

Northwest Education Services
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Northwest Education Services

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Northwest Education Services* (the "School District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table on 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 the School District, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows 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 the School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 the School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 - 18, the budgetary comparison information of pages 57 - 59, the pension trend information on page 60 and the OPEB trend information on page 61 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 Standard 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 the School District's basic financial statements. The accompanying combining non-major fund financial statements and 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 combining nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2023 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering the School District's internal control over financial reporting and compliance.

Dennis, Gartland & Niergarth

Certified Public Accountants
Traverse City, Michigan

October 10, 2023

Management’s Discussion and Analysis For the Year Ended June 30, 2023

Our discussion and analysis of Northwest Education Services (the “School District”) financial performance provides an overview of the School District’s financial activities for the fiscal year ended June 30, 2023. Please read this analysis in conjunction with the School District’s financial statements, which immediately follows this section.

DESCRIPTION OF REPORTING ENTITY AND SERVICES PROVIDED

Northwest Education Services, one of Michigan’s 56 ISDs, encompasses sixteen public school districts, six public school academies and twelve private and parochial schools within Antrim, Benzie, Grand Traverse, Kalkaska and Leelanau counties. The School District serves approximately 21,000 students and 2,200 educators. When ISDs were established in 1962, the name “Intermediate” School District was chosen to reflect their role as a link between local school districts and the Michigan Department of Education. As the scope and responsibility of schools grew, however, so did the role of the ISD, providing its local districts with many programs and services which are either too expensive or too extensive to be offered individually. Northwest Education Services’ mission, “Working together to develop learners with purpose, strong schools, and engaged communities,” reflects its commitment to providing continually expanding educational opportunities for all learners throughout the region.

The largest and most well-known Northwest Education Services are those in Special Education and Career and Technical Education. However, Northwest Education Services also provides a wide range of specialized services through its General Education area. The Instructional Services team offers a variety of programs and services designed to support student achievement, meet State and Federal legislative mandates, and enrich school programs throughout the five-county service area. The team provides leadership and expertise to teachers and administrators, connecting regional and site-based initiatives to research-based programs, appropriate resources, and professional development. Major Northwest Education Services funded region-wide initiatives include the Marzano Instructional Model, regional data and assessment hub system and Core Knowledge Language Arts (CKLA) implementation.

Collaboration between local districts, citizens, human service agencies, area commerce, Northwestern Michigan College and other aspects of the community is becoming more important in the search for educational quality and cost effectiveness. Northwest Education Services programs and services include: Special Education, Career and Technical Education, Professional Development, School Improvement, Data Management and Analysis, Instructional Services, Technology/Media, Business/Finance, Early Childhood, Road Test Service, Program Development, and Collaborative Initiatives.

The School District services a large population of students with individual education plans (IEPS) through programs and services. At the basis of all education is the expectation that all students can and will achieve to the extent of their abilities. Northwest Education Services is a State leader in developing special education programs that are cost effective and creating opportunities in which students can realize their full potential. To do this, Northwest Education Services employs certified and trained specialists to serve students in the following disability areas: Autism Spectrum Disorder (AI), Early Childhood Development Delay (ECDD), Emotional Impairment (EI), all levels of Cognitive Impairment (CI), Hearing Impairment (HI), Learning Disabilities (LD), Other Health Impairment (OHI), Physical Impairment (PI), Severe Multiple Impairment (SXI), Speech and Language Impairment (SLI), Visual Impairment (VI), Deaf/Blind (D/B) and Traumatic Brain Injury (TBI).

Northwest Education Services

For students with greater educational needs, Northwest Education Services operates four center schools. The center programs provide students with more intensive programming to meet their educational and behavioral needs than local districts can provide.

Creekside School is an educational program for students with emotional and behavioral needs in kindergarten through twelfth grade. Academics combined with unique opportunities for personal and emotional growth contribute to the school's high rate of returning students to their home schools.

The **Life Skills Center** is for students ages 16-26 who are significantly affected by cognitive impairment, severe multiple impairment, or autism spectrum disorder. Students participate in community-based instruction, career exploration and job experiences to learn to live as independently as possible.

New Horizons provides programs and services for students with various levels of cognitive impairments and multiple impairments between 3 and 16 years of age.

Bridgeway School houses self-contained classrooms for students significantly affected by autism spectrum disorder.

In addition, Northwest Education Services provides diagnostic and consulting services to local districts, transition planning and monitoring agency coordination, Continuous Improvement Monitoring System (CIMS) support, along with curriculum services that focus on assessment, school improvement and professional development. Northwest Education Services also supplies a variety of consultants to offer additional help to local schools providing services to children with IEPs. Northwest Education Services has established partnerships with local districts, providing consultation, training and coaching as the districts write and implement plans to establish a multi-tiered system of support (MTSS). Northwest Education Services sponsors the Special Education Parent Advisory Council (SEPAC). SEPAC is made up of parents representing the local school districts and charter schools, who meet quarterly to discuss special education issues, learn more about special education, and are resources to other parents in local districts.

Northwest Education Services seeks to establish a system of educational support based on research for all students.

Our **Career-Tech (CT)** program is a secondary career and technical education center serving more than twenty-five public and private high schools and approximately 1,200 students in the five-county North Ed region. Students receive training in twenty-three occupational programs utilizing cutting-edge technology and state-of-the-art equipment. It is the mission of Career-Tech to prepare students with skills and learning experiences for employment and life-long learning. CT students move into immediate job placement and/or additional post-secondary training in technical schools, colleges and universities, or the U.S. military. For more information please visit www.northwested.org.

Local district counselors enroll students based on a given number of seats in each program using student Educational Development Plans including career interest and aptitude data as a program identifier. Remaining open seats are available on a first-come-first-served basis to high school juniors and seniors throughout the region.

Northwest Education Services Career-Tech has articulation and direct credit agreements in place with several colleges and universities. Articulation is a process of transition from one educational institution to another. Students have an opportunity to earn college credit for competencies attained in career and technical education programs at CT.

Northwest Education Services

Articulation Benefits for the Student

- Start college studies while still in high school; begin college in classes higher than entry level.
- Receive college credit for course work taken at the secondary level.
- Spend less money on tuition and less time obtaining a post-secondary education.
- Accelerate progress by reducing duplication; motivation to continue schooling.
- Improves job readiness skills and job placement potential.
- Articulated credit appears on the student's college transcript.

Early College is a program for high school students within the Grand Traverse region to earn college credits by completing course work at their home high schools, at Northwest Education Services Career-Tech, on college campuses, via online and blended learning environments and/or through field experiences. Students are eligible if they enroll in Health Sciences, Business Careers, Welding, Agriscience or a STEM-related path at CT and meet eligibility guidelines.

Secondary, post-secondary/or college accredited courses offered at CT:

- Calculus (NMC Direct Credit)
- 3D Drafting (Ferris State University Direct Credit)
- Agriscience
- Auto Repair
- Business Careers
- Collision Repair
- Construction Trades
- Culinary Arts
- Early Education
- Electrical Occupations
- Engineering Academy
- Film & New Media
- Graphic Arts
- Health Sciences
- Information Technology
- Power Equipment
- Precision Machining
- Public Safety
- Robotics & Automation
- Teacher Academy
- Web & App Development
- Welding
- Writer's Studio

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three sections presented in the following order: Management’s discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two types of statements that present different views of the School District:

- The first two statements are *district-wide financial statements* that provide comprehensive *short-term* and *long-term* financial information about the School District as a whole.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the School District, reporting the School District’s operations *in more detail* than the district-wide statements.
- The *governmental funds* statements tell how *basic* services like regular and special education were financed in the *short-term*, as well as what remains for future spending.
- *Fiduciary funds* statements provide information about assets held by the School District in a *trustee* or *agent* capacity.
- *Proprietary funds* statements provide a record of activities that the School District operated similar to a business, in that the School District charges a fee to the user in order to recover costs associated with the program or activity.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data and supporting documentation. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District’s budget for the year. Figure A-1 shows how the various parts of this annual report are arranged.

Figure A-1

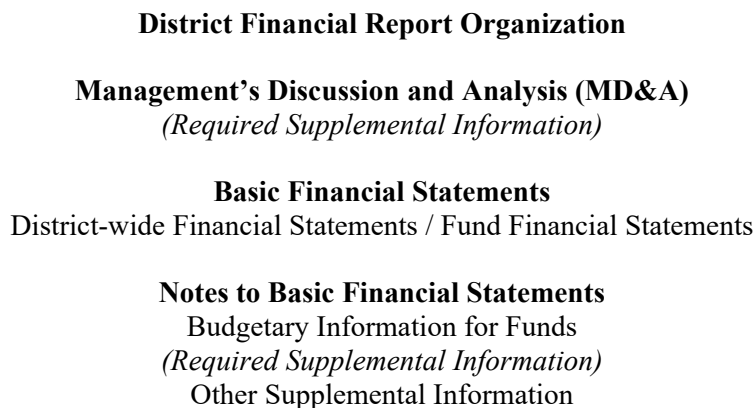


Figure A-2 summarizes the major features of the School District’s financial statements, including the portion of the School District’s activities they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents of each of the statements.

**Figure A-2
Major Features of District-Wide and Fund Financial Statements**

	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Enterprise Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and consortium funds
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances	Statement of net position Statement of revenues, expenses, and changes in net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term, North Ed's funds do not currently contain capital assets, although they can contain capital assets
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

DISTRICT-WIDE STATEMENTS

The district-wide statements provide comprehensive information about the entire School District using the accrual basis of accounting, which is similar to the method used by private-sector companies. The statement of net position includes all of the School District's assets/deferred outflows of resources and liabilities/deferred inflows of resources and the difference between the two, which is net position. The statement of activities accounts for all of the current year's revenues and expenses regardless of when cash is received or paid.

The Statement of Net Position and Statement of Activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services and food service. Unrestricted State Aid, property taxes, and state and federal grants finance most of these activities.

The two district-wide statements report the School District's *net position* and how they have changed. Examining net position is one way to measure the School District's financial health. Over time, increases or decreases in the School District's net position are an indicator of whether its financial health is improving or declining.

The relationship between revenues and expenses is the School District's operating results, or in other terms, whether the School District had a profit or a loss at year-end. To access the School District's overall health, one must consider additional non-financial factors such as changes in the School District's property tax base, student enrollment and school building conditions, to name a few.

Northwest Education Services

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the School District's funds. Each major fund is presented in a separate column. Non-major funds are aggregated and displayed in a single column. Funds are accounting devices the School District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law and by bond covenants. The School District establishes other funds to help it control and manage money for particular purposes or to show that it is properly using certain revenues (e.g., Food Services Fund).

The School District has three types of funds:

Governmental Funds

All of the School District's basic services are included in governmental funds. Governmental fund reporting generally focuses on how dollars flow in and out of the funds and the balances left at year-end. These balances are reported using the modified accrual basis of accounting. Revenues are recognized when they are measurable and available. Expenditures are recorded, when the related fund liability is incurred. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. The relationship or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are presented in a reconciliation displayed further in our documentation. The School District's major governmental funds are the General Education Fund, Special Education Fund, Vocational Education Fund Capital Projects #2 Fund and the Capital Projects #6 Fund.

Fiduciary Funds

The School District is the Trustee, or fiduciary, for assets that belong to others. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes, and only by those to whom the assets belong. We exclude these activities from the district-wide financial statements because the School District cannot use these assets to finance its operations.

Proprietary Funds

The School District operates a proprietary fund that is composed of an internal service fund. This fund accounts for services provided to the School District's other funds. The School District's self-funded medical, dental and vision plans, as well as its long-term leave liability are accounted for in this fund.

Northwest Education Services

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position as of June 30, 2023 and 2022:

Table 1

	Governmental Activities 2022-2023	Governmental Activities 2021-2022	% Change
Assets			
Current and other assets	\$ 53,599,158	\$ 49,483,954	8.3%
Capital assets	22,756,085	17,583,989	29.4%
Total assets	76,355,243	67,067,943	13.8%
Deferred outflows of resources	40,473,039	18,950,994	113.6%
Liabilities			
Current liabilities	17,547,159	15,858,695	10.6%
Long-term liabilities	140,038,336	88,474,894	58.3%
Total liabilities	157,585,495	104,333,589	51.0%
Deferred inflows of resources	15,231,402	45,519,400	-66.5%
Net Position			
Net investment in capital assets	21,231,163	15,813,599	34.3%
Restricted	34,530	36,840	-6.3%
Unrestricted	(77,254,308)	(79,684,491)	3.0%
Total net position	\$ (55,988,615)	\$ (63,834,052)	12.3%

The above analysis focuses on the net position (see Table 1). The School District's net position was (\$55.9) million at June 30, 2023. The change in net position is the result of many factors, but primarily due to changes in the long-term liability, deferred inflows, and deferred outflows for pension and OPEB reporting. Capital assets, net of related debt, totaling \$21.2 million, compares the original cost, less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. The School District has no debt related to the acquisition of assets but maintains lease agreements for the right to use certain buildings. It is the desire of North Ed to utilize existing fund balances to finance capital needs for the School District. Of the remaining amount of net position, \$35 thousand was restricted and (\$77.3) million was unrestricted.

The (\$55.9) million in net position of governmental activities represents the accumulated results of all past years' operations. It means that if we had to pay off all of our bills today, including all of our non-capital liabilities (compensated absences, for example), we would have (\$77.3) million of unrestricted and \$35 thousand of restricted funds remaining. The operating results of the School District will have a significant impact on the change in unrestricted net position from year-to-year.

Northwest Education Services

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net position for fiscal years 2023 and 2022.

Table 2

	Governmental Activities 2022-2023	Governmental Activities 2021-2022	% Change
Revenue			
Program Revenue			
Charges for services	\$ 3,454,940	\$ 3,036,912	13.8%
Operating grants and contributions	39,418,534	35,240,635	11.9%
General Revenue			
Property taxes	40,118,889	37,605,589	6.7%
State School Aid-unrestricted	3,072,971	2,514,908	22.2%
Other transactions	15,821,701	10,189,488	55.3%
Total revenues	<u>101,887,035</u>	<u>88,587,532</u>	<u>15.0%</u>
Functions/Program Expenses			
Instruction	23,168,550	19,550,961	18.5%
Supports services	56,680,320	47,588,462	19.1%
Community services	534,285	467,327	14.3%
Food service	21,271	291	7209.6%
Transfers to other districts	12,090,342	13,460,683	-10.2%
Depreciation (unallocated)	1,546,830	1,460,340	5.9%
Total expenses	<u>94,041,598</u>	<u>82,528,064</u>	<u>14.0%</u>
Change in net position	<u>\$ 7,845,437</u>	<u>\$ 6,059,468</u>	<u>29.5%</u>

As reported in the Statement of Activities, the cost of all of our governmental activities this year was \$94.0 million. Certain activities were partially funded from those who benefited from the programs (\$3.5 million) or by other grants and contributions (\$39.4 million). We paid for the remaining "public benefit" portion of our governmental activities with \$40.1 million in taxes, \$3.1 million in State Aid, and \$15.8 million in other revenues including interest and general entitlements.

The School District experienced an increase in net position of \$7.8 million for 2022-2023. The School District's change in financial position primarily is the result of increased grant funding allocations.

Northwest Education Services

The School District's Funds

As noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at the various funds will assist individual readers when considering whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health. The School District's budgets are prepared according to Michigan law. The most significant budgeted funds are the General Education Fund, Special Education Fund and the Vocational Education Fund. All other funds are used to account for the proceeds from specific revenue sources that are legally restricted to certain types of expenditures.

The School District's fund balance policy requires the School District to maintain a fund balance of no less than 12% of the preceding year's revenues in each of the three main funds. Additionally, each fund's capital project needs will be funded for a minimum of two years of anticipated expenditures, with funds held in the corresponding capital projects fund. Any fund balance greater than 12% in the Special Education Fund will be distributed annually to local districts following the North Ed Special Education Plan.

General Education Fund -

The General Education Fund is the main operating fund of the School District. Fund balance for this fund increased by \$437,689 primarily due to increased interest income, and the net impact of staff changes. A major source of revenue for the General Education Fund is State Aid which includes numerous grants, the majority of which flow to other districts.

Special Education Fund -

The major sources of revenue for the Special Education Fund are property taxes and grant funding. Special Education tax dollars are restricted to supporting special education expenditures. Fund balance for this fund decreased by \$634,574. This decrease is primarily due to the School District's transfer of funds to local districts as well as the Special Education Capital Projects Fund.

Vocational Education Fund -

The major source of revenue for the Vocational Education Fund is the vocational millage. These funds are restricted to support vocational programming. This fund experienced a decrease in fund balance of \$78,989 mainly due to the School District's transfer of funds to the Vocational Education Capital Projects Fund.

Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with numerous changes in expected revenues and expenditures. The Uniform Budget Act of the State of Michigan requires that the Board of Education adopt a budget for the upcoming school year prior to July 1, which is the start of the new fiscal year. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. Under normal circumstances, the School District adjusts its budget to reflect a wide variety of Federal and State programs, many of which are not finalized until well after the School District's original budget is required to be adopted.

Northwest Education Services revised its budget two times during the fiscal year. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

Northwest Education Services

Changes to fund budgets were as follows:

General Education Fund actual revenue increased from the original budget mainly due to a one-time deposit of state funding in the amount of \$3,477,713 related to the Michigan Public Schools Employee Retirement System (MPSERS) that was distributed as an additional payment toward the MPSERS unfunded liability, as well as increases in Medicaid Care 4 Students funding and grant funds. Conservative spending practices kept expenditures below original estimates, with the exception of business, operations, central and other support services, and the transfer to the General Education Capital Projects Fund as discussed in the previous section of this report. Additionally, the previously mentioned MPSERS payment was included in expenditures in the amount of \$3,477,713.

Special Education Fund actual revenue increased from the original budget. Increased interest income, state aid funding, and an increase in Medicaid funding due to higher FMAP rates account for the largest changes. Final expenditures for most instruction and support services were less than the original budget, as adjustments to staffing and purchased services were made throughout the year based on needs. However, the transfer of funds to local districts as well as the Special Education Capital Projects Fund as discussed in the previous section of this report resulted in an increase from the original expenditure budget.

The Vocational Education Fund actual revenues were more than the original budget due to increases in state school aid funding as well as an increase in interest income. Final expenditures for some support services were less than the original budget due to staffing changes as well as conservative spending practices. However, the transfer of funds to the Vocational Education Capital Projects Fund as discussed in the previous section of this report resulted in an increase to the overall expenditure budget. Funding was provided to local districts to reimburse the full cost of CTC transportation.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2023, the School District had roughly \$22.8 million invested in a broad range of capital assets including buildings, land, furniture, equipment and vehicles. This amount represents an increase of \$5.1 million from June 30, 2022. The net increase was primarily related to construction in progress that was still on-going at year end.

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>% Change</u>
Building and improvements	\$ 29,663,901	\$27,787,770	6.8%
Buildings - leased assets	1,934,960	1,934,960	0.0%
Furniture and equipment	8,673,466	7,776,864	11.5%
Buses and vehicles	1,134,914	1,144,826	-0.9%
Land	108,543	108,543	0.0%
Construction-in-process	<u>4,048,643</u>	<u>102,450</u>	<u>3851.8%</u>
Total capital assets	45,564,427	38,855,413	17.3%
Less: accumulated amortization	(496,504)	(248,252)	-100.0%
Less: accumulated depreciation	<u>(22,311,838)</u>	<u>(21,023,172)</u>	<u>6.1%</u>
Total capital assets, net	<u>\$ 22,756,085</u>	<u>\$17,583,989</u>	<u>29.4%</u>

Northwest Education Services

Debt

At June 30, 2023, the School District had no outstanding bonds. The School District leases certain buildings and has a total lease liability outstanding of \$1,273,448 as of June 30, 2023.

Other liabilities include accumulated leave liability in the amount of \$1,134,869 owed to employees who have been employed by the School District for specified periods of time and are qualified for retirement under the Michigan Public School Employees Retirement System.

Factors Bearing on the School District's Future

At the time these financial statements were prepared and audited, the School District was aware of a number of circumstances that could significantly affect the financial health of Northwest Education Services in the future.

- The distribution of Special Education Fund balance above 12% increases the School District's reliance on tax revenues for cash flow purposes. In November 2022, the School District passed a Headlee Override millage to restore the millage rate, which was reduced due to the Headlee amendment.
- One-time Federal American Rescue Plan (ARP) funding was allocated for Special Education Flowthrough, Special Education Preschool, and Early On grants are \$1,220,541, \$95,153, and \$73,386 respectively. The funds are intended to improve teaching and learning and results for children with disabilities. These funds will be fully spent by September 30, 2023.
- The School District purchased the Pine Rest facility located on the Arnell Campus for \$1,850,000. The building will address facility needs for the early childhood program while Pine Rest continues renting a portion of the building. The purchase of the building was funded by the General Education Capital Projects Fund. The cost of future renovations, which is unknown at this time, will be funded by the General Education Capital Projects Fund and the Special Education Capital Projects Fund.
- Construction of a new entrance at Creekside School is in progress, with an estimated project completion date of December 31, 2023. Funding for this project is from the Special Education Capital Projects Fund and the cost of the project is estimated at \$1,050,000.
- The current retirement rate is estimated to be 48.23%. Although the School District continues to see some cost containment in this area due to enacted reforms, we are concerned about State Aid funding stability since the legislature is using the State Aid Fund to essentially buy down the retirement rate.
- Northwest Education Services and districts in the region are experiencing a shortage of qualified educators. We expect this issue to expand in the near future.
- Our region is a microcosm of the State as a whole when you look at funding diversity and student needs. Northwest Education Services continues to provide increased leadership and support for local districts in meeting state and federal mandates for student and staff performance. State and Federal funding variances among districts as well as declining student populations continue to challenge districts and place a corresponding impact on service expenditures for Northwest Education Services. Regardless of external pressures, Northwest Education Services will continue to provide outstanding service to the students and staff in the region.

Contacting the School District's Financial Management

This financial report is designed to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Shawn Biddle, Chief Financial Officer, Northwest Education Services, 1101 Red Drive, Traverse City, MI 49684, Fax (231) 922-6270, Telephone (231) 922-6200.

Northwest Education Services

BOARD OF EDUCATION

President	Joseph Fisher
Vice-President	James Scherrer
Treasurer	Elizabeth Petrella
Secretary	Rachael Birgy
Trustee	Nicolette Brown
Trustee	Beth Lajko
Trustee	Lisa Thomas

STAFF

Superintendent	Nick Ceglarek
Assistant Superintendent Special Education	Carol Greilick
Assistant Superintendent Career and Technical Education	Patrick Lamb
Assistant Superintendent Professional Learning and Innovation	Matthew Olson
Chief Financial Officer	Shawn Biddle

Northwest Education Services

STATEMENT OF NET POSITION

June 30, 2023

Governmental
Activities

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

ASSETS

Current assets

Cash and cash equivalents	\$ 14,558,392
Investments	29,823,999
Due from other governments and other receivables	8,865,568
Prepays	351,199
Total current assets	53,599,158

Non-current assets

Capital assets, net of accumulated depreciation	22,756,085
Total assets	76,355,243

DEFERRED OUTFLOWS OF RESOURCES

Pension liability	31,212,255
OPEB liability	9,260,784
Total deferred outflows of resources	40,473,039
Total assets and deferred outflows of resources	\$ 116,828,282

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

LIABILITIES

Current liabilities

Accounts payable	\$ 4,390,067
Salaries payable and related expenses	7,026,055
Unearned revenue	4,369,982
Current portion of lease liabilities	251,474
Other current liabilities	1,509,581
Total current liabilities	17,547,159

Accrued accumulated leave benefits

1,134,869

Accrued environmental liability

875,000

Long-term portion of lease liabilities

1,273,448

Net pension liability

129,435,729

Net OPEB liability

7,319,290

Total liabilities

157,585,495

DEFERRED INFLOWS OF RESOURCES

Pension liability	354,698
OPEB liability	14,876,704
Total deferred inflows of resources	15,231,402

NET POSITION

Net investment in capital assets	21,231,163
Restricted	34,530
Unrestricted (deficit)	(77,254,308)
Total net position	(55,988,615)
Total liabilities, deferred inflows of resources and net position	\$ 116,828,282

The accompanying notes are an integral part of these financial statements.

Northwest Education Services

STATEMENT OF ACTIVITIES

Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction expense	\$ 23,168,550	\$ 216,663	\$ 17,360,839	\$ (5,591,048)
Support services	56,680,320	3,199,755	14,174,216	(39,306,349)
Community services	534,285	29,673	482,639	(21,973)
Food service	21,271	8,849	-	(12,422)
Transfers to other districts	12,090,342	-	7,400,840	(4,689,502)
Depreciation and amortization - unallocated	1,546,830	-	-	(1,546,830)
Total governmental activities	\$ 94,041,598	\$ 3,454,940	\$ 39,418,534	(51,168,124)
General revenues				
Property taxes				
Levied for general purposes				2,615,847
Levied for Special Education				27,789,899
Levied for Vocational Education				9,713,143
State school aid - unrestricted				3,072,971
Grants and contributions not restricted to specific programs				10,917,634
Investment and other				4,904,067
Total general revenues				59,013,561
Change in net position				7,845,437
Net position, beginning of year				(63,834,052)
Net position, end of year				\$ (55,988,615)

The accompanying notes are an integral part of these financial statements.

Northwest Education Services

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2023

	General Education Fund	Special Education Fund	Vocational Education Fund	Capital Projects Fund #2	Capital Projects Fund #6	Non-Major Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 2,402,872	\$ 2,381,600	\$ 1,141,484	\$ 1,602,577	\$ 2,674,191	\$ 2,668,565	\$ 12,871,289
Investments	5,053,905	7,544,891	1,076,233	11,075,705	4,583,441	489,824	29,823,999
Due from other governments and other receivables	2,289,695	5,605,260	421,106	50,000	17,815	180,064	8,563,940
Prepaid expenditures	8,312	19,144	2,436	-	-	-	29,892
Total assets	<u>\$ 9,754,784</u>	<u>\$ 15,550,895</u>	<u>\$ 2,641,259</u>	<u>\$ 12,728,282</u>	<u>\$ 7,275,447</u>	<u>\$ 3,338,453</u>	<u>\$ 51,289,120</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$ 1,655,984	\$ 734,060	\$ 42,919	\$ 789,031	\$ 471,855	\$ 180,486	\$ 3,874,335
Accrued payroll and related liabilities	1,027,385	5,141,775	792,109	-	-	64,786	7,026,055
Other accrued expenditures	430,594	1,037,042	35,445	-	-	-	1,503,081
Unearned revenue	4,028,490	27,216	47,490	-	-	266,786	4,369,982
Total liabilities	<u>7,142,453</u>	<u>6,940,093</u>	<u>917,963</u>	<u>789,031</u>	<u>471,855</u>	<u>512,058</u>	<u>16,773,453</u>
FUND BALANCES							
Non-spendable for prepaid expenditures	8,312	19,144	2,436	-	-	-	29,892
Restricted							
Fund use	-	8,156,128	1,720,860	11,939,251	6,803,592	-	28,619,831
Fund use - distribution to LEAs	-	435,530	-	-	-	-	435,530
School Food Service	-	-	-	-	-	846	846
Michigan Works!	-	-	-	-	-	33,684	33,684
Committed							
Subsequent year's expenditures	273,171	-	-	-	-	-	273,171
School/Student Activity	-	-	-	-	-	448,030	448,030
Assigned for capital projects							
Capital Projects Fund #1	-	-	-	-	-	2,343,835	2,343,835
Unassigned	2,330,848	-	-	-	-	-	2,330,848
Total fund balances	<u>2,612,331</u>	<u>8,610,802</u>	<u>1,723,296</u>	<u>11,939,251</u>	<u>6,803,592</u>	<u>2,826,395</u>	<u>34,515,667</u>
Total liabilities and fund balances	<u>\$ 9,754,784</u>	<u>\$ 15,550,895</u>	<u>\$ 2,641,259</u>	<u>\$ 12,728,282</u>	<u>\$ 7,275,447</u>	<u>\$ 3,338,453</u>	

Reconciliation of Governmental Fund Balances to District-Wide Governmental Activities Net Position

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$45,564,427, and accumulated depreciation and amortization is \$22,808,342.	22,756,085
Internal Service Fund net position used in governmental activities is not a financial resource of the governmental funds and, therefore, is not reported as assets in governmental funds.	652,937
Deferred outflows of resources is not a financial resource and, therefore, is not reported as an asset in governmental funds. Deferred outflows of resources at year-end consist of:	
	Net pension liability 31,212,255
	Net OPEB liability 9,260,784
Long-term liabilities, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
	Accrued environmental liability (875,000)
	Lease liabilities (1,524,922)
	Net pension liability (129,435,729)
	Net OPEB liability (7,319,290)
Deferred inflows of resources is not a financial resource and, therefore, is not reported as a liability in governmental funds. Deferred inflow of resources at year-end consist of:	
	Net pension liability (354,698)
	Net OPEB liability (14,876,704)
Total net position - governmental activities	<u>\$ (55,988,615)</u>

Northwest Education Services

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year Ended June 30, 2023

	General Education Fund	Special Education Fund	Vocational Education Fund	Capital Projects Fund #2	Capital Projects Fund #6	Non-Major Governmental Funds	Total Governmental Funds
Revenues							
Property taxes	\$ 2,615,847	\$27,789,899	\$ 9,713,143	\$ -	\$ -	\$ -	\$40,118,889
Interest	265,853	336,998	169,535	33,189	116,708	43,084	965,367
State sources	12,664,525	23,748,059	2,018,993	50,000	-	794,723	39,276,300
Federal sources	1,212,566	6,939,492	274,759	-	-	-	8,426,817
Charges for services	814,934	5,662,935	233,057	-	-	-	6,710,926
Other	2,276,243	269,283	74,317	-	-	232,198	2,852,041
Total revenues	19,849,968	64,746,666	12,483,804	83,189	116,708	1,070,005	98,350,340
Expenditures							
Instruction	1,865,397	14,106,089	5,751,461	-	-	411,176	22,134,123
Support services	10,181,852	39,740,482	3,970,924	-	66,407	609,624	54,569,289
Community services	272,303	251,028	10,954	-	-	-	534,285
Food service	-	-	-	-	-	21,271	21,271
Transfers to other districts	6,343,874	5,071,220	675,248	-	-	-	12,090,342
Other	-	5,900	-	-	-	-	5,900
Capital outlay	56,096	522,542	571,082	2,423,961	1,185,206	2,098,603	6,857,490
Total expenditures	18,719,522	59,697,261	10,979,669	2,423,961	1,251,613	3,140,674	96,212,700
REVENUES OVER (UNDER) EXPENDITURES	1,130,446	5,049,405	1,504,135	(2,340,772)	(1,134,905)	(2,070,669)	2,137,640
Other financing sources (uses)							
Operating transfers in	-	-	-	5,673,979	1,583,124	702,757	7,959,860
Operating transfers out	(692,757)	(5,683,979)	(1,583,124)	-	-	-	(7,959,860)
Total other financing sources (uses)	(692,757)	(5,683,979)	(1,583,124)	5,673,979	1,583,124	702,757	-
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	437,689	(634,574)	(78,989)	3,333,207	448,219	(1,367,912)	2,137,640
Fund balances, beginning of year	2,174,642	9,245,376	1,802,285	8,606,044	6,355,373	4,194,307	32,378,027
Fund balances, end of year	<u>\$ 2,612,331</u>	<u>\$ 8,610,802</u>	<u>\$ 1,723,296</u>	<u>\$ 11,939,251</u>	<u>\$ 6,803,592</u>	<u>\$ 2,826,395</u>	<u>\$34,515,667</u>

The accompanying notes are an integral part of these financial statements.

Northwest Education Services

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES WITH THE DISTRICT-WIDE STATEMENT OF ACTIVITIES

Year Ended June 30, 2023

Total net change in fund balances - governmental funds	\$ 2,137,640						
<p>Amounts reported for governmental activities in the statement of activities are different because capital outlays to purchase or build capital assets that meet the capitalized threshold are reported in the governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. These are the amounts of capital outlays and depreciation and amortization expense.</p>							
	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"></td> <td style="width: 20%; text-align: right;">Capital outlays</td> <td style="width: 20%; text-align: right;">6,718,926</td> </tr> <tr> <td></td> <td style="text-align: right;">Depreciation and amortization expense</td> <td style="text-align: right;">(1,546,830)</td> </tr> </table>		Capital outlays	6,718,926		Depreciation and amortization expense	(1,546,830)
	Capital outlays	6,718,926					
	Depreciation and amortization expense	(1,546,830)					
Change in deferred outflows of resources for:							
	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"></td> <td style="width: 20%; text-align: right;">Net pension liability</td> <td style="width: 20%; text-align: right;">18,995,352</td> </tr> <tr> <td></td> <td style="text-align: right;">Net OPEB liability</td> <td style="text-align: right;">2,526,693</td> </tr> </table>		Net pension liability	18,995,352		Net OPEB liability	2,526,693
	Net pension liability	18,995,352					
	Net OPEB liability	2,526,693					
Change in net position in the Internal Service Fund, not reported in governmental fund statements.	227,719						
Change in accrued environmental liability.	201,000						
Change in lease liabilities.	245,468						
Change in net pension liability.	(49,803,451)						
Change in net OPEB liability.	(2,145,078)						
Change in deferred inflows of resources for:							
	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"></td> <td style="width: 20%; text-align: right;">Net pension liability</td> <td style="width: 20%; text-align: right;">25,831,609</td> </tr> <tr> <td></td> <td style="text-align: right;">Net OPEB liability</td> <td style="text-align: right;"><u>4,456,389</u></td> </tr> </table>		Net pension liability	25,831,609		Net OPEB liability	<u>4,456,389</u>
	Net pension liability	25,831,609					
	Net OPEB liability	<u>4,456,389</u>					
Change in net position of governmental activities	<u><u>\$ 7,845,437</u></u>						

Northwest Education Services

STATEMENT OF NET POSITION - INTERNAL SERVICE FUND

June 30, 2023

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 1,687,103
Other receivables	301,628
Prepaid expenses	<u>321,307</u>
Total assets	<u><u>\$ 2,310,038</u></u>
LIABILITIES AND NET POSITION	
LIABILITIES	
Accounts payable	\$ 515,732
Other current liabilities - accumulated leave liability	6,500
Long-term debt - accumulated leave liability	<u>1,134,869</u>
Total liabilities	1,657,101
NET POSITION	
Unrestricted	<u>652,937</u>
Total liabilities and net position	<u><u>\$ 2,310,038</u></u>

The accompanying notes are an integral part of these financial statements.

Northwest Education Services

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - INTERNAL SERVICE FUND

Year Ended June 30, 2023

	<u>Governmental Activities</u>
OPERATING REVENUES	
Charges to other funds	\$ 3,461,512
Employee contributions	<u>52,772</u>
Total operating revenues	<u>3,514,284</u>
OPERATING EXPENSES	
Instruction	992,693
Support services	<u>2,316,283</u>
Total operating expenses	<u>3,308,976</u>
Operating income (loss)	205,308
NON-OPERATING REVENUES	
Interest	<u>22,411</u>
CHANGE IN NET POSITION	227,719
Net position, beginning of year	<u>425,218</u>
Net position, end of year	<u><u>\$ 652,937</u></u>

The accompanying notes are an integral part of these financial statements.

Northwest Education Services

STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUND

Year Ended June 30, 2023

	<u>Governmental Activities</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Charges to other funds - insurance	\$ 3,487,531
Employee contributions	52,772
Payments to other funds - compensated absences	58,887
Cash paid to service provider	(889,368)
Cash paid for insurance claims	<u>(2,399,130)</u>
Cash flows used by operating activities	<u>310,692</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earnings	22,411
Net sale (purchase) of investments	<u>789,323</u>
Cash flows provided by investing activities	<u>811,734</u>
Net change in cash and cash equivalents	1,122,426
CASH AND CASH EQUIVALENTS, beginning of year	<u>564,677</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 1,687,103</u></u>
Reconciliation of operating income to net cash from operating activities	
Operating income (loss)	\$ 205,308
Adjustments	
Change in accounts receivable	26,019
Change in prepaid expenses	48,362
Change in accounts payable	(27,884)
Change in current liability	(8,500)
Change in long-term accrued liabilities	<u>67,387</u>
Net cash used by operating activities	<u><u>\$ 310,692</u></u>

The accompanying notes are an integral part of these financial statements.

Northwest Education Services

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2023

	<u>Custodial Funds</u>
ASSETS	
Cash	<u>\$ 122,609</u>
LIABILITIES	
Due to pupil activities	<u>\$ 122,609</u>

Northwest Education Services

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

June 30, 2023

	<u>Custodial Funds</u>
Additions	
Contributions	\$ 122,609
Deductions	
Payments	<u>125,752</u>
Net change in fiduciary net position	(3,143)
Net position, beginning of year	<u>125,752</u>
Net position, end of year	<u><u>\$ 122,609</u></u>

Northwest Education Services

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The accounting and reporting framework and the more significant accounting principles and practices of Northwest Education Services (the “School District”) are discussed in subsequent sections of this note. The remainder of the notes are organized to provide explanations, including required disclosures, of the School District’s financial activities for the fiscal year ended June 30, 2023.

The Financial Reporting Entity

Northwest Education Services is a special purpose government and considered to be a primary government because it has a separately elected governing body, is legally separate and is fiscally independent of other State and local governments. The financial reporting entity of Northwest Education Services includes the School District as the primary government and its component units; i.e., legally separate organizations for which the primary government is financially accountable and any other organizations which management has determined, based on the nature and significance of their relationship with the School District, must be included to prevent the School District’s financial statements from being misleading. Based on criteria established in Governmental Accounting Standards Board (“GASB”) Statement No. 14, as amended, management has not identified any component units. Student, parent and teacher organizations are not included, except to the extent that the School District holds assets in the capacity of an agent.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the School District as a whole, except for its fiduciary activities. Individual funds are not displayed, but the statements distinguish governmental activities, generally supported by taxes and School District general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the School District’s services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Financial Statements

The balance sheet and statement of revenues, expenditures and changes in fund balances (i.e., fund financial statements) for the School District's governmental funds are presented after the government-wide statements. These statements display information about major funds individually and non-major funds in the aggregate for governmental funds. Major funds are generally those that represent 10% or more of governmental fund assets, liabilities, revenues or expenditures, or funds the School District considers particularly important to financial statement users. Internal Service Funds are combined and the totals are presented in a single column on the face of the proprietary funds statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the School District are prepared in accordance with generally accepted accounting principles ("GAAP"). The School District's reporting entity applies all relevant Governmental Accounting Standards Board pronouncements.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Fiduciary fund financial statements also report using this same focus and basis of accounting, although internal activity is not eliminated in these statements. 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 in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Major revenue sources susceptible to accrual include property taxes, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest and lease liability payments, which are reported as expenditures in the year due.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position using the accrual basis of accounting. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. The principal operating revenues of the internal service fund are the charges to other funds and employee contributions. Operating expenses for the internal service fund include amounts incurred for compensated absences, and medical, dental and vision benefits. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Types and Major Funds

Activities in Major Funds

The General Education Fund is the general operating fund of the School District. It is used to account for all financial resources except those accounted for in another fund.

The Special Education Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for special education programs.

The Vocational Education Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for various career and technical education related programs.

The Capital Projects Fund #2 is used to account for financial resources to be used for classroom construction, renovations, and special education capital items.

The Capital Projects Fund #6 is used to account for financial resources to be used for ongoing groundwater remediation, classroom construction, renovations, and vocational education capital items.

Activities in Non-Major Funds

Governmental Funds

The School Food Service Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for the hot lunch program.

The Michigan Works! Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for alternative and adult education programs focused on careers and career placement.

The School/Student Activity Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for school or student activities.

The Capital Projects Fund #1 is used to account for financial resources to be used for school district construction, renovation, and capital items.

Internal Service Fund

The Employee Benefits Fund is used to account for the proceeds of specific revenue sources used for expenditures for compensated absences and medical, dental, and optical benefits.

Fiduciary Funds

Custodial Funds are used to account for assets held by the School District in a trustee capacity. Fiduciary Funds net position and results of operations are not included in the government-wide statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Investments

Cash and cash equivalents include demand deposits, certificates of deposit, savings accounts, and short-term investments in Michigan School District Liquid Asset Fund (MILAF) with a maturity of three months or less when acquired. The MILAF invests in financial investment vehicles approved by the State of Michigan.

Investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. Certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the School District intends to hold the investment until maturity.

Prepays

Prepays record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Both inventories and prepaids are similarly reported in government-wide and fund financial statements.

Capital Assets

On the government-wide financial statements, capital assets are recorded at cost or, if donated, the fair value at the time of donation. On the governmental fund financial statements, capital assets are expensed in accordance with the modified accrual basis of accounting.

Capital assets are depreciated over their estimated useful lives ranging from 3 to 50 years. The School District generally capitalizes assets with costs of \$5,000 or more as purchase and construction outlays occur. No depreciation is recorded on land. Expenditures for major renewals and betterments that extend the useful lives of the capital assets are capitalized. Expenditures for maintenance and repairs are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives for depreciable assets are as follows:

	<u>Years</u>
Buildings	50
Improvements, other than buildings	20-25
Vehicles	5-15
Furniture, machinery and equipment	3-20

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Lease Assets and Liabilities

Lease agreements with a non-cancellable term exceeding 12 months are recorded as lease liabilities in the government-wide financial statements. The related leased asset is recorded as a right-of-use asset and amortized using a straight-line method over the lease term. The lease liability is valued at the net present value, whereby interest is calculated based on the School District's incremental borrowing rate.

Deferred Outflows of Resources and Deferred Inflows of Resources

The statement of financial position includes separate financial statement elements for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent an addition to net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

Fund Equity

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned or unassigned. Non-spendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the School Board through approval of resolutions. Assigned fund balance is a limitation imposed by the Superintendent and/or Chief Financial Officer as a designee of the School Board. Unassigned fund balance in the General Education Fund is the net resources in excess of what can be properly classified in one of the above four categories. Proprietary fund equity is classified the same as in the government-wide statements.

When both restricted and unrestricted fund balances are available for use, it is the School District's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

The School District adopted minimum fund balance policies for the General Fund, Special Education and Vocation Education funds requiring a minimum unassigned or restricted fund balance of 12% of the preceding year's revenues. Additionally, if the Special Education and Vocation Education funds restricted fund balance exceeds 12%, the School District shall reimburse local districts a supplemental amount. The School District was in compliance with the policies at June 30, 2023.

Allocation of Expenses

The School District reports each function's direct expenses, those that are specifically associated with a service, program, or department and, thus, are clearly identifiable to a particular function.

The School District has elected to not allocate indirect expenses.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Pension Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public 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.

Post-Employment Benefits Other Than Pensions (OPEB)

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

Environmental Remediation and Compliance

Environmental costs are generally expensed or capitalized when appropriate. Expenditures that relate to existing conditions caused by past operations, which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded in the statement of net position when environmental assessments and/or remedial efforts are probable, and the costs can be reasonably estimated.

Environmental expense consists of current environmental compliance costs plus increases/less decreases in the accrued environmental costs liability. Current environmental compliance costs include cost of ongoing monitoring programs and pollution prevention related to current activities.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

NOTE B - BUDGETARY POLICY AND PRACTICE

The School District has adopted these procedures in establishing the budgets as reflected in the financial statements.

1. As early as possible in the preceding fiscal year (generally in the spring), the Superintendent formulates preliminary budgets for the coming year, which he submits to the Board of Education for their review.
2. A public hearing is held prior to June 30 on the proposed budgets to obtain taxpayer comments.
3. The Board of Education reviews the proposed budget and then in June adopts a formal resolution approving the needed appropriations for the upcoming operating year.
4. All transfers of budget amounts and any amendments to the formal Appropriation Act are approved by the Board of Education.
5. It is the Superintendent's responsibility to supervise and monitor the budget process. This is done by reviewing the monthly financial data and reporting and recommending any needed amendments to the Board of Education.
6. The budget is adopted on a basis consistent with generally accepted accounting principles.
7. The budgets presented in these financial statements are as originally adopted and as formally amended by the Board of Education.

Excess of Expenditures over Appropriations in Budgeted Funds

Michigan Public Act 621 of 1978 provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the school year ended June 30, 2023, the School District was materially in compliance with the act.

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NOTES TO FINANCIAL STATEMENTS - Continued

NOTE C - CASH AND INVESTMENTS

At June 30, 2023, the School District’s cash and investments include the following:

	Balance Sheet Classification		Total
	Cash and Equivalents	Investments	
Bank deposits and cash on hand	\$ 4,763,198	\$ -	\$ 4,763,198
Money market bank deposits	9,917,803	-	9,917,803
Investments	-	29,823,999	29,823,999
	<u>\$ 14,681,001</u>	<u>\$ 29,823,999</u>	<u>\$ 44,505,000</u>

Custodial Credit Risk – Deposits and Investments

In the event of a bank failure, the School District’s deposits and investments may not be returned to it. As of June 30, 2023, \$16,771,273 of the School District’s bank balance of \$17,771,273 was exposed to custodial credit risk because it was uninsured and uncollateralized. At June 30, 2023, \$29,823,999 of investments were uninsured, but collateralized by securities held by the pledging institution.

Investments

Michigan law permits investments in the following vehicles:

1. Bonds and other obligations of the United States Government.
2. Certificates of deposit and savings accounts of banks or credit unions who are members of the FDIC and FSLIC, respectively.
3. Certain commercial paper.
4. United States Government repurchase agreements.
5. Banker's acceptance of United States banks.
6. Certain mutual funds.

Investment Type	Investment Maturities (in years) Market Value				
	Fair Value	Current	1-5	6-10	More than 10
Investment pools	<u>\$29,823,999</u>	<u>\$29,823,999</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk

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

NOTE C - CASH AND INVESTMENTS - continued

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized rating organizations. The School District has no investment policy that would further limit its investment choices. The School District's investment in the MILAF investment pool and MBIA Asset Management pool are both rated AAAM by Standard and Poor's.

NOTE D - RECEIVABLES, UNCOLLECTIBLE ACCOUNTS AND UNEARNED REVENUE

Property Taxes Receivable, Unearned Revenue and Property Tax Calendar

Property taxes are levied, billed, and attached as enforceable liens in July of the School District's fiscal year. Townships within the School District collect and remit taxes until February 15, at which time the uncollected real property taxes are turned over to the counties as delinquent. Delinquent real property taxes are funded by the county and remitted to the School District. Delinquent personal property tax remains a receivable until collected from the taxpayer by the townships and remitted to the School District. In the governmental fund financial statements, if delinquent taxes are not paid within 60 days of year-end, they are recorded as unearned revenue. In the government-wide financial statements, property taxes receivable and related revenue include all amounts due the School District regardless of when cash is received. Over time, substantially all property taxes are collected.

During the fiscal year, \$0.1881, \$2.0000 and \$0.6990 per \$1,000 of equalized principal residence and non-principal residence property value in the School District of approximately \$14.01 billion was levied for general operating, special education and vocational education purposes, respectively.

Intergovernmental Receivables, Unearned Revenue and Deferred Inflows of Resources

Intergovernmental receivables are primarily comprised of amounts due from the State and Federal governments. Revenue is recorded as earned when eligibility requirements are met. Grant revenues unearned in the governmental fund financial statements include unearned revenue and revenue received more than 60 days following year-end (unavailable to pay liabilities of the current period). Grant revenues not received within 60 days of year-end are reported as deferred inflows of resources in the governmental fund financial statements. Unearned revenue received after 60 days is fully recognized as revenue in the government-wide statements if grantor eligibility requirements are met.

Amounts due from other governments at June 30, 2023, are as follows:

Due from the State of Michigan	
State Aid	\$ 6,315,802
Due from Federal grants	1,736,252
Other receivables	813,514
	<hr/>
	\$ 8,865,568
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NOTES TO FINANCIAL STATEMENTS - Continued

NOTE E - INVESTMENTS IN CAPITAL ASSETS

Investments in capital assets consisted of the following:

	Beginning Balance	Additions	Transfers/ Reclassification/ Dispositions	Ending Balance
Building and improvements	\$ 27,787,770	\$ 1,876,131	\$ -	\$ 29,663,901
Buildings - leased assets	1,934,960	-	-	1,934,960
Furniture and equipment	7,776,864	896,602	-	8,673,466
Buses and vehicles	1,144,826	-	(9,912)	1,134,914
 Total depreciable assets	 38,644,420	 2,772,733	 (9,912)	 41,407,241
Less accumulated depreciation	(21,023,172)	(1,298,578)	9,912	(22,311,838)
Less accumulated amortization on buildings - leased assets	(248,252)	(248,252)	-	(496,504)
Land	108,543	-	-	108,543
Construction-in-process	102,450	3,946,193	-	4,048,643
 Total capital assets, net	 <u>\$ 17,583,989</u>	 <u>\$ 5,172,096</u>	 <u>\$ -</u>	 <u>\$ 22,756,085</u>

Depreciation and amortization expense was charged to the functions in the statement of activities, as follows:

Unallocated	<u>\$ 1,546,830</u>
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NOTE F - LONG-TERM DEBT

At June 30, 2023, the School District's long-term debt consisted of the following:

Accrued Expenses

Terminal leave pay for accumulated sick leave owed to employees who have been employed by the School District for specified periods of time and are qualified for retirement under the Michigan Public School Employees Retirement System.

\$ 1,141,369

The accrued expenses for terminal leave pay were not amortized because it is unknown when the employees will be receiving the payments.

Changes in long-term debt during the year ended June 30, 2023, were as follows:

	Beginning Balance	Additions	Payments	Ending Balance	Current Portion
Accumulated leave liability	<u>\$1,082,482</u>	<u>\$133,622</u>	<u>\$(74,735)</u>	<u>\$1,141,369</u>	<u>\$6,500</u>

The accumulated leave liability will be liquidated by the Internal Service Fund.

NOTE G - LEASE LIABILITIES

The School District leases the building at Oak Park Elementary from Traverse City Area Public Schools. The original lease agreement began in September 2005 and an extension was negotiated beginning July 1, 2022, whereby the lease expires June 30, 2030. Traverse City Area Public Schools is responsible for utilities and waste and snow removal.

The School District leases office and classroom space from 521 South Union, LLC. The lease agreement began in January 2019 and continues for a term of three years, and a three-year extension was negotiated beginning January 1, 2022, whereby the lease expires December 31, 2024. 521 South Union, LLC is responsible for utilities and snow removal.

The total cost of the School District’s building leased assets is \$1,934,960, less accumulated amortization of \$496,504.

The future lease payments under lease agreements are as follows:

Year ended June 30,	Principal	Interest	Total
2024	\$ 251,474	\$ 25,389	\$ 276,863
2025	227,490	21,061	248,551
2026	201,966	17,424	219,390
2027	205,516	13,874	219,390
2028	209,128	10,262	219,390
2029-2030	429,348	9,433	438,781
Total	<u>\$ 1,524,922</u>	<u>\$ 97,443</u>	<u>\$ 1,622,365</u>

NOTE H - RISK MANAGEMENT

General Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; unemployment benefits; and natural disasters. The School District manages its risk exposures and provides certain employee benefits through a combination of self-insurance and risk management pools.

The School District participates in SET-SEG’s risk management pools for worker’s compensation claims, liability insurance and errors and omissions coverages. SET-SEG was established pursuant to laws of the State of Michigan which authorize local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of SET-SEG is to provide cooperative and comprehensive risk financing and risk control services. SET-SEG provides risk management, underwriting, reinsurance and claim review and processing services for all member governments pursuant to its charter.

NOTE H - RISK MANAGEMENT - continued

Unemployment Liability

The School District pays unemployment claims on a reimbursement basis through the Bureau of Workers and Unemployment Compensation (“BWUC”). As BWUC pays eligible recipient benefits, this amount is billed to the School District. The School District accrues an estimated liability for future unemployment claims for employees laid off as of June 30 each year, plus an estimate for future unemployment claims from anticipated future layoffs of employees. The unemployment liability accrual was \$632 for the year ended June 30, 2023, and is included in salaries payable and related liabilities.

Employee Health Benefits

The School District has a self-insurance program for vision and dental insurance and medical benefits for non-teaching personnel. An Internal Service Fund has been established to pay vision, dental and medical benefit claims of the School District. Each governmental fund contributes to the self-insurance program based on the amount of insurance premium that would have had to be paid to an insurance carrier for insurance coverage.

Estimates for the liability for unpaid claims are based on actual claims in process as of year-end and an estimate of claims that will be made in the two months following year-end based on a three-year rolling average.

A reconciliation of the liability for unpaid claims follows:

Liability, beginning of year	\$ 543,616
Claims incurred	1,855,516
Payments on claims	<u>(1,883,400)</u>
Liability, end of year	<u>\$ 515,732</u>

NOTE I - BALANCES AND TRANSFERS/PAYMENTS WITHIN THE REPORTING ENTITY

Receivables and Payables

Generally, outstanding balances between funds reported as “due to/from other funds” include outstanding charges by one fund to another for services or goods, subsidy commitments outstanding at year-end and other miscellaneous receivables/payables between funds. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described as “due to/from other funds.”

The School District had no interfund receivables or payable balances at June 30, 2023.

NOTE I - BALANCES AND TRANSFERS/PAYMENTS WITHIN THE REPORTING ENTITY -
Continued

Transfers and Payments

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions. Resources are accumulated in a fund to support and simplify the administration of various projects or programs.

The government-wide statement of activities eliminates transfers as reported within the segregated governmental and business-type activities columns. Only transfers between the two columns appear in this statement.

The following schedule reports transfers and payments within the reporting entity:

Fund	Transfers In	Transfers Out
Major funds		
General Education Fund	\$ -	\$ 692,757
Special Education Fund	-	5,683,979
Vocational Education Fund	-	1,583,124
Capital Projects Fund #2	5,673,979	-
Capital Projects Fund #6	1,583,124	-
Non-major funds		
School Food Service	10,000	-
Capital Projects Fund #1	692,757	-
	<u>\$ 7,959,860</u>	<u>\$ 7,959,860</u>

NOTE J - PENSION PLAN

Plan Description

The Michigan Public School Employees' Retirement System ("MPERS") is a cost-sharing, multiple employer, State-wide, defined benefit public employee retirement plan and a fiduciary component unit of the State of Michigan ("State") originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The Board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's pension plan was established by the State to provide retirement, survivor, and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300, as amended).

NOTE J - PENSION PLAN - Continued

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

The System's financial statements are available at www.michigan.gov/orsschools.

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit ("DB") pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25% to 1.50%. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of September 30, 2021, will be amortized over an 17-year period beginning October 1, 2021 and ending September 30, 2038.

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE J - PENSION PLAN - Continued

The schedule below summarizes pension contribution rates in effect for the Plan's fiscal year September 30, 2022:

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

Required contributions to the pension plan from the School District were \$11,713,925 for the year ended September 30, 2022. Total contributions remitted to the plan include State pension funding the School District remitted to ORS as non-statutorily required contributions.

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

At June 30, 2023, the School District reported a liability of \$129,435,729 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2020. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employees during the measurement period. At September 30, 2022, the School District's proportion was 0.34416415%, which was an increase of 0.00781403% from its proportion measured as of September 30, 2021.

For the year ended June 30, 2023, the School District recognized pension expense of \$16,817,640. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,294,809	\$ 289,404
Changes of assumptions	22,241,696	-
Net difference between projected and actual earnings on pension plan investments	303,527	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,292,057	65,294
School District contributions subsequent to the measurement date	5,080,166	-
Total	<u>\$ 31,212,255</u>	<u>\$ 354,698</u>

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE J - PENSION PLAN - Continued

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pension resulting from employer contributions subsequent to measurement date of \$5,080,166 will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30,	Amount
2023	\$ 7,570,322
2024	5,696,509
2025	4,871,745
2026	<u>7,638,815</u>
Total	<u>\$ 25,777,391</u>

Actuarial Assumptions

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

Additional information as of the latest actual valuation follows:

Summary of Actuarial Assumptions:

Valuation Date:	September 30, 2021
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
MIP and Basic Plans:	6.00% net of investment expenses
Pension Plus Plan:	6.00% net of investment expenses
Pension Plus 2 Plan:	6.00% net of investment expenses
Projected Salary Increases:	2.75-11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	
Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

NOTE J - PENSION PLAN - Continued

Notes:

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

Long-Term Expected Rate of Return on Investments

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

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

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

Rate of Return

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

NOTE J - PENSION PLAN - Continued

Discount Rate

A discount rate of 6.00% was used to measure the total pension liability (6.00% for the Basic, MIP, Pension Plus and Pension Plus 2 plan provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.00% (6.00% for the Basic, MIP, Pension Plus and Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 6.00% (for the Basic, MIP, Pension Plus and Pension Plus 2 plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

1% Decrease (5.00%)	Current Single Discount Rate Assumption (6.00%)	1% Increase (7.00%)
\$ 170,807,076	\$ 129,435,729	\$ 95,343,875

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

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS Annual Comprehensive Financial Report ("ACFR") available on the ORS website at: www.michigan.gov/orsschools.

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

The School District reported \$1,310,622 and \$48,962 payable to the plan at June 30, 2023 for legally required defined benefit and defined contribution plan contributions, respectively.

NOTE K - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

The Michigan Public School Employees' Retirement System (System or MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan and a fiduciary component unit of the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

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

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

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided

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

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

NOTE K - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - Continued

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

Contributions

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2021 valuation will be amortized over an 17-year period beginning October 1, 2021 and ending September 30, 2038.

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

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.0%	8.09%
Personal Healthcare Fund (PHF)	0.0%	7.23%

Required contributions to the OPEB plan from the School District were \$2,632,287 for the year ended September 30, 2022.

NOTE K - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - Continued

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

At June 30, 2023, the School District reported a liability of \$7,319,290 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 30, 2021. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the systems during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2022, the School District's proportion was 0.34556534%, which was an increase of 0.00657903% from its proportion measured as of September 30, 2021.

For the year ended June 30, 2023, the School District recognized OPEB income of \$2,566,283. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ -	\$ 14,335,686
Changes of assumptions	6,523,918	531,215
Net difference between projected and actual earnings on OPEB plan investments	572,060	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	641,936	9,803
School District contributions subsequent to the measurement date	<u>1,522,870</u>	<u>-</u>
Total	<u>\$ 9,260,784</u>	<u>\$ 14,876,704</u>

NOTE K - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - Continued

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date of \$1,522,870 will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30,	Amount
2023	\$ (2,532,839)
2024	(2,326,646)
2025	(2,120,052)
2026	(103,877)
2027	(70,518)
Thereafter	<u>15,142</u>
Total	<u>\$ (7,138,970)</u>

Actuarial Assumptions

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

Additional information as of the latest actual valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2021
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.00% net of investment expenses
Projected Salary Increases:	2.75-11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	Pre-65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 Post-65: 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120
Mortality:	Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
	Active Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

NOTE K - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - Continued

Other Assumptions

- Opt Out Assumption: 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
- Survivor Coverage: 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
- Coverage Election at Retirement: 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2018 valuation. The total OPEB liability as of September 30, 2022, is based on the results of an actuarial valuation date of September 30, 2021, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 6.2250.
- Recognition period for assets in years: 5.0000.
- Full actuarial assumptions are available in the 2022 MPSERS Comprehensive Annual Financial Report (www.michigan.gov/orsschools).

Long-Term Expected Rate of Return on Investments

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

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

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

NOTE K - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - Continued

Rate of Return

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

Discount Rate

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

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

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

1% Decrease <u>(5.00%)</u>	Current Discount Rate <u>(6.00%)</u>	1% Increase <u>(7.00%)</u>
\$ 12,277,406	\$ 7,319,290	\$ 3,143,942

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

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

1% Decrease <u></u>	Current Healthcare Cost Trend Rate <u></u>	1% Increase <u></u>
\$ 3,064,969	\$ 7,319,290	\$ 12,094,851

NOTE K - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - Continued

OPEB Plan Fiduciary Net Position

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

Payables to the OPEB Plan

The School District reported \$72,612 payable to the Plan at June 30, 2023 for the OPEB liability.

NOTE L - COMMITMENTS AND CONTINGENCIES

Terminal/Sick Leave

There is no provision in these financial statements for terminal/sick leave payable to employees who do not presently meet age and service requirements, because the amount ultimately payable is unknown and not able to be estimated.

Federal and State Grants

In the normal course of operations, the School District receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authorities, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Environmental Matters

The School District has been designated a potentially responsible party ("PRP") by the Michigan Department of Environmental Quality ("MDEQ"). Property presently owned by the School District is alleged to be the source of soil, groundwater and surface water contamination. The contamination alleged by the MDEQ is the result of past hazardous substance disposal practices by a previous property owner. However, because of Michigan Act 307, in effect from the early 1980's to 1994, the School District is liable for a portion of the cleanup at the site.

At the School District's Career Tech Center ("CTC"), the MDEQ alleges that the groundwater and an adjacent creek are showing levels of contaminants that are unsafe. At the request of the MDEQ, several studies of this situation have been conducted and significant steps have been taken toward remediation. These steps included the hookup of several residences to city water.

The School District is responsible for 40% of the remediation costs. Of this 40%, the School District maintains insurance which could potentially cover up to 50% of the School District's costs. The remaining 60% is the responsibility of the previous owners of the CTC property.

NOTE L - COMMITMENTS AND CONTINGENCIES - continued

The School District's future costs are estimated to be \$875,000, prior to any insurance reimbursements. The School District anticipates receiving insurance reimbursements of approximately 50% of the costs, bringing the estimated costs down to \$437,500, net of insurance. A remediation action plan ("RAP") was submitted and accepted by the MDEQ. As of June 30, 2023, \$875,000 has been accrued in the statement of net position relative to this liability and \$875,000 is restricted in the Capital Projects #6 Fund, for future costs in this matter. The exact amount needed has not been determined.

The School District's portion of environmental expense consisted of cash expenses for ongoing operation study and monitoring of environmental concerns totaling approximately \$66,407 for the year ended June 30, 2023, net of insurance reimbursements.

Collectively Bargained Employment Agreements

The teachers of the School District are organized under the Northwest Education Services Education Association. The Board of Education and the Northwest Education Services Education Association have a contract through June 30, 2025.

The support staff of the School District are organized under the Northwest Education Services Support Personnel Association. The Board of Education and the Northwest Education Services Support Personnel Association have a contract through June 30, 2024.

REQUIRED SUPPLEMENTARY INFORMATION

Northwest Education Services

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL EDUCATION FUND

Year Ended June 30, 2023

	Budgeted Amounts		Actual (GAAP Basis)
	Original	Final	
Revenues			
Local sources	\$ 2,961,420	\$ 3,519,483	\$ 3,550,337
State sources	10,127,228	14,713,315	12,719,940
Federal sources	1,127,461	1,533,329	1,157,151
Other transactions	1,688,358	2,376,590	2,422,540
Total revenues	<u>15,904,467</u>	<u>22,142,717</u>	<u>19,849,968</u>
Expenditures			
Instruction expense			
Basic program	238,732	225,178	224,480
Added needs	378,795	1,700,838	1,641,479
Support services			
Pupil	138,590	1,230,500	1,210,151
Instructional staff	4,634,737	5,302,806	4,866,512
General administration	615,396	631,443	609,577
School administration	5,689	-	-
Business	1,076,779	1,175,288	1,188,965
Operation and maintenance	389,372	485,963	451,346
Pupil transportation	68,660	52,078	52,078
Central	1,503,280	1,826,482	1,829,181
Other support services	26,448	29,343	28,943
Community services	315,693	360,195	272,936
Payments to other governmental agencies, interfund transfers and other transactions	6,988,950	8,867,906	7,036,631
Total expenditures	<u>16,381,121</u>	<u>21,888,020</u>	<u>19,412,279</u>
REVENUES UNDER EXPENDITURES	(476,654)	254,697	437,689
Fund balance, beginning of year	<u>1,765,735</u>	<u>2,174,642</u>	<u>2,174,642</u>
Fund balance, end of year	1,289,081	2,429,339	2,612,331
Less committed fund balance	-	-	(273,171)
Less non-spendable fund balance	<u>-</u>	<u>-</u>	<u>(8,312)</u>
Fund balance, unassigned	<u>\$ 1,289,081</u>	<u>\$ 2,429,339</u>	<u>\$ 2,330,848</u>

Northwest Education Services

BUDGETARY COMPARISON SCHEDULE FOR THE SPECIAL EDUCATION FUND

Year Ended June 30, 2023

	Budgeted Amounts		Actual
	Original	Final	(GAAP Basis)
Revenues			
Local sources	\$ 31,305,434	\$ 32,411,922	\$ 32,441,994
State sources	22,954,764	23,779,354	23,748,059
Federal sources	7,577,240	7,170,715	7,030,037
Other transactions	1,661,716	1,558,778	1,526,576
Total revenues	63,499,154	64,920,769	64,746,666
Expenditures			
Instruction expense			
Added needs	15,633,342	14,346,983	14,226,254
Support services			
Pupil	26,641,376	26,026,577	26,012,084
Instructional staff	5,176,762	5,248,248	5,187,059
General administration	115,586	89,749	89,806
Business	1,324,861	1,260,764	1,247,528
Operation and maintenance	1,362,574	1,295,975	1,255,683
Pupil transportation	5,016,325	4,747,324	4,621,218
Central	1,794,169	1,766,513	1,729,481
Other	937	-	-
Community services	270,898	299,607	251,028
Payments to other governmental agencies, interfund transfers and other transactions	6,154,203	10,858,383	10,761,099
Total expenditures	63,491,033	65,940,123	65,381,240
REVENUES OVER (UNDER) EXPENDITURES	8,121	(1,019,354)	(634,574)
Fund balance, beginning of year - restricted	8,148,825	9,245,376	9,245,376
Less committed fund balance	(568,376)	(435,530)	(435,530)
Less non-spendable fund balance	-	-	(19,144)
Fund balance, end of year - restricted	\$ 7,588,570	\$ 7,790,492	\$ 8,156,128

Northwest Education Services

BUDGETARY COMPARISON SCHEDULE FOR THE VOCATIONAL EDUCATION FUND

Year Ended June 30, 2023

	Budgeted Amounts		Actual (GAAP Basis)
	Original	Final	
Revenues			
Local sources	\$ 9,954,921	\$10,105,608	\$10,144,328
State sources	1,594,344	1,992,693	2,018,993
Federal sources	275,971	274,771	274,759
Other transactions	-	46,724	45,724
Total revenues	<u>11,825,236</u>	<u>12,419,796</u>	<u>12,483,804</u>
Expenditures			
Instruction expense			
Added needs	6,004,869	6,226,369	6,240,251
Support services			
Pupil	952,674	926,235	893,381
Instructional staff	490,625	433,159	369,161
General administration	280,311	270,734	265,638
School administration	617,780	582,972	589,225
Business	259,250	262,461	255,316
Operation and maintenance	1,141,193	1,089,982	1,028,714
Pupil transportation	7,500	208	207
Central	599,755	598,441	589,639
Other	32,988	70,429	61,935
Community services	10,286	11,850	10,954
Payments to other governmental agencies, interfund transfers and other transactions	<u>1,373,518</u>	<u>2,258,865</u>	<u>2,258,372</u>
Total expenditures	<u>11,770,749</u>	<u>12,731,705</u>	<u>12,562,793</u>
REVENUES OVER (UNDER) EXPENDITURES	54,487	(311,909)	(78,989)
Fund balance, beginning of year - restricted	1,364,541	1,802,285	1,802,285
Less non-spendable fund balance	<u>-</u>	<u>-</u>	<u>(2,436)</u>
Fund balance, end of year - restricted	<u>\$ 1,419,028</u>	<u>\$ 1,490,376</u>	<u>\$ 1,720,860</u>

Northwest Education Services

SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Michigan Public School Employees Retirement Plan

	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
School District's proportion of collective net pension liability	.34416415%	.33635012%	.33436673%	.33331985%	.33026454%	.32487632%	.31087629%	.30522213%	.29220000%
School District's proportionate share of net pension liability	\$ 129,435,729	\$ 79,632,278	\$ 114,858,609	\$ 110,384,328	\$ 99,283,483	\$ 84,189,265	\$ 77,561,091	\$ 74,550,587	\$ 64,361,720
School District's covered-employee payroll	\$ 33,780,134	\$ 30,856,993	\$ 29,994,320	\$ 29,446,112	\$ 28,471,861	\$ 27,781,429	\$ 26,582,927	\$ 25,588,828	\$ 25,032,815
School District's proportionate share of net pension liability as a percentage of covered-employee payroll	383.17%	258.07%	382.93%	374.87%	348.71%	303.04%	291.77%	291.34%	257.11%
Plan fiduciary net position as a percentage of total pension liability	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

SCHEDULE OF SCHOOL DISTRICT'S DEFINED BENEFIT PENSION CONTRIBUTIONS

Michigan Public School Employees Retirement Plan

	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Statutorily required employer contributions	\$ 6,612,393	\$ 6,180,043	\$ 6,204,504	\$ 5,899,721	\$ 5,152,098	\$ 5,018,992	\$ 5,242,770	\$ 5,888,131	\$ 5,537,723
School District contributions made to the Plan	6,612,393	6,180,043	6,204,504	5,899,721	5,152,098	5,018,992	5,242,770	5,888,131	5,537,723
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered-employee payroll	\$ 32,864,391	\$ 32,214,374	\$ 30,388,105	\$ 30,192,675	\$ 29,125,465	\$ 28,384,294	\$ 28,536,764	\$ 26,222,808	\$ 25,755,636
Contributions as a percentage of covered-employee payroll	20.12%	19.18%	20.42%	19.54%	17.69%	17.68%	18.37%	22.45%	21.50%

Northwest Education Services

SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

Michigan Public School Employees Retirement Plan

	<u>9/30/2022</u>	<u>9/30/2021</u>	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>
School District's proportion of collective net OPEB liability	.34556534%	.33898631%	.33711189%	.33616767%	.33391407%	.32512407%
School District's proportionate share of net OPEB liability	\$ 7,319,290	\$ 5,174,212	\$ 18,059,984	\$ 24,129,268	\$ 26,542,668	\$ 28,791,268
School District's covered-employee payroll (OPEB)	\$ 33,780,134	\$ 30,856,993	\$ 29,994,320	\$ 29,446,112	\$ 28,471,861	\$ 27,781,429
School District's proportionate share of net OPEB liability as a percentage of covered-employee payroll	21.67%	16.77%	60.21%	81.94%	93.22%	103.63%
Plan fiduciary net position as a percentage of total OPEB liability	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%

SCHEDULE OF SCHOOL DISTRICT'S OPEB CONTRIBUTIONS

Michigan Public School Employees Retirement Plan

	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>
Statutorily required OPEB contributions	\$ 2,156,544	\$ 2,378,514	\$ 1,874,357	\$ 1,953,297	\$ 2,206,812	\$ 1,630,992
OPEB contributions in relation to statutorily required contributions	<u>2,156,544</u>	<u>2,378,514</u>	<u>1,874,357</u>	<u>1,953,297</u>	<u>2,206,812</u>	<u>1,630,992</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered-employee payroll (OPEB)	\$ 32,864,391	\$ 32,214,374	\$ 30,388,105	\$ 30,192,675	\$ 29,125,465	\$ 28,384,294
OPEB contributions as a percentage of covered-employee payroll	6.56%	7.38%	6.17%	6.47%	7.58%	5.75%

**COMBINING FINANCIAL STATEMENTS OF
NON-MAJOR GOVERNMENTAL FUNDS**

Northwest Education Services

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2023

	Special Revenue Funds			Capital Projects Fund #1	Total Non-Major Governmental Funds
	School Food Service	Michigan Works!	Student/School Activity		
ASSETS					
Cash and cash equivalents	\$ 4,055	\$ 297,437	\$ 450,636	\$ 1,916,437	\$ 2,668,565
Investments	-	-	-	489,824	489,824
Due from other governments and other receivables	-	180,064	-	-	180,064
	-	180,064	-	-	180,064
Total assets	\$ 4,055	\$ 477,501	\$ 450,636	\$ 2,406,261	\$ 3,338,453
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 3,209	\$ 112,245	\$ 2,606	\$ 62,426	\$ 180,486
Accrued payroll and related liabilities	-	64,786	-	-	64,786
Unearned revenue	-	266,786	-	-	266,786
	-	266,786	-	-	266,786
Total liabilities	3,209	443,817	2,606	62,426	512,058
FUND BALANCES					
Restricted for fund use	846	33,684	-	-	34,530
Committed for fund use	-	-	448,030	-	448,030
Assigned	-	-	-	2,343,835	2,343,835
	-	-	-	2,343,835	2,343,835
Total fund balances	846	33,684	448,030	2,343,835	2,826,395
Total liabilities and fund balances	\$ 4,055	\$ 477,501	\$ 450,636	\$ 2,406,261	\$ 3,338,453

Northwest Education Services

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2023

	Special Revenue Funds			Capital Projects Fund #1	Total Non-Major Governmental Funds
	School Food Service	Michigan Works!	Student/School Activity		
Revenues					
Local sources	\$ 8,849	\$ -	\$ 223,349	\$ -	\$ 232,198
Interest	-	1,538	43	41,503	43,084
State sources	-	794,723	-	-	794,723
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	8,849	796,261	223,392	41,503	1,070,005
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures					
Instruction	-	411,176	-	-	411,176
Support services	-	384,973	224,651	-	609,624
Food service	21,271	-	-	-	21,271
Capital outlay	-	-	-	2,098,603	2,098,603
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	21,271	796,149	224,651	2,098,603	3,140,674
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(12,422)	112	(1,259)	(2,057,100)	(2,070,669)
Other financing sources					
Operating transfers in	10,000	-	-	692,757	702,757
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
REVENUE OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES	(2,422)	112	(1,259)	(1,364,343)	(1,367,912)
Fund balance, beginning of year	3,268	33,572	449,289	3,708,178	4,194,307
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance, end of year	\$ 846	\$ 33,684	\$ 448,030	\$ 2,343,835	\$ 2,826,395
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

FEDERAL PROGRAMS

**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***

Board of Education
Northwest Education Services

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of *Northwest Education Services* (the "School District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 10, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) as a basis for designing 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 School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Dennis, Gartland & Niergarth

Certified Public Accountants
Traverse City, Michigan

October 10, 2023

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

Board of Education
Northwest Education Services

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited *Northwest Education Services'* (the "School District") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2023. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questions Costs.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statues, regulations, rules, and provisions of contracts or grant agreements applicable to the School District'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 the School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 the School District'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 profession 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 the School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 of 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.

Dennis, Gartland & Niergarth

Certified Public Accountants
Traverse City, Michigan

October 10, 2023

NORTHWEST EDUCATION SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For fiscal year ended June 30, 2023

GRANT NAME	Project Number	Assistance Listing Number	Grant Amount	Accrued (Unearned) Revenue July 1, 2022	Prior Years Expenditures	Current Year Cash Receipts	Current Year Expenditures	Accrued (Unearned) Revenue June 30, 2023	Cash Transferred to Subrecipient	
U.S. Department of Agriculture										
Passed through the Groundwork Center for Resilient Communities										
Regional Food System Partnerships	N/A	10.177	\$ 52,000	\$ -	\$ -	\$ -	\$ 779	\$ 779	\$ -	
Passed through Michigan Fitness Foundation										
SNAP Cluster										
Supplemental Nutrition Assistance Program (SNAP)										
MNN Food Stamp Assistance	N/A	10.551	139,654	30,343	109,927	53,485	23,142	-	-	
MNN Food Stamp Assistance	N/A	10.551	135,000	-	-	67,199	90,821	23,622	-	
Total Michigan Fitness Foundation			274,654	30,343	109,927	120,684	113,963	23,622	-	
Direct award										
Farm to School Grant Program	N/A	10.575	100,000	12,265	22,241	12,265	-	-	-	
Passed through Michigan Department of Education										
Pandemic EBT Administrative Costs	220980	2122	628	-	-	628	628	-	-	
TOTAL U.S. DEPT OF AGRICULTURE			427,282	42,608	132,168	133,577	115,370	24,401	-	
U.S. Department of Treasury										
Coronavirus State and Local Fiscal Recovery Funds										
GSRP Expansion	222390	GSRP2122	21.027	452,226	259,226	259,226	410,867	232,324	80,683	149,307
GSRP Expansion	232390	GSRP2223	21.027	590,175	-	-	119,714	167,153	47,439	119,714
TOTAL U.S. DEPT OF TREASURY			1,042,401	259,226	259,226	530,581	399,477	128,122	269,021	
U.S. Department of Education										
Passed through Michigan Department of Education										
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)										
Regional Assistance Grant	221570	2122	84.010	137,348	18,033	128,030	18,131	9,318	9,220	-
Regional Assistance Grant	231570	2223	84.010A	146,569	-	-	67,498	76,490	8,992	-
Total Title I Grants to Local Education Agencies			283,917	18,033	128,030	85,629	85,808	18,212	-	
Migrant Education - State Grant Program (Title I, Part C of the ESEA)										
Title I Part C Migrant	221890	2122	84.011	300,019	78,989	243,268	82,179	3,190	-	-
Title I Part C Migrant	231890	2223	84.011	352,736	-	-	280,913	259,694	(21,219)	-
Title I Part C Migrant Summer	221830	2122	84.011	422,641	48,202	48,202	247,617	199,415	-	-
Title I Part C Migrant Summer	231830	2223	84.011	366,699	-	-	-	63,427	63,427	-
Total Migrant Education - State Grant Program			1,442,095	127,191	291,470	610,709	525,726	42,208	-	
Special Education Cluster (IDEA)										
Special Education - Grants to States (IDEA, Part B)										
IDEA Part B General Supervision	220493	2122	84.027	151,800	16,557	151,800	16,557	-	-	-
IDEA Part B General Supervision	230493	2223	84.027	167,000	-	-	136,285	167,000	30,715	-
IDEA Flowthrough	210450	2021	84.027	5,573,924	709,810	5,773,952	709,810	-	-	-
IDEA Flowthrough	220450	2022	84.027	5,748,989	680,228	5,253,745	1,066,641	495,244	108,831	-
IDEA Flowthrough	230450	2223	84.027	5,565,982	-	-	4,199,801	4,947,662	747,861	-
IDEA Flowthrough - ARP	221280	2122	84.027X	1,220,541	12,385	414,045	592,731	768,641	188,295	-
Total Special Education - Grants to States (IDEA, Part B)			18,428,236	1,418,980	11,593,542	6,721,825	6,378,547	1,075,702	-	
Special Education - Preschool Grants (IDEA Preschool)										
Preschool Incentive	220460	2122	84.173	170,592	155,529	170,592	155,529	-	-	-
Preschool Incentive	230460	2223	84.173	176,445	-	-	14,602	121,020	106,418	17,424
Preschool Incentive - ARP	221285	2122	84.173X	95,153	89,726	89,726	89,726	3,621	3,621	851
Total Special Education - Preschool Grants (IDEA Preschool)			442,190	245,255	260,318	259,857	124,641	110,039	18,275	
Total Special Education Cluster			18,870,426	1,664,235	11,853,860	6,981,682	6,503,188	1,185,741	18,275	
Special Education - Grants for Infants and Families										
Early On-Pt H	221340	2122	84.181	170,848	31,072	170,848	31,072	-	-	-
Early On-Pt H	231340	2223	84.181	174,164	-	-	-	150,006	150,006	-
Early On-Pt H - ARP	221340	EOARP	84.181X	82,406	6,489	36,774	43,101	45,632	9,020	-
Total Special Education - Grants for Infants and Families			427,418	37,561	207,622	74,173	195,638	159,026	-	
English Language Acquisition State Grants										
Title III Part A	220580	2122	84.365	73,029	15,976	41,811	16,090	114	-	-
Title III Part A	230580	2223	84.365	69,772	-	-	20,243	22,940	2,697	-
Total Title III Part A			142,801	15,976	41,811	36,333	23,054	2,697	-	

NORTHWEST EDUCATION SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For fiscal year ended June 30, 2023

GRANT NAME	Project Number	Assistance Listing Number	Grant Amount	Accrued (Unearned) Revenue July 1, 2022	Prior Years Expenditures	Current Year Cash Receipts	Current Year Expenditures	Accrued (Unearned) Revenue June 30, 2023	Cash Transferred to Subrecipient
Passed through Wexford/Missaukee ISD									
Career and Technical Education - Basic Grants to States (Perkins IV)									
Vocational Ed - Regional Perkins	9200	84.048A	358,402	33,478	358,402	33,478	-	-	-
Vocational Ed - Regional Perkins	9200	84.048A	274,671	-	-	189,646	274,671	85,025	-
Total Career and Technical Education - Basic Grants to States (Perkins IV)			633,073	33,478	358,402	223,124	274,671	85,025	-
TOTAL U.S. DEPARTMENT OF EDUCATION			21,799,730	1,896,474	12,881,195	8,011,650	7,608,085	1,492,909	18,275
U.S. Department of Health and Human Services									
Every Student Succeeds Act/Preschool Development Grants									
Passed through School Readiness Consulting									
Coordinated Eligibility and Enrollment	3.922	93.434	30,000	-	-	-	30,000	30,000	-
Passed through Michigan Department of Education									
Trusted Advisors Grant	223910 2122	93.434	32,500	3,127	4,675	16,912	20,184	6,399	-
Total Every Student Succeeds Act/Preschool Development Grants			62,500	3,127	4,675	16,912	50,184	36,399	-
Passed through Northwest Michigan Community Action Agency									
Temporary Assistance for Needy Families									
TANF	N/A	93.558	85,000	-	-	-	48,766	48,766	-
Passed through Eastern Upper Peninsula ISD									
CCDF Cluster									
Child Care and Development Block Grant									
Early Childhood Services Network	21/22	93.575	22,240	9,711	14,350	17,600	7,889	-	-
Early Childhood Services Network	22/23	93.575	15,312	-	-	-	5,655	5,655	-
Total CCDF Cluster			37,552	9,711	14,350	17,600	13,544	5,655	-
Passed through Michigan Department of Health and Human Services									
Medicaid Cluster									
Medical Assistance Program (Medicaid; Title XIX)									
Medicaid Outreach (LEA)	N/A	93.778	79,209	-	-	79,209	79,209	-	79,209
Medicaid Outreach (North Ed)	N/A	93.778	111,714	-	-	111,714	111,714	-	-
Total Medicaid Cluster			190,923	-	-	190,923	190,923	-	79,209
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			375,975	12,838	19,025	225,435	303,417	90,820	79,209
TOTAL FEDERAL ASSISTANCE			\$ 23,645,388	\$ 2,211,146	\$ 13,291,614	\$ 8,901,243	\$ 8,426,349	\$ 1,736,252	\$ 366,505

NORTHWEST EDUCATION SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
PROVIDED TO SUBRECIPIENTS
For fiscal year ended June 30, 2023

Program Title/Grant Number Subrecipient Name	Assistance Listing Number	Subrecipient Award/Contract Amount	Due To (From) Subrecipient July 1, 2022	(Memo Only)		Subrecipient Current Year Expenditures	Current Year Cash Transferred To Subrecipient	Due To (From) Subrecipient June 30, 2023
				Subrecipients Prior Year Expenditures	Subrecipient Current Year Expenditures			
U.S. Department of Treasury								
Passed Through Michigan Department of Education								
Coronavirus State and Local Fiscal Recovery Funds								
GSRP Preschool								
22S439 2122	4392		21.027					
Benzie County Central Schools		\$ 48,024	\$ 5,947	\$ 5,947	\$ 6,876	\$ 12,823	\$ -	
Elk Rapids Public Schools		56,028	18,741	29,606	26,422	18,741	26,422	
Frankfort-Elberta Area Schools		24,012	4,033	4,033	-	4,033	-	
Forest Area Community Schools		8,004	-	6,316	1,688	1,688	-	
Blue Fish Childrens Center		64,032	32,973	40,479	23,553	56,526	-	
Northern Michigan Community Action Agency		120,060	31,550	96,114	23,946	55,496	-	
		<u>320,160</u>	<u>93,244</u>	<u>182,495</u>	<u>82,485</u>	<u>149,307</u>	<u>26,422</u>	
GSRP Preschool								
23S439 2223	4393		21.027					
Benzie County Central Schools		50,508	-	-	5,820	5,820	-	
Frankfort-Elberta Area Schools		25,254	-	-	25,254	-	25,254	
Forest Area Community Schools		8,418	-	-	7,784	7,784	-	
Blue Fish Childrens Center		67,344	-	-	29,244	7,059	22,185	
Northern Michigan Community Action Agency		126,270	-	-	40,125	40,125	-	
Traverse City Area Public Schools		58,926	-	-	58,926	58,926	-	
		<u>336,720</u>	<u>-</u>	<u>-</u>	<u>167,153</u>	<u>119,714</u>	<u>47,439</u>	
Total U.S. Department of Treasury		656,880	93,244	182,495	249,638	269,021	73,861	
U.S. Department of Education								
Passed Through Michigan Department of Education								
Special Education Cluster								
PreSchool								
230460 22-23	8053		84.173					
Kalkaska Public Schools		17,424	-	-	17,424	17,424	-	
Traverse City Area Public Schools		88,083	-	-	88,068	-	88,068	
		<u>105,507</u>	<u>-</u>	<u>-</u>	<u>105,492</u>	<u>17,424</u>	<u>88,068</u>	

NORTHWEST EDUCATION SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
PROVIDED TO SUBRECIPIENTS
For fiscal year ended June 30, 2023

Program Title/Grant Number Subrecipient Name	Assistance Listing Number	Subrecipient Award/Contract Amount	Due To (From) Subrecipient July 1, 2022	(Memo Only)	Subrecipient Current Year Expenditures	Current Year Cash Transferred To Subrecipient	Due To (From) Subrecipient June 30, 2023
				Subrecipients Prior Year Expenditures			
PreSchool ARP							
221285 21-22	4372	84.173X					
Kalkaska Public Schools		14,957	-	14,106	851	851	-
Traverse City Area Public Schools		48,483	-	45,713	2,770	-	2,770
		<u>63,440</u>	<u>-</u>	<u>59,819</u>	<u>3,621</u>	<u>851</u>	<u>2,770</u>
Total U.S. Department of Education		168,947	-	59,819	109,113	18,275	90,838
U.S. Department of Health and Human Services							
Passed through Michigan Department of Health and Human Services							
Medicaid-School Based Services/							
Outreach (LEA)	93.778						
Alba Public School		649	-	-	649	649	-
Bellaire Public Schools		2,639	-	-	2,639	2,639	-
Benzie County Central Schools		3,169	-	-	3,169	3,169	-
Buckley Community School		1,792	-	-	1,792	1,792	-
Elk Rapids Public Schools		4,640	-	-	4,640	4,640	-
Forest Area Community Schools		2,254	-	-	2,254	2,254	-
Frankfort-Elberta Area Schools		2,955	-	-	2,955	2,955	-
Glen Lake Community Schools		4,083	-	-	4,083	4,083	-
Kalkaska Public Schools		4,832	-	-	4,832	4,832	-
Kingsley Area Schools		3,805	-	-	3,805	3,805	-
Leelanau Montessori PSA		126	-	-	126	126	-
Leland Public School		1,552	-	-	1,552	1,552	-
Mancelona Public Schools		4,399	-	-	4,399	4,399	-
Northport Public School		45	-	-	45	45	-
Suttons Bay Public Schools		2,707	-	-	2,707	2,707	-
Traverse City Area Public Schools		39,562	-	-	39,562	39,562	-
Total U.S. Department of Health and Human Services		79,209	-	-	79,209	79,209	-
Total		\$ 905,036	\$ 93,244	\$ 242,314	\$ 437,960	\$ 366,505	\$ 164,699

Northwest Education Services

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2023

- Note 1** The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the School District, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (“Uniform Guidance”). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
- Note 2** Management has reported that expenditures in this Schedule of Expenditures of Federal Awards are equal to those amounts reported in the annual or final cost reports. Unallowed differences, if any, have been disclosed to the auditor.
- Note 3** The financial reports, including claims for advances and reimbursements and amounts claimed or used for matching are timely, complete and accurate, and contain information that is supported by the books and records from which the basic financial statements have been prepared. Grant receipts reported on the Schedule of Expenditures of Federal Awards, as passed through the Michigan Department of Education (“MDE”), reconcile to the MDE Cash Management System (“CMS”) Grant Auditor Report. Unreconciled differences have been disclosed to the auditor.
- Note 4** A reconciliation of expenditures on the Schedule of Expenditures of Federal Awards and sources on the financial statements are as follows:
- | | |
|---|---------------------|
| Federal expenditures per Schedule of Expenditures of Federal Awards | \$ 8,426,349 |
| Payments in lieu of taxes and other adjustments | <u>468</u> |
| Federal sources per financial statements | <u>\$ 8,426,817</u> |
- Note 5** The School District did not use the 10% de-minimis cost rate under the Uniform Administrative Requirements.

Northwest Education Services

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2023

Current Year

Section 1 - Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statements of Northwest Education Services.
2. There were no significant deficiencies in internal control reported as a result of the audit of the financial statements.
3. No instances of noncompliance material to the financial statements, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. There were no significant deficiencies disclosed in internal control over major Federal award programs.
5. The auditor's report on compliance for the major Federal award programs for the School District expresses an unmodified opinion on all major Federal programs.
6. There are no audit findings reported in accordance with 2 CFR section 200.516(a).
7. The following programs are considered major programs:
 - Special Education Cluster:
 - Special Education – Grants to States (IDEA, Part B)
 - IDEA, Part B, General Supervision Assistance Listing #84.027
 - IDEA Flowthrough Assistance Listing #84.027
 - Special Education – Preschool Grants (IDEA Preschool)
 - Preschool Incentive Assistance Listing #84.173
8. The threshold used for distinguishing between Type A and Type B programs was \$750,000.
9. Northwest Education Services qualified as a low-risk auditee.

Section 2 - Findings in Accordance with Government Auditing Standards

No findings.

Section 3 - Findings and Questioned Costs in Accordance with the Uniform Guidance

No findings.

Prior Year

There were no findings in the previous fiscal year.