fund the Defined Benefit Plan and approximately $82,000 was contributed to fund the Defined Contribution Plan.

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

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

Pension Liabilities

The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2021 and rolled-forward using generally accepted actuarial procedures. The Agency's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

MPSERS (Plan) Non-university Employers	September 30, 2022	September 30, 2021
Total pension liability	$ 95,876,795,620	$ 86,392,473,395
Plan fiduciary net position	$ 58,268,076,344	$ 62,717,060,920
Net pension liability	$ 37,608,719,276	$ 23,675,412,475
Proportionate share	0.11583%	0.11567%
Net pension liability for the Agency	$ 43,564,019	$ 27,385,075

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

For the year ended June 30, 2023, the Agency recognized pension expense of $5,942,093.

At June 30, 2023, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 435,792	$ (97,405)
Net differences between projected and actual plan investment earnings	102,158	-
Changes of assumptions	7,485,859	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	766,367	(22,705)
Reporting Unit's contributions subsequent to the measurement date	4,966,792	-
	$ 13,756,968	$ (120,110)

$4,966,792, reported as deferred outflows of resources related to pensions resulting from Agency employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Year Ending September 30,	Amount
2023	$ 2,698,807
2024	1,931,682
2025	1,533,693
2026	2,505,884

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

OPEB Liabilities

The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2021 and rolled-forward using generally accepted actuarial procedures. The Agency's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

MPSERS (Plan) Non-university Employers	September 30, 2022	September 30, 2021
Total other postemployment benefit liability	$ 12,522,713,324	$ 12,046,393,511
Plan fiduciary net position	$ 10,404,650,683	$ 10,520,015,621
Net other postemployment benefit liability	$ 2,118,062,641	$ 1,526,377,890
Proportionate share	0.11414%	0.11787%
Net other postemployment benefit liability for the Agency	$ 2,417,585	$ 1,799,153

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

For the year ended June 30, 2023, the Agency recognized OPEB benefit of $708,530.

At June 30, 2023, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ (4,735,122)
Net differences between projected and actual plan investment earnings	188,953	-
Changes of assumptions	2,154,871	(175,462)
Changes in proportion and differences between employer contributions and proportionate share of contributions	372,680	(193,054)
Reporting Unit's contributions subsequent to the measurement date	833,283	-
	$ 3,549,787	$ (5,103,638)

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

<u>OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

$833,283, reported as deferred outflows of resources related to OPEB resulting from Agency employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

Year Ending September 30,	Amount
2023	$ (771,907)
2024	(762,464)
2025	(698,680)
2026	(69,429)
2027	(76,951)
2028	(7,703)

<u>Actuarial Assumptions</u>

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

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

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

Inflation - 3.0%.

Mortality Assumptions -

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

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

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

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Experience Study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2021. 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 determination of the total pension and OPEB liability beginning with the September 30, 2018 valuation.

The Long-Term Expected Rate of Return on Pension and Other Postemployment Benefit Plan Investments - The pension rate was 6.00% (MIP, Basic, Pension Plus Plan, and Pension Plus 2 Plan), and the other postemployment benefit rate was 6.00%, net of investment and administrative expenses determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and 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.

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

Healthcare Cost Trend Rate for Other Postemployment Benefit - Pre 65, 7.75% for year one and graded to 3.5% in year fifteen. Post 65, 5.25% for year one and graded to 3.5% in year fifteen.

Additional Assumptions for Other Postemployment Benefit Only - Applies to Individuals Hired Before September 4, 2012:

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

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

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

The target asset allocation at September 30, 2022 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	25.00%	5.1%
International Equity Pools	15.00%	6.7%
Private Equity Pools	16.00%	8.7%
Real Estate and Infrastructure Pools	10.00%	5.3%
Fixed Income Pools	13.00%	-0.2%
Absolute Return Pools	9.00%	2.7%
Real Return/Opportunistic Pools	10.00%	5.8%
Short Term Investment Pools	2.00%	-0.5%
	100.00%	

*Long term rate of return are net of administrative expenses and 2.2% inflation.

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Rate of Return - For fiscal year ended September 30, 2022, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was (4.18)% and (4.99)%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

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

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

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	$ 57,488,320	$ 43,564,019	$ 32,089,767

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single discount rate of 6.00%, as well as what the Reporting Unit'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 than the current rate:

	Other Postemployment Benefit		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	$ 4,055,266	$ 2,417,585	$ 1,038,454

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Sensitivity to the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate, as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Other Postemployment Benefit		
	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	$ 1,012,369	$ 2,417,585	$ 3,994,967

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees' Retirement System 2022 Annual Comprehensive Financial Report.

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

NOTE 9 - GRANTS

The Agency receives numerous grants in furtherance of its educational purposes. Sources of grants for the year ended June 30, 2023 are as follows:

Source	General Education	Special Education	Career and Technical Education	Food Service	Total
Local	$ 130,872	$ -	$ -	$ -	$ 130,872
State	4,792,884	186,957	1,028	-	4,980,869
Federal	2,332,996	4,548,217	297,165	66,670	7,245,048
	$ 7,256,752	$ 4,735,174	$ 298,193	$ 66,670	$ 12,356,789

Federal grant sources do not include Medicaid funds and certain adjustments which are included in the supplemental Schedule of Expenditures of Federal Awards.

NOTE 10 - INTERFUND TRANSFERS

The composition of interfund transfers at June 30, 2023 is as follows:

	Transfers Out			
	General Fund	Special Education Fund	Career and Technical Education Fund	Total
Transfers in				
General fund	$ -	$ 1,867,631	$ 129,007	$ 1,996,638
General capital projects fund	250,000	-	-	250,000
Special education capital projects fund	-	200,000	-	200,000
Career and technical education capital projects fund	-	-	9,000	9,000
Other nonmajor governmental funds	119,481	123,857	9,890	253,228
Total	$ 369,481	$ 2,191,488	$ 147,897	$ 2,708,866

Transfers provided funding for the general fund as a result of shared costs in the special education and career and technical education funds. Transfers also provided funding for debt service and capital projects.

NOTE 11 - TAX ABATEMENTS

The Agency is required to disclose significant tax abatements as required by GASB Statement No. 77, *Tax Abatements*.

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

Municipality	Taxes Abated
City of Charlotte	$ 1,165
City of Eaton Rapids	3,907
City of Grand Ledge	4,550
City of Lansing	8,084
City of Potterville	1,277
Delta Township	38,837
Oneida Township	12,586
	$ 70,406

There are no abatements made by the Agency.

NOTE 12 - COMMITMENTS

The Agency has approximately $816,000 recorded as internally committed fund balance in the Career and Technical Education Fund at June 30, 2023. The fund balance in this fund is restricted on the governmental balance sheet. The Agency has an internal commitment that they track annually.

NOTE 13 - CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Agency expects such amounts, if any, to be immaterial.

NOTE 14 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement N*o. 62. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The Agency is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

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

NOTE 15 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2023, the Agency implemented the following new pronouncement: GASB Statement No. 96, *Subscription-based Information Technology Arrangements*.

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based Information Technology Arrangements* was issued in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases,* as amended.

NOTE 15 - CHANGE IN ACCOUNTING PRINCIPLE (continued)

The restatement of the beginning of year had no impact on net position. The change capital assets and long-term obligations is as follows:

	Capital Assets	Long-term Obligations
Balances as of July 1, 2022, as previously stated	$ 6,797,145	$ 3,028,239
Adoption of GASB Statement 96	71,231	71,231
Net position as of July 1, 2022, as restated	$ 6,868,376	$ 3,099,470

REQUIRED SUPPLEMENTARY INFORMATION

EATON REGIONAL EDUCATION SERVICE AGENCY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	$ 800,243	$ 910,221	$ 926,307	$ 16,086
State sources	5,113,168	6,739,721	6,516,279	(223,442)
Federal sources	1,545,972	2,363,034	2,332,996	(30,038)
Interdistrict sources and other	1,852,304	3,359,485	3,277,785	(81,700)
TOTAL REVENUES	9,311,687	13,372,461	13,053,367	(319,094)
EXPENDITURES				
Current				
Instruction				
Basic programs	2,073,893	3,816,569	3,734,422	82,147
Added needs	3,000	375	2,639	(2,264)
Total instruction	2,076,893	3,816,944	3,737,061	79,883
Supporting services				
Pupil	754,402	937,216	931,437	5,779
Instructional staff	3,397,013	3,875,631	3,916,962	(41,331)
General administration	469,128	528,921	518,311	10,610
School administration	15,468	20,287	15,061	5,226
Business	570,976	876,206	801,062	75,144
Operation/maintenance	652,081	677,575	660,938	16,637
Pupil transportation	85,000	103,000	57,496	45,504
Central	1,321,272	1,420,689	1,389,146	31,543
Other support services	-	10,000	1,608	8,392
Total supporting services	7,265,340	8,449,525	8,292,021	157,504
Community services	174,468	203,536	184,292	19,244
Transfer to school districts and other governmental units	1,334,668	2,343,395	2,134,786	208,609
Debt service	61,000	85,879	95,237	(9,358)
TOTAL EXPENDITURES	10,912,369	14,899,279	14,443,397	455,882
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,600,682)	(1,526,818)	(1,390,030)	136,788
OTHER FINANCING SOURCES (USES)				
Proceeds from leases/SBITAs	-	78,630	39,206	(39,424)
Transfers in	2,085,600	2,103,640	1,996,638	(107,002)
Transfers out	(356,834)	(367,750)	(369,481)	(1,731)
TOTAL OTHER FINANCING SOURCES (USES)	1,728,766	1,814,520	1,666,363	(148,157)
NET CHANGE IN FUND BALANCE	$ 128,084	$ 287,702	276,333	$ (11,369)
FUND BALANCE				
Beginning of year			2,352,364	
End of year			$ 2,628,697	

EATON REGIONAL EDUCATION SERVICE AGENCY
BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION FUND
YEAR ENDED JUNE 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	$ 9,744,100	$ 10,412,413	$ 10,695,268	$ 282,855
State sources	7,277,845	9,367,114	9,422,475	55,361
Federal sources	4,271,232	4,692,169	4,608,936	(83,233)
Interdistrict sources and other	8,252,771	8,767,532	8,824,605	57,073
TOTAL REVENUES	29,545,948	33,239,228	33,551,284	312,056
EXPENDITURES				
Instruction				
Added needs	3,246,401	3,463,085	3,381,597	81,488
Supporting services				
Pupil	9,922,409	11,145,935	10,886,597	259,338
Instructional staff	1,386,304	1,260,105	1,106,704	153,401
General administration	15,000	-	-	-
School administration	360,674	368,744	365,026	3,718
Business	52,275	62,794	60,188	2,606
Operation/maintenance	95,700	101,350	96,933	4,417
Pupil transportation	2,951,369	2,745,900	2,773,119	(27,219)
Central	101,089	144,119	130,760	13,359
Total supporting services	14,884,820	15,828,947	15,419,327	409,620
Community services	16,239	56,514	42,552	13,962
Transfer to school districts and other governmental units	9,169,389	11,373,926	11,375,079	(1,153)
TOTAL EXPENDITURES	27,316,849	30,722,472	30,218,555	503,917
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,229,099	2,516,756	3,332,729	815,973
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,222,042)	(2,240,436)	(2,191,488)	48,948
NET CHANGE IN FUND BALANCE	$ 7,057	$ 276,320	1,141,241	$ 864,921
FUND BALANCE				
Beginning of year			368,815	
End of year			$ 1,510,056	

EATON REGIONAL EDUCATION SERVICE AGENCY
BUDGETARY COMPARISON SCHEDULE
CAREER AND TECHNICAL EDUCATION FUND
YEAR ENDED JUNE 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	$ 2,836,100	$ 2,962,290	$ 3,042,946	$ 80,656
State sources	1,460,209	1,450,124	1,488,631	38,507
Federal sources	299,629	297,165	297,165	-
Intermediate district and other	310,850	434,100	346,483	(87,617)
TOTAL REVENUES	4,906,788	5,143,679	5,175,225	31,546
EXPENDITURES				
Instruction				
Added needs	2,727,590	2,850,212	2,845,051	5,161
Supporting services				
Pupil	981,486	1,082,998	1,088,922	(5,924)
Instructional staff	583,457	544,732	530,532	14,200
School administration	256,572	322,717	383,627	(60,910)
Business	3,000	3,000	616	2,384
Pupil transportation	214,250	264,282	261,883	2,399
Central	12,500	12,500	28,233	(15,733)
Total supporting services	2,051,265	2,230,229	2,293,813	(63,584)
Community services	4,000	4,000	911	3,089
Debt service	-	-	39,072	(39,072)
TOTAL EXPENDITURES	4,782,855	5,084,441	5,178,847	(94,406)
EXCESS (DEFICIENCIES) OF REVENUES OVER (UNDER) EXPENDITURES	123,933	59,238	(3,622)	(62,860)
OTHER FINANCING SOURCES (USES)				
Proceeds from leases/SBITAs	-	-	113,220	113,220
Transfers out	(203,534)	(196,419)	(147,897)	48,522
TOTAL OTHER FINANCING SOURCES (USES)	(203,534)	(196,419)	(34,677)	161,742
NET CHANGE IN FUND BALANCE	$ (79,601)	$ (137,181)	(38,299)	$ 98,882
FUND BALANCE				
Beginning of year			3,441,569	
End of year			$ 3,403,270	

EATON REGIONAL EDUCATION SERVICE AGENCY
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Reporting Unit's proportion of net pension liability (%)	0.11583%	0.11567%	0.11297%	0.11119%	0.10686%	0.10203%	0.09722%	0.09093%	0.09566%
Reporting Unit's proportionate share of net pension liability	$ 43,564,019	$ 27,385,075	$ 38,806,616	$ 36,821,509	$ 32,123,687	$ 26,440,435	$ 24,255,435	$ 22,209,418	$ 21,071,438
Reporting Unit's covered-employee payroll	$ 11,097,045	$ 10,686,281	$ 10,252,689	$ 9,808,246	$ 9,467,511	$ 8,709,026	$ 8,527,260	$ 7,690,197	$ 8,448,492
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	392.57%	256.26%	378.50%	375.41%	339.30%	303.60%	284.45%	288.80%	249.41%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the Agency presents information for those years for which information is available.

EATON REGIONAL EDUCATION SERVICE AGENCY
SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF YEAR ENDED JUNE 30)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required pension contributions	$ 5,307,934	$ 3,887,612	$ 3,420,868	$ 3,052,452	$ 2,924,307	$ 2,798,385	$ 2,356,657	$ 2,090,007	$ 1,722,375
Pension contributions in relation to statutorily required contributions	5,307,934	3,887,612	3,420,868	3,052,452	2,924,307	2,798,385	2,356,657	2,090,007	1,722,375
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Reporting Unit's covered-employee payroll	$ 12,285,693	$ 11,009,847	$ 10,480,072	$ 10,187,780	$ 9,689,199	$ 9,382,472	$ 8,534,318	$ 8,119,266	$ 8,374,992
Pension contributions as a percentage of covered-employee payroll	43.20%	35.31%	32.64%	29.96%	30.18%	29.83%	27.61%	25.74%	20.57%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the Agency presents information for those years for which information is available.

EATON REGIONAL EDUCATION SERVICE AGENCY
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)

	2022	2021	2020	2019	2018	2017
Reporting Unit's proportion of net other postemployment benefit liability (%)	0.11414%	0.11787%	0.11553%	0.11256%	0.11144%	0.10242%
Reporting Unit's proportionate share of net other postemployment benefit liability	$ 2,417,585	$ 1,799,153	$ 6,189,206	$ 8,079,209	$ 8,858,127	$ 9,069,524
Reporting Unit's covered-employee payroll	$ 11,097,045	$ 10,686,281	$ 10,252,689	$ 9,808,246	$ 9,467,511	$ 8,709,026
Reporting Unit's proportionate share of net other postemployment benefit liability as a percentage of its covered-employee payroll	21.79%	16.84%	60.37%	82.37%	93.56%	104.14%
Plan fiduciary net position as a percentage of total other postemployment benefit liability (Non-university employers)	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the Agency presents information for those years for which information is available.

EATON REGIONAL EDUCATION SERVICE AGENCY
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF YEAR ENDED JUNE 30)

	2023	2022	2021	2020	2019	2018
Statutorily required other postemployment benefit contributions	$ 975,663	$ 899,873	$ 909,524	$ 854,732	$ 806,702	$ 804,562
Other postemployment benefit contributions in relation to statutorily required contributions	975,663	899,873	909,524	854,732	806,702	804,562
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Reporting Unit's covered-employee payroll	$ 12,285,693	$ 11,009,847	$ 10,480,072	$ 10,187,780	$ 9,689,199	$ 9,382,472
Other postemployment benefit contributions as a percentage of covered employee payroll	7.94%	8.17%	8.68%	8.39%	8.33%	8.58%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the Agency presents information for those years for which information is available.

NOTE 1 - PENSION INFORMATION

Benefit Changes - there were no changes of benefit terms in 2022.

Changes of Assumptions - the assumption changes for 2022 were:

- Discount rate for MIP, Basic, and Pension Plus plans decreased to 6.00% from 6.80%.

NOTE 2 - OPEB INFORMATION

Benefit Changes - there were no changes of benefit terms in 2022.

Changes of Assumptions - the assumption changes for 2022 were:

- Discount rate decreased to 6.00% from 6.95%.

ADDITIONAL SUPPLEMENTARY INFORMATION

EATON REGIONAL EDUCATION SERVICE AGENCY
NONMAJOR GOVERNMENTAL FUND TYPES
BALANCE SHEETS
JUNE 30, 2023

	Special Revenue Funds			Capital Project Funds			
	Food Service Fund	Student/ School Activities	Debt Service Fund	General Capital Projects Fund	Special Education Capital Projects Fund	Career and Technical Education Capital Projects Fund	Total Nonmajor Funds
ASSETS							
Cash and cash equivalents	$ 8,654	$ 34,760	$ 28,311	$ 595,657	$ 450,372	$ 67,447	$ 1,185,201
Intergovernmental	831	-	-	-	-	-	831
TOTAL ASSETS	$ 9,485	$ 34,760	$ 28,311	$ 595,657	$ 450,372	$ 67,447	$ 1,186,032
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	$ 52	$ -	$ -	$ 59,533	$ 95,282	$ 5,178	$ 160,045
Intergovernmental	6,958	-	-	-	-	-	6,958
Unearned revenue	300	-	-	-	-	-	300
TOTAL LIABILITIES	7,310	-	-	59,533	95,282	5,178	167,303
FUND BALANCES							
Restricted for food service	2,175	-	-	-	-	-	2,175
Committed for student/school activities	-	34,760	-	-	-	-	34,760
Assigned							
Debt service	-	-	28,311	-	-	-	28,311
Capital projects	-	-	-	536,124	355,090	62,269	953,483
TOTAL FUND BALANCES	2,175	34,760	28,311	536,124	355,090	62,269	1,018,729
TOTAL LIABILITIES AND FUND BALANCES	$ 9,485	$ 34,760	$ 28,311	$ 595,657	$ 450,372	$ 67,447	$ 1,186,032

EATON REGIONAL EDUCATION SERVICE AGENCY
NONMAJOR GOVERNMENTAL FUND TYPES
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2023

	Special Revenue Funds			Capital Project Funds			
	Food Service Fund	Student/ School Activities	Debt Service Fund	General Capital Projects Fund	Special Education Capital Projects Fund	Career and Technical Education Capital Projects Fund	Total Nonmajor Funds
REVENUES							
Local sources	$ 1,538	$ -	$ -	$ -	$ -	$ -	$ 1,538
Federal sources	66,670	-	-	-	-	-	66,670
Student/school activities	-	17,744	-	-	-	-	17,744
TOTAL REVENUES	68,208	17,744	-	-	-	-	85,952
EXPENDITURES							
Food service	81,190	-	-	-	-	-	81,190
Student/school activities	-	14,234	-	-	-	-	14,234
Capital outlay	-	-	-	101,813	193,010	42,964	337,787
Debt service							
Principal repayment	-	-	140,000	-	-	-	140,000
Interest expense	-	-	100,425	-	-	-	100,425
TOTAL EXPENDITURES	81,190	14,234	240,425	101,813	193,010	42,964	673,636
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(12,982)	3,510	(240,425)	(101,813)	(193,010)	(42,964)	(587,684)
OTHER FINANCING SOURCES (USES)							
Transfers in	12,983	-	240,245	250,000	200,000	9,000	712,228
NET CHANGE IN FUND BALANCES	1	3,510	(180)	148,187	6,990	(33,964)	124,544
FUND BALANCES							
Beginning of year	2,174	31,250	28,491	387,937	348,100	96,233	894,185
End of year	$ 2,175	$ 34,760	$ 28,311	$ 536,124	$ 355,090	$ 62,269	$ 1,018,729

EATON REGIONAL EDUCATION SERVICE AGENCY
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS
2018 BUILDING AND SITE BONDS
YEAR ENDED JUNE 30, 2023

2018 Building and Site Bonds

Year Ending June 30,	Interest Rate	Principal Due May 1	Interest Due May 1	Interest Due November 1	Total Due Annually
2024	3.00%	$ 145,000	$ 48,113	$ 48,113	$ 241,226
2025	3.50%	150,000	45,938	45,938	241,876
2026	3.50%	155,000	43,313	43,313	241,626
2027		-	40,600	40,600	81,200
2028	3.50%	325,000	37,800	37,800	400,600
2029		-	34,913	34,913	69,826
2030	3.50%	345,000	31,938	31,938	408,876
2031		-	28,875	28,875	57,750
2032	3.50%	375,000	25,638	25,638	426,276
2033	3.50%	195,000	22,313	22,313	239,626
2034	3.50%	200,000	18,900	18,900	237,800
2035	3.50%	210,000	15,400	15,400	240,800
2036	3.50%	215,000	11,725	11,725	238,450
2037	3.50%	225,000	7,963	7,963	240,926
2038	3.50%	230,000	4,025	4,025	238,050
Total 2018 bonded debt		$ 2,770,000	$ 417,454	$ 417,454	$ 3,604,908

The above bonds dated May 22, 2018 were issued for the purpose of remodeling, equipping and re-equipping, and furnishing and refurnishing educational buildings and facilities; purchasing and installing information technology systems, equipment and software; and developing and improving sites. The amount of the original bond issue was $3,300,000.

EATON REGIONAL EDUCATION SERVICE AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Approved Award/Grant Amount	Accrued (Unearned) Revenue 7/1/2022	Prior Year Expenditures (Memo Only)	Current Year Expenditures	Current Year Cash Receipts	Accrued (Unearned) Revenue 6/30/2023	Current Year Cash Transferred to Subrecipient
U.S. Department of Agriculture								
Passed through Michigan Department of Education								
Child Nutrition Cluster								
School Breakfast Program								
School Breakfast Program 231970	10.553	$ 15,758	$ -	$ -	$ 15,758	$ 15,418	$ 340	$ -
COVID-19 School Breakfast Program 221970	10.553	2,676	308	308	2,368	2,676	-	-
COVID-19 School Breakfast Program 221971	10.553	19,492	2,120	19,492	-	2,120	-	-
Total ALN 10.553		37,926	2,428	19,800	18,126	20,214	340	-
National School Lunch Program								
National School Lunch Program 231960	10.555	30,257	-	-	30,257	29,766	491	-
COVID-19 National School Lunch Program 221960	10.555	5,092	504	504	4,588	5,092	-	-
COVID-19 National School Lunch Program 221961	10.555	34,254	3,778	34,254	-	3,778	-	-
National School Lunch Program 230910	10.555	5,963	-	-	5,963	5,963	-	-
COVID-19 National School Lunch Program 220910	10.555	7,736	-	-	7,736	7,736	-	-
Total ALN 10.555		83,302	4,282	34,758	48,544	52,335	491	-
Total Child Nutrition Cluster		121,228	6,710	54,558	66,670	72,549	831	-
Passed through Michigan Department of Education								
Child and Adult Care Food Program								
COVID 19 - Pandemic EBT Local Level Costs 220980-2022	10.649	628	-	-	628	628	-	-
Total ALN 10.649		628	-	-	628	628	-	-
Total U.S. Department of Agriculture		121,856	6,710	54,558	67,298	73,177	831	-

The accompanying notes are an integral part of this schedule.

EATON REGIONAL EDUCATION SERVICE AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Approved Award/Grant Amount	Accrued (Unearned) Revenue 7/1/2022	Prior Year Expenditures (Memo Only)	Current Year Expenditures	Current Year Cash Receipts	Accrued (Unearned) Revenue 6/30/2023	Current Year Cash Transferred to Subrecipient
U.S. Department of Education								
Passed through Michigan Department of Education								
Special Education Cluster								
Special Education Grants to States								
COVID-19 - ARP Flowthrough 221280-2122	84.027X	$ 694,234	$ 28,920	$ 28,920	$ 663,668	$ 28,920	$ 663,668	$ -
General Supervision 230493-2223	84.027	156,900	-	-	156,900	140,357	16,543	-
General Supervision 220493-2122	84.027	142,600	32,239	142,600	-	32,239	-	-
Flowthrough 230450-2223	84.027	3,473,096	-	-	3,461,202	2,689,128	772,074	2,681,891
Flowthrough 220450-2122	84.027	3,448,515	1,456,151	3,424,478	24,037	1,456,151	24,037	957,494
Flowthrough 210450-2021	84.027	3,434,128	22,519	22,519	-	22,519	-	-
Passed through Marquette Alger RESA								
Special Education Cluster								
Special Education Grants to States								
Grant Funded Initiatives 220470-2D33	84.027	13,886	-	-	13,886	13,886	-	-
Total ALN 84.027		11,363,359	1,539,829	3,618,517	4,319,693	4,383,200	1,476,322	3,639,385
Passed through Michigan Department of Education								
Special Education Cluster								
Special Education Preschool Grants								
COVID-19 - ARP Preschool 221285-2122	84.173X	54,121	13,687	13,687	3,448	20,585	(3,450)	-
230460-2223	84.173	108,910	-	-	90,509	76,310	14,199	-
220460-2122	84.173	105,390	24,914	105,390	-	24,914	-	-
Total ALN 84.173		268,421	38,601	119,077	93,957	121,809	10,749	-
Total Special Education Cluster		11,631,780	1,578,430	3,737,594	4,413,650	4,505,009	1,487,071	3,639,385
Passed through Michigan Department of Education and								
Clinton County Regional Education Service Agency								
Career and Technical Education - Basic Grants to States								
Regional Allocation 233520-231214	84.048	297,165	-	-	297,165	200,554	96,611	-
Regional Allocation 223520-221214	84.048	353,726	59,246	353,726	-	59,246	-	-
Total ALN 84.048		650,891	59,246	353,726	297,165	259,800	96,611	-
Passed through Michigan Department of Education								
Special Education - Grants for Infants and Families								
221283-EOARP	84.181X	55,692	11,341	11,341	16,156	27,198	299	-
231340-2223	84.181	118,411	-	-	118,411	-	118,411	-
221340-2122	84.181	114,576	114,576	114,576	-	114,576	-	-
Total ALN 84.181		288,679	125,917	125,917	134,567	141,774	118,710	-

The accompanying notes are an integral part of this schedule.

EATON REGIONAL EDUCATION SERVICE AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Approved Award/Grant Amount	Accrued (Unearned) Revenue 7/1/2022	Prior Year Expenditures (Memo Only)	Current Year Expenditures	Current Year Cash Receipts	Accrued (Unearned) Revenue 6/30/2023	Current Year Cash Transferred to Subrecipient
U.S. Department of Education (continued)								
Passed through Michigan Department of Education								
Title I Grants to Local Educational Agencies								
231570-2223	84.010	$ 456,552	$ -	$ -	$ 324,051	$ 94,889	$ 229,162	$ 230,170
221570-2122	84.010	560,238	334,928	334,928	172,167	507,095	-	375,947
Total ALN 84.010		1,016,790	334,928	334,928	496,218	601,984	229,162	606,117
Passed through Michigan Department of Education								
Education Stabilization Fund								
COVID-19 - Elementary and Secondary School Emergency Relief Fund (Homeless Children and Youth) 211010-2122	84.425W	173,748	-	-	18,402	-	18,402	-
Passed through Michigan Department of Education								
Education for Homeless Children and Youth 232320-2223	84.196	92,788	-	-	74,598	-	74,598	-
Education for Homeless Children and Youth 222320-2122	84.196	72,339	63,654	63,654	2,645	66,299	-	-
Total ALN 84.196		165,127	63,654	63,654	77,243	66,299	74,598	-
Total U.S. Department of Education		13,927,015	2,162,175	4,615,819	5,437,245	5,574,866	2,024,554	4,245,502
U.S. Department of Treasury								
Passed through Michigan Department of Education								
COVID-19 - Coronavirus State and Local Fiscal Recovery Fund								
GSRP 232425-2223	21.027	892,857	-	-	267,857	-	267,857	267,857
GSRP 232390-2223	21.027	36,600	-	-	18,011	-	18,011	15,392
GSRP 222390-2122C	21.027	11,966	-	-	11,966	-	11,966	-
GSRP 222390-2122	21.027	14,134	14,134	14,134	-	14,134	-	-
Total ALN 21.027 and U.S. Department of Treasury		955,557	14,134	14,134	297,834	14,134	297,834	283,249
U.S. Department of Health and Human Services								
Passed through Michigan Department of Education								
Every Student Succeeds Act/Preschool Development Grants								
223910-3.622	93.434	32,500	-	-	17,007	17,007	-	-

The accompanying notes are an integral part of this schedule.

EATON REGIONAL EDUCATION SERVICE AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Approved Award/Grant Amount	Accrued (Unearned) Revenue 7/1/2022	Prior Year Expenditures (Memo Only)	Current Year Expenditures	Current Year Cash Receipts	Accrued (Unearned) Revenue 6/30/2023	Current Year Cash Transferred to Subrecipient
U.S. Department of Health and Human Services (continued)								
Passed through Michigan Department of Community Health								
Affordable Care Act (ACA) Personal Responsibility Education Program								
20233245-00 2022-2023	93.092	$ 100,000	$ -	$ -	$ 50,238	$ 35,899	$ 14,339	$ -
20223245-00 2021-2022	93.092	100,000	15,563	69,206	14,778	30,341	-	-
Total ALN 93.092		200,000	15,563	69,206	65,016	66,240	14,339	-
Passed through Michigan Department of Human Services								
Center for Mental Health Services								
Substance Abuse and Mental Health Services								
Projects of Regional and National Significance								
6H79SM084650-01M001	93.243	125,000	-	-	81,573	52,472	29,101	-
6H79SM081341-03M001	93.243	125,000	8,875	59,993	20,381	29,256	-	-
Total ALN 93.243		250,000	8,875	59,993	101,954	81,728	29,101	-
Direct Program								
Centers for Disease Control and Prevention								
Cooperative Agreements to Promote Adolescent Health through								
School-Based HIV/STD Prevention and School-Based Surveillance								
CDC Dash	93.079	720,000	62,095	287,137	363,052	350,544	74,603	-
CDC Mental Health	93.079	685,419	38,932	168,795	163,493	187,519	14,906	-
Passed through Advocates for Youth								
Advocates for Youth	93.079	4,000	(4,000)	-	3,915	-	(85)	-
Total ALN 93.079		1,409,419	97,027	455,932	530,460	538,063	89,424	-

The accompanying notes are an integral part of this schedule.

EATON REGIONAL EDUCATION SERVICE AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Approved Award/Grant Amount	Accrued (Unearned) Revenue 7/1/2022	Prior Year Expenditures (Memo Only)	Current Year Expenditures	Current Year Cash Receipts	Accrued (Unearned) Revenue 6/30/2023	Current Year Cash Transferred to Subrecipient
U.S. Department of Health and Human Services (continued)								
Direct Program								
Medicaid Cluster								
Medical Assistance Program								
2022-2023	93.778	$ 78,742	$ -	$ -	$ -	$ 51,808	$ (51,808)	$ -
2021-2022	93.778	60,719	(33,902)	-	60,719	26,817	-	25,950
Total ALN 93.778		139,461	(33,902)	-	60,719	78,625	(51,808)	25,950
Passed through Mid-State Health Network								
Block Grants for Prevention and Treatment of Substance Abuse								
MSHN Clinton/Eaton/Ingham	93.959	721,093	-	-	494,093	370,786	123,307	-
MSHN Clinton/Eaton/Ingham	93.959	589,596	117,372	445,920	99,733	217,105	-	-
Total ALN 93.959		1,310,689	117,372	445,920	593,826	587,891	123,307	-
Opioid STR								
Prevention Grant 2022	93.788	87,000	-	-	74,049	59,814	14,235	-
Prevention Grant 2021	93.788	21,750	-	-	57,713	57,713	-	-
Total ALN 93.788		108,750	-	-	131,762	117,527	14,235	-
Total U.S. Department of Health and Human Services		3,450,819	204,935	1,031,051	1,500,744	1,487,081	218,598	25,950
Federal Communications Commission (FCC)								
Passed through the Universal Service Administrative Company								
COVID-19 - Emergency Connectivity Funds	32.009	10,870	-	-	2,646	-	2,646	-
Total ALN 32.009		10,870	-	-	2,646	-	2,646	-
Total Federal Financial Awards		$ 18,466,117	$ 2,387,954	$ 5,715,562	$ 7,305,767	$ 7,149,258	$ 2,544,463	$ 4,554,701

The accompanying notes are an integral part of this schedule.

EATON REGIONAL EDUCATION SERVICE AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
PASS THROUGH AMOUNTS
YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Subrecipient Award/ Contract Amount	Due to (from) Subrecipient 7/1/22	Subrecipient Current Year Expenditures	Current Year Cash Transferred to Subrecipient	Due to (from) Subrecipient 6/30/23
U.S. Department of Education						
Passed through Michigan Department of Education						
Special Education Cluster						
Special Education Grants to States						
Project number 2304502223 - Passed through to:	84.027					
Grand Ledge Public Schools		$ 3,237,224	$ -	$ 3,237,224	$ 2,511,845	$ 725,379
Insight Academy		137,179	-	137,179	111,019	26,160
LifeTech Academy		70,253	-	70,253	59,027	11,226
		3,444,656	-	3,444,656	2,681,891	762,765
Project number 2204502122 - Passed through to:	84.027					
Grand Ledge Public Schools		3,227,532	851,579	-	851,579	-
Insight Academy		160,019	78,871	-	78,871	-
LifeTech Academy		27,044	27,044	-	27,044	-
		3,414,595	957,494	-	957,494	-
Total Special Education Grants to States Cluster		6,859,251	957,494	3,444,656	3,639,385	762,765
Title I Grants to Local Educational Agencies	84.010					
Project number 2315702223 - Passed through to:						
Insight Academy		321,229	-	168,848	136,497	32,351
LifeTech Academy		227,296	-	142,932	93,673	49,259
		548,525	-	311,780	230,170	81,610
Project number 2215702122 - Passed through to:	84.010					
Insight Academy		321,229	30,169	113,050	143,219	-
LifeTech Academy		227,296	173,828	58,900	232,728	-
		548,525	203,997	171,950	375,947	-
Total Title I Grants to Local Educational Agencies		1,097,050	203,997	483,730	606,117	81,610

The accompanying notes are an integral part of this schedule.

EATON REGIONAL EDUCATION SERVICE AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
PASS THROUGH AMOUNTS
YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Subrecipient Award/ Contract Amount	Due to (from) Subrecipient 7/1/22	Subrecipient Current Year Expenditures	Current Year Cash Transferred to Subrecipient	Due to (from) Subrecipient 6/30/23
U.S. Department of Treasury						
Passed through Michigan Department of Education						
COVID-19 - Coronavirus State and Local -						
Fiscal Recovery Fund (GSRP)						
Project number 232425-2223 - Passed through to:	21.027					
Tides Center		$ 267,857	$ -	$ 267,857	$ 267,857	$ -
Project number 232390-2223 - Passed through to:	21.027					
Capital Area Community Services		16,181	-	16,181	15,392	789
Total COVID-19 - Coronavirus State and Local - Fiscal Recovery Fund (GSRP)		284,038	-	284,038	283,249	789
U.S. Department of Health and Human Services						
Direct Program						
Medicaid Cluster						
Medicaid Assistance Program						
2021-2022	93.778					
Charlotte Public Schools		4,623	-	4,623	5,080	(457)
Eaton Rapids Public Schools		8,206	-	8,206	9,068	(862)
Grand Ledge Public Schools		7,772	-	7,772	8,586	(814)
Maple Valley Schools		1,912	-	1,912	2,137	(225)
Potterville Public Schools		1,015	-	1,015	1,079	(64)
Total Medicaid Assistance Program Cluster		23,528	-	23,528	25,950	(2,422)
Total federal funds passed through to subrecipients		$ 8,263,867	$ 1,161,491	$ 4,235,952	$ 4,554,701	$ 842,742

The accompanying notes are an integral part of this schedule.

EATON REGIONAL EDUCATION SERVICE AGENCY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Eaton Regional Education Service Agency under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* (CFR) 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 Eaton Regional Education Service Agency it is not intended to and does not present the financial position or changes in net position of Eaton Regional Education Service Agency.

The Agency qualifies for low-risk auditee status. Management has utilized the NexSys, Cash Management System, and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are now allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Eaton Regional Education Service Agency has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

The expenditures on the schedule of expenditures of federal awards do not include local match.

NOTE 3 - RECONCILIATION WITH AUDITED FINANCIAL STATEMENTS

Reconciliation of federal revenues reported on the financial statements with expenditures per the schedule of expenditures of federal awards:

Federal expenditures are reported as revenue in the following funds in the financial statements:

General fund	$ 2,332,996
Special education fund	4,608,936
Career and technical education fund	297,165
Food service fund	66,670
Expenditures per schedule of expenditures of federal awards	$ 7,305,767

Federal intergovernmental receivables as reported in Note 3 to the financial statements:

Federal intergovernmental receivables	$ 2,599,806
Less: Deferred federal funds	(55,343)
Accrued revenue per the schedule of expenditures of federal awards	$ 2,544,463

NOTE 4 - SUBRECIPIENTS

Of the federal expenditures presented in the schedule of expenditures of federal awards, Eaton Regional Education Service Agency provided federal awards to subrecipients reported in the enclosed schedule of pass-through amounts.

NOTE 5 - PROGRAM CLUSTERS

Program clusters contained within the schedule are as follows:

Child Nutrition Cluster consists of Assistance Listing #10.553 and #10.555. The Special Education Cluster consists of Assistance Listing #84.027 and #84.173. The Medicaid Cluster consists of Assistance Listing #93.778.

Maner Costerisan

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

To the Board of Education of
Eaton Regional Education Service Agency

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Eaton Regional Education Service Agency as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Eaton Regional Education Service Agency's basic financial statements and have issued our report thereon dated October 11, 2023.

Report Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Eaton Regional Education Service Agency's internal control over financial reporting (internal control) to determine the 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 Eaton Regional Education Service Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Eaton 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. 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 Compliance and Other Matters

As part of obtaining reasonable assurance about whether Eaton Regional Education 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency'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.

Maner Costerisan PC

October 11, 2023

Maner Costerisan

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

To the Board of Education of
Eaton Regional Education Service Agency

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Eaton Regional Education Service Agency's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Eaton Regional Education Service Agency's major federal programs for the year ended June 30, 2023. Eaton Regional Education Service Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Eaton Regional Education Service Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* 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 Eaton Regional Education 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 Eaton Regional Education 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 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 Eaton Regional Education Service Agency's federal programs.

Auditor's 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 Eaton Regional Education 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 for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Eaton Regional Education 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 risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Eaton Regional Education 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 Eaton Regional Education 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 Eaton Regional Education 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

Maner Costerisan PC

October 11, 2023

EATON REGIONAL EDUCATION SERVICE AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued based on financial statements prepared in accordance with generally accepted accounting principles:	*Unmodified*
Internal control over financial reporting:	
➢ Material weakness(es) identified?	___ Yes _X_ None
➢ Significant deficiency(ies) identified that are not considered to be material weaknesses?	___ Yes _X_ None reported
Noncompliance material to financial statements noted?	___ Yes _X_ None

Federal Awards

Internal control over major programs:	
➢ Material weakness(es) identified?	___ Yes _X_ None
➢ Significant deficiency(ies) identified that are not considered to be material weaknesses?	___ Yes _X_ None reported
Type of auditor's report issued on compliance for major programs:	*Unmodified*
Any audit findings disclosed that are required to be reported in accordance with Title 2 CFR Section 200.516(a)?	___ Yes _X_ No

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
84.027, 84.173	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	_X_ Yes ___ No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Question Costs

None

EATON REGIONAL EDUCATION SERVICE AGENCY
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023

There were no audit findings in the prior year.