



WEINLANDER FITZHUGH

SHIAWASSEE REGIONAL EDUCATIONAL
SERVICE DISTRICT
OWOSSO, MICHIGAN

FINANCIAL STATEMENTS
JUNE 30, 2021

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WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

October 6, 2021

Board of Education
Shiawassee Regional Educational Service District
Owosso, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Shiawassee Regional Educational Service District (School District), as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School District's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Shiawassee Regional Educational Service District as of June 30, 2021 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

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Board of Education
Shiawassee Regional Educational Service District
October 6, 2021

Emphasis of Matter

As discussed in Note 12 to the financial statements, the School District implemented Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis, budgetary comparison information, pension schedules and other postemployment benefits schedules as noted in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other 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 nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is also not a required part of the basic financial statements.

The nonmajor funds financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 U.S. generally accepted auditing standards. In our opinion, the nonmajor funds 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.



WEINLANDER FITZHUGH

Board of Education
Shiawassee Regional Educational Service District
October 6, 2021

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2021, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Weinlander Fitzhugh

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2021

Our discussion and analysis of Shiawassee Regional Educational Service District's (School District) financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2021.

Financial Highlights

The School District's net position increased by \$316,302 or 1%. Program revenues were \$19,836,703 or 59% of total revenues, and general revenues were \$13,569,603 or 41%.

The General Fund reported a positive fund balance of \$1,929,525. The Special Education Fund reported a positive fund balance of \$9,371,260.

Using this Annual Financial Report

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

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

Basic Financial Statements

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

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

Pension Schedules (Required Supplemental Information)

OPEB Schedules (Required Supplemental Information)

Other Supplemental Information

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2021

Reporting the District as a Whole

The Statement of Net Position and Statement of Activities

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2021

District-wide Financial Analysis

The statement of net position provides the perspective of the School District as a whole. Exhibit A provides a summary of the School District's net position as of June 30, 2021 and 2020:

| Exhibit A | <u>Governmental Activities</u> | |
|--|--------------------------------|--------------------------|
| | <u>2021</u> | <u>Restated 2020</u> |
| Assets | | |
| Current and other assets | \$ 19,793,681 | \$ 17,062,287 |
| Capital assets - net of accumulated depreciation | 4,587,693 | 4,614,362 |
| Total assets | <u>24,381,374</u> | <u>21,676,649</u> |
| Deferred Outflows of Resources | | |
| Related to OPEB | 3,016,594 | 2,740,348 |
| Related to pensions | 8,736,152 | 11,527,611 |
| Total deferred outflows of resources | <u>11,752,746</u> | <u>14,267,959</u> |
| Liabilities | | |
| Current liabilities | 7,695,384 | 7,135,540 |
| Long-term liabilities | 49,142,137 | 50,404,458 |
| Total liabilities | <u>56,837,521</u> | <u>57,539,998</u> |
| Deferred Inflows of Resources | | |
| Related to pensions | 2,044,760 | 2,985,025 |
| Related to OPEB | 5,118,563 | 3,602,611 |
| Total deferred inflows of resources | <u>7,163,323</u> | <u>6,587,636</u> |
| Net Position | | |
| Net investment in capital assets | 4,587,693 | 4,614,362 |
| Restricted | 1,608,362 | 1,217,566 |
| Unrestricted | (34,062,779) | (34,052,600) |
| Total net position | <u>\$ (27,866,724)</u> | <u>\$ (28,220,672)</u> |

The analysis above focuses on net position (see Exhibit A). The School District's net position of governmental activities was \$(27,866,724) at June 30, 2021. Investment in property and equipment, net of related debt totaling \$4,587,693, compares the original costs less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Restricted net position is reported separately to show legal constraints from debt requirements and legislation that limit the School District's ability to use that net position for day-to-day operations.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2021

The \$(34,062,779) in unrestricted net position of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The School District implemented GASB Statement No. 68 in 2015. The effect of this Statement required the School District to report in the summary of net position, a liability of \$42,414,647 for 2021 and \$41,280,230 for 2020.

The School District implemented GASB Statement No. 75 in 2018. The effect of this Statement required the School District to report in the summary of net position, a liability of \$6,652,194 for 2021 and \$8,946,349 for 2020.

The results of this year's operations for the School District as a whole are reported in the statement of activities. Exhibit B provides a summary of the changes in net position for the years ended June 30, 2021 and 2020.

Exhibit B

| | Governmental Activities | |
|--|-------------------------|------------------|
| | 2021 | Restated 2020 |
| Revenues | | |
| Program revenue: | | |
| Charges for services | \$ 6,435,819 | \$ 4,011,055 |
| Grants and categoricals | 13,400,884 | 12,985,677 |
| General revenue: | | |
| Property taxes | 9,548,849 | 9,266,398 |
| State aid | 3,514,127 | 3,688,095 |
| Other | 506,627 | 988,642 |
| Total revenues | 33,406,306 | 30,939,867 |
| Function/Program Expenses | | |
| Instruction | 5,137,264 | 5,379,234 |
| Support services | 22,052,722 | 20,549,212 |
| Community services | 1,351,043 | 1,175,633 |
| Capital outlay | 173,265 | 167,944 |
| Transfers out to other local districts | 3,916,514 | 4,416,473 |
| Student activities | 7,415 | 0 |
| Depreciation (unallocated) | 451,781 | 365,452 |
| Total expenses | 33,090,004 | 32,053,948 |
| Change in Net Position | \$ 316,302 | \$ (1,114,081) |

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2021

As reported in the statement of activities, the cost of all of our governmental activities this year was \$33,090,004. Certain activities were partially funded from those who benefited from the programs, \$6,435,819, or by the other governments and organizations that subsidized certain programs with grants and categoricals of \$13,400,884. We paid for the remaining "public benefit" portion of our governmental activities with \$9,548,849 in taxes, \$3,514,127 in State aid and with our other revenues, such as interest and entitlements.

The School District's governmental activities had an increase in net position of \$316,302. The major reason was that an increase in student count resulted in an increase of services to be provided.

The School District's Funds

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

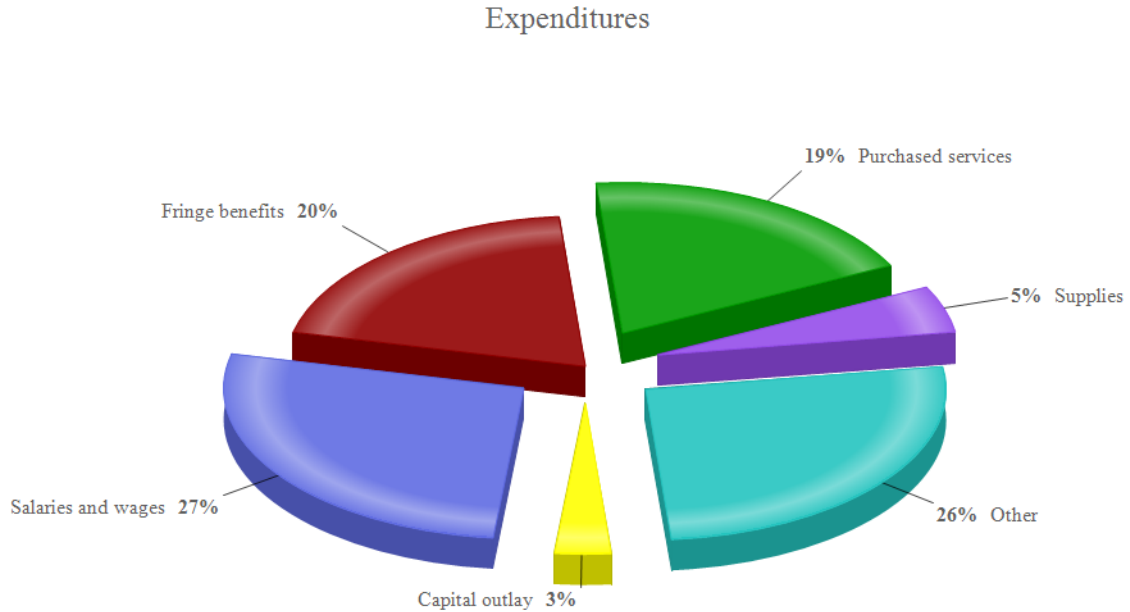
The School District's governmental funds reported a combined fund balance of \$12,936,467, which is above last year's total of \$10,242,330. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2021 and 2020.

| | Fund Balance <u>6/30/2021</u> | Restated Fund Balance <u>6/30/2020</u> | Increase (Decrease) |
|-------------------------|-------------------------------------|---|------------------------|
| General Fund | \$ 1,929,525 | \$ 1,464,518 | \$ 465,007 |
| Special Education Fund | 9,371,260 | 7,560,246 | 1,811,014 |
| Student Activities Fund | 27,320 | 18,823 | 8,497 |
| Self-funded Health Fund | (731,894) | (334,406) | (397,488) |
| Capital Projects | <u>1,608,362</u> | <u>1,217,566</u> | <u>390,796</u> |
| | <u>\$ 12,204,573</u> | <u>\$ 9,926,747</u> | <u>\$ 2,277,826</u> |

- Our General Fund increased due to a reduction in operating expenditures as a result of staff shortages.
- Our Special Education Fund increased due to additional revenue received from local tax sources as a result of rising property values as well as a reduction in operating expenditures as a result of staff shortages.
- Our Student Activities Fund increased due to the transfer in of two Student Activity funds which were held under the Special Education Fund.
- Our Self-Funded Health Fund decreased due to a higher than expected increase in medical claims throughout the year.
- Our Capital Projects Fund increased due to additional revenue from the cost sharing contribution top-up from each fund as well as delayed expenditures during the current fiscal year as a result of COVID-19.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
 Management's Discussion & Analysis
For the Year Ended June 30, 2021

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

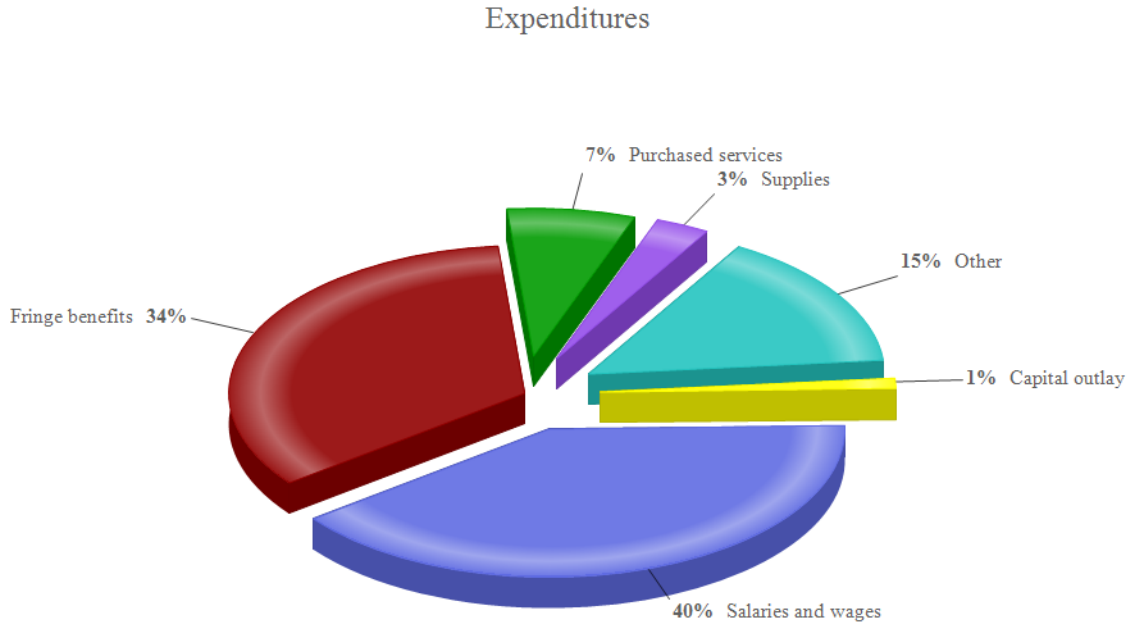


| Expenditures by Object | 2021 | 2020 |
|------------------------|---------------|---------------|
| Salaries and wages | \$ 3,060,055 | \$ 2,815,241 |
| Fringe benefits | 2,155,415 | 1,997,195 |
| Purchased services | 2,041,296 | 2,278,982 |
| Supplies | 517,950 | 404,037 |
| Capital outlay | 317,832 | 105,811 |
| Other | 2,788,781 | 3,258,074 |
| Total | \$ 10,881,329 | \$ 10,859,340 |

Expenditures have increased by \$21,989 from the prior year mainly due to increased costs in purchased services for delivery of pupil supported programs as a result of staff shortages.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2021

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



| Expenditures by Object | <u>2021</u> | <u>2020</u> |
|------------------------|----------------------|----------------------|
| Salaries and wages | \$ 7,782,464 | \$ 8,457,732 |
| Fringe benefits | 6,507,644 | 6,439,295 |
| Purchased services | 1,283,598 | 1,189,163 |
| Supplies | 501,106 | 424,326 |
| Capital outlay | 277,288 | 736,174 |
| Other | 2,873,390 | 3,124,535 |
| Total | <u>\$ 19,225,490</u> | <u>\$ 20,371,225</u> |

Expenditures have decreased by \$1,145,735 from the prior year mainly due to a decrease in salary and wages for teachers and support personnel as a result of staff retiring and positions remaining vacant during the fiscal year. Expenditures in capital outlay and other categories also decreased from the prior year as a result in delayed program closeout cost allocations from State departments and delays in capital purchase deliveries.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2021

Budgetary Highlights

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

- Budgeted revenues for the General Fund were increased by \$2,541,360 due to additional State grants awarded during the fiscal year along with award carryover and deferred revenue not accounted for in the original budget. Local revenue also increased in property tax collection due to property values increasing in 2021.
- Actual revenue for the General Fund was \$2,605,329 less than budgeted revenues due to State grants being deferred into the 2021-2022 fiscal year as programs continue to be delivered through the next school year.
- Budgeted expenditures for the General Fund were increased by \$2,077,015. This increase was due to additional State grants which were awarded during the fiscal year, along with award carryover not accounted for in the original budget.
- Actual expenditures for the General Fund were \$2,374,313 less than budgeted expenditures due to additional State grants awarded during the fiscal year being deferred into the 2021-2022 fiscal year as programs continue to be delivered through the next school year.
- Budgeted revenues for the Special Education Fund were increased by \$1,063,864 due to additional State and Federal grants awarded during the fiscal year, along with local revenue increasing in property tax collection due to property values increasing in 2021.
- Actual revenue for the Special Education Fund was \$422,425 less than budgeted revenues due to Federal award grants being deferred into the 2021-2021 fiscal year as programs continue to be delivered through the next school year.
- Budgeted expenditures for the Special Education Fund were decreased by \$189,452. This was due to a reduction in salary and wages for teacher and support personnel as a result of staff retiring and positions remaining vacant during the fiscal year.
- Actual expenditures for the Special Education Fund were \$1,763,621 less than budget expenditures due to State and Federal grant awards being deferred into the 2021-2022 fiscal year as programs continue to be delivered through the next school year. There was also a reduction in salary and wages for teacher and support personnel as a result of staff retiring and positions remaining vacant during the fiscal year.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2021

Capital Assets

At June 30, 2021, the School District had \$4,587,693 invested in a broad range of capital assets, including land, buildings, furniture and equipment. This amount represents a net decrease (including additions and disposals) of 1% from last year.

| | <u>2021</u> | <u>2020</u> |
|-----------------------------------|-------------------------|-------------------------|
| Land | \$ 13,138 | \$ 13,138 |
| Buildings and improvements | 5,816,240 | 5,792,451 |
| Land improvements | 243,715 | 243,715 |
| Equipment and furniture | 1,325,215 | 1,151,886 |
| Vehicles | <u>3,150,969</u> | <u>3,330,296</u> |
| Total capital assets | 10,549,277 | 10,531,486 |
| Less accumulated depreciation | <u>5,961,584</u> | <u>5,917,124</u> |
| Net capital assets | <u>\$ 4,587,693</u> | <u>\$ 4,614,362</u> |

This year's government activities additions of \$425,112 were for a furnace and air conditioning unit, buses, a phone system and software and computer upgrades.

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

Factors Expected to have an Effect on Future Operations

The following factors will affect the District in the future and were considered in preparing the District's budget for the 2020-2021 fiscal year:

Foundation Allowance - No increase was budgeted for 2021-2022. PA 48 of 2021, which was approved after the adoption of our initial budget, increased the per pupil foundation allowance to \$8,700 for the 2021-2022 fiscal year. The political debate regarding the funding of public education, the current economic climate in the State of Michigan and the continued issues surrounding the COVID-19 pandemic may affect future fiscal year estimates.

Retirement Rate - The continuing cost of health insurance to current and potential retirees drives the recommended rates provided by Michigan School Employees Retirement System, to the legislature for approval. In 2021-2022, the rate is anticipated to increase to 28.23%. However, the District will be required to pay an additional 15.05% for all wages earned October 1, 2021 and later, for the Unfunded Actuarial Accrued Liability (UAAL).

Medical Insurance Rates – In 2021-2022, the rate is anticipated to increase by the allotted annual cap rate of 3.3% through December 2021 and 3.7% to June 2022.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2021

Requests for Information

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

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

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Statement of Net Position
June 30, 2021

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| <u>Assets</u> | |
| Cash and investments | \$ 15,545,491 |
| Receivables - net: | |
| Accounts receivable | 992,245 |
| Due from other governmental units | 3,019,269 |
| Prepaid expenses | 236,676 |
| Capital assets less accumulated depreciation \$5,961,584 | <u>4,587,693</u> |
| Total assets | <u>24,381,374</u> |
| <u>Deferred Outflows of Resources</u> | |
| Related to pensions | 8,736,152 |
| Related to OPEB | <u>3,016,594</u> |
| Total deferred outflows of resources | <u>11,752,746</u> |
| <u>Liabilities</u> | |
| Accounts payable | 86,559 |
| Unearned revenue | 5,525,342 |
| Accrued payroll and other liabilities | 2,083,483 |
| Long-term liabilities: | |
| Due in more than one year | 75,326 |
| Net pension liability | 42,414,617 |
| Net OPEB liability | <u>6,652,194</u> |
| Total liabilities | <u>56,837,521</u> |
| <u>Deferred Inflows of Resources</u> | |
| Related to pensions | 2,044,760 |
| Related to OPEB | <u>5,118,563</u> |
| Total deferred inflows of resources | <u>7,163,323</u> |
| <u>Net Position</u> | |
| Net investment in capital assets | 4,587,693 |
| Restricted for capital projects | 1,608,362 |
| Unrestricted | <u>(34,062,779)</u> |
| Total net position | <u>\$ (27,866,724)</u> |

See accompanying notes to financial statements.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Statement of Activities
For the Year Ended June 30, 2021

| | Program Revenues | | | Governmental Activities |
|---|-------------------------|---------------------------------------|--|-------------------------------|
| Expenses | Charges for Services | Operating Grants/ Contributions | Net (Expense) Revenue and Changes in Net Position | |
| <u>Functions/Programs</u> | | | | |
| Primary government - | | | | |
| Governmental activities: | | | | |
| Instruction | \$ 5,137,264 | \$ 1,387,892 | \$ 10,327,015 | \$ 6,577,643 |
| Support services | 22,052,722 | 5,034,215 | 0 | (17,018,507) |
| Community services | 1,351,043 | 5,670 | 0 | (1,345,373) |
| Capital outlay | 173,265 | 0 | 0 | (173,265) |
| Transfers out to other local districts | 3,916,514 | 0 | 3,065,999 | (850,515) |
| Student activities | 7,415 | 8,042 | 7,870 | 8,497 |
| Depreciation (unallocated) | 451,781 | 0 | 0 | (451,781) |
| Total governmental activities | <u>\$ 33,090,004</u> | <u>\$ 6,435,819</u> | <u>\$ 13,400,884</u> | <u>(13,253,301)</u> |
| General revenues: | | | | |
| Taxes: | | | | |
| Property taxes, levied for general purposes | | | | 9,548,849 |
| State aid | | | | 3,514,127 |
| Interest and investment earnings | | | | 5,140 |
| Other | | | | 501,487 |
| | | | | <u>13,569,603</u> |
| Change in net position | | | | 316,302 |
| Net position - beginning of year, restated | | | | <u>(28,183,026)</u> |
| Net position - end of year | | | | <u><u>\$ (27,866,724)</u></u> |

See accompanying notes to financial statements.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
 Governmental Funds
 Balance Sheet
 June 30, 2021

| | General | Special Education Fund | Other Nonmajor Governmental Funds | Total |
|---|--------------|------------------------------|--|---------------|
| <u>Assets</u> | | | | |
| Cash and investments | \$ 4,546,489 | \$ 9,725,245 | \$ 1,135,682 | \$ 15,407,416 |
| Receivables - net: | | | | |
| Accounts receivable | 633,475 | 226,097 | 0 | 859,572 |
| Due from other funds | 2,336,828 | 1,135,164 | 500,000 | 3,971,992 |
| Due from other governmental units | 1,222,621 | 1,796,648 | 0 | 3,019,269 |
| Prepaid expenditures | 221,556 | 15,120 | 0 | 236,676 |
| Total assets | \$ 8,960,969 | \$ 12,898,274 | \$ 1,635,682 | \$ 23,494,925 |
| <u>Liabilities and Fund Balance</u> | | | | |
| <u>Liabilities</u> | | | | |
| Accounts payable | \$ 32,593 | \$ 53,966 | \$ 0 | \$ 86,559 |
| Due to other funds | 364,606 | 2,737,417 | 0 | 3,102,023 |
| Unearned revenue | 5,305,540 | 219,802 | 0 | 5,525,342 |
| Accrued payroll and other liabilities | 1,328,705 | 515,829 | 0 | 1,844,534 |
| Total liabilities | 7,031,444 | 3,527,014 | 0 | 10,558,458 |
| <u>Fund Balance</u> | | | | |
| Nonspendable - prepaid | 221,556 | 15,120 | 0 | 236,676 |
| Restricted for special education | 0 | 8,177,735 | 0 | 8,177,735 |
| Restricted for capital projects | 0 | 0 | 1,608,362 | 1,608,362 |
| Committed for student/school activities | 0 | 0 | 27,320 | 27,320 |
| Committed | 18,414 | 591,912 | 0 | 610,326 |
| Assigned | 95,000 | 586,493 | 0 | 681,493 |
| Unassigned | 1,594,555 | 0 | 0 | 1,594,555 |
| Total fund balance | 1,929,525 | 9,371,260 | 1,635,682 | 12,936,467 |
| Total liabilities and fund balance | \$ 8,960,969 | \$ 12,898,274 | \$ 1,635,682 | \$ 23,494,925 |

See accompanying notes to financial statements.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
 Reconciliation of Balance Sheet of Governmental Funds
 to the Statement of Net Position
June 30, 2021

| | |
|---|------------------------|
| Total fund balance - governmental funds | \$ 12,936,467 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets used in governmental activities are not financial resources and are not reported in the funds | |
| Cost of the capital assets | 10,549,277 |
| Accumulated depreciation | (5,961,584) |
| Deferred outflows used in governmental activities are not financial resources and therefore are not reported in governmental funds: | |
| Related to pensions | 8,736,152 |
| Related to OPEB | 3,016,594 |
| Long-term liabilities are not due and payable in the current period and are not reported in the funds: | |
| Compensated absences | (75,326) |
| Net pension liability | (42,414,617) |
| Net OPEB liability | (6,652,194) |
| Deferred inflows used in governmental activities are not recognized as current resources and therefore are not reported in governmental funds: | |
| Related to pensions | (2,044,760) |
| Related to OPEB | (5,118,563) |
| Internal service funds are used by the School District to charge costs of employee benefit programs to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets | <u>(838,170)</u> |
| Total net position - governmental activities | <u>\$ (27,866,724)</u> |

See accompanying notes to financial statements.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2021

| | General | Special Education Fund | Other Nonmajor Governmental Funds | Total |
|---|---------------------|------------------------------|--|----------------------|
| <u>Revenues</u> | | | | |
| Local sources | \$ 1,025,872 | \$ 10,120,632 | \$ 0 | \$ 11,146,504 |
| State sources | 6,128,178 | 7,297,764 | 30,739 | 13,456,681 |
| Federal sources | 426,476 | 3,102,497 | 0 | 3,528,973 |
| Interdistrict and other sources | 2,583,587 | 515,611 | 0 | 3,099,198 |
| Total revenues | <u>10,164,113</u> | <u>21,036,504</u> | <u>30,739</u> | <u>31,231,356</u> |
| <u>Expenditures</u> | | | | |
| Instruction | 618,156 | 4,206,496 | 0 | 4,824,652 |
| Support services | 6,213,446 | 11,958,747 | 0 | 18,172,193 |
| Community services | 1,315,285 | 37,750 | 0 | 1,353,035 |
| Improvements | 0 | 23,051 | 124,031 | 147,082 |
| Student/school activities | 0 | 0 | 7,415 | 7,415 |
| Total expenditures | <u>8,146,887</u> | <u>16,226,044</u> | <u>131,446</u> | <u>24,504,377</u> |
| Excess (deficiency) of revenues over expenditures | <u>2,017,226</u> | <u>4,810,460</u> | <u>(100,707)</u> | <u>6,726,979</u> |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Operating transfers in | 1,182,223 | 0 | 500,000 | 1,682,223 |
| Operating transfers out | 0 | (1,682,223) | 0 | (1,682,223) |
| Transfers out to other local districts | (2,734,442) | (1,317,223) | 0 | (4,051,665) |
| Total other financing sources (uses) | <u>(1,552,219)</u> | <u>(2,999,446)</u> | <u>500,000</u> | <u>(4,051,665)</u> |
| Net change in fund balance | 465,007 | 1,811,014 | 399,293 | 2,675,314 |
| Fund balance - beginning of year, restated | <u>1,464,518</u> | <u>7,560,246</u> | <u>1,236,389</u> | <u>10,261,153</u> |
| Fund balance - end of year | <u>\$ 1,929,525</u> | <u>\$ 9,371,260</u> | <u>\$ 1,635,682</u> | <u>\$ 12,936,467</u> |

See accompanying notes to financial statements.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2021

| | |
|--|-------------------|
| Net change in fund balance - total governmental funds | \$ 2,675,314 |
| <p>Amounts reported for governmental activities in the statements of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation</p> | |
| Depreciation expense | (451,781) |
| Capital outlay | 425,112 |
| <p>Decreases in compensated absences are reported as an addition in expenditures when financial resources are used in the governmental fund in accordance with GASB Interpretation No. 6</p> | |
| | 102,553 |
| <p>Internal service funds are used by the School District to charge costs of employee benefit programs to individual funds. The net change in fund balance of the internal service fund is reported with governmental activities</p> | |
| | (503,764) |
| <p>Some revenue and expenses reported in the statement of activities are not recognized as or require the use of current resources and, therefore are not reported in the governmental funds</p> | |
| Pension related items | (2,985,581) |
| OPEB related items | <u>1,054,449</u> |
| Change in net position of governmental activities | <u>\$ 316,302</u> |

See accompanying notes to financial statements.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Internal Service Fund
Statement of Net Position
June 30, 2021

| | <u>Self-funded Health</u> |
|--|-------------------------------|
| <u>Assets</u> | |
| Cash and cash equivalents | \$ 138,075 |
| Accounts receivable - reinsurance payments | <u>132,673</u> |
| Total assets | <u>270,748</u> |
| <u>Liabilities</u> | |
| Due to other funds | 869,969 |
| Accrued payroll and other liabilities | <u>238,949</u> |
| Total liabilities | <u>1,108,918</u> |
| <u>Net Position</u> | |
| Unrestricted | <u><u>\$ (838,170)</u></u> |

See accompanying notes to financial statements.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Internal Service Fund
Statement of Revenues, Expenses and Changes
in Net Position
For the Year Ended June 30, 2021

| | <u>Self-funded Health</u> |
|---------------------------------|-------------------------------|
| <u>Operating revenue</u> | |
| Other local sources | \$ 2,420,193 |
| <u>Expenditures</u> | |
| Insurance expense | <u>2,923,957</u> |
| Change in net position | (503,764) |
| Net position, beginning of year | <u>(334,406)</u> |
| Net position, end of year | <u><u>\$ (838,170)</u></u> |

See accompanying notes to financial statements.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Internal Service Fund
Statement of Cash Flows
For the Year Ended June 30, 2021

| | <u>Self-funded Health</u> |
|---|-------------------------------|
| <u>Cash Flows From Operating Activities</u> | |
| Change in net position | \$ (503,764) |
| Adjustments to reconcile change in net position to net cash flows from operating activities: | |
| Accounts receivable | (132,672) |
| Accrued payroll and other liabilities | 40,812 |
| Due to other funds | <u>323,020</u> |
| Net cash flows from operating activities | <u>(272,604)</u> |
| | |
| Net change in cash | (272,604) |
| | |
| Cash - beginning of year | <u>410,679</u> |
| | |
| Cash - end of year | <u><u>\$ 138,075</u></u> |

See accompanying notes to financial statements.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

District-wide and Fund Financial Statements

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

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

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

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

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

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

The School District reports the following major governmental funds:

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

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

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The School District reports the following fund types:

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

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

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

Assets, Liabilities, and Net Position or Equity

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

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

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

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

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

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

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

| | General Fund | Special Education Fund | Total |
|---|----------------------|---------------------------|-----------------------|
| Committed: | | | |
| Unemployment/sick/retirement | \$ 18,414 | \$ 56,912 | \$ 75,326 |
| Distribution committed to local districts | <u>0</u> | <u>535,000</u> | <u>535,000</u> |
| Total committed | <u>\$ 18,414</u> | <u>\$ 591,912</u> | <u>\$ 610,326</u> |
| Assigned: | | | |
| Technology | \$ 50,000 | \$ 71,493 | \$ 121,493 |
| Multi-district consortium | 45,000 | 0 | 45,000 |
| Bus purchase | 0 | 215,000 | 215,000 |
| Medicaid | 0 | 200,000 | 200,000 |
| Local-districts - technology | <u>0</u> | <u>100,000</u> | <u>100,000</u> |
| Total assigned | <u>\$ 95,000</u> | <u>\$ 586,493</u> | <u>\$ 681,493</u> |

Deferred Outflows and Inflows of Resources

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

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

State Aid - The School District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received. Amounts receivable from the State of Michigan at June 30, 2021 relating to state aid is \$2,399,609.

Events Occurring After Reporting Date

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

NOTE 2 - BUDGETS

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

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 2 - BUDGETS (CONTINUED)

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

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

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

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

NOTE 3 - CASH AND INVESTMENTS

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

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

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

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

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

| | Primary Government |
|---------------------------|-----------------------|
| Cash and cash equivalents | \$ 14,834,246 |
| Investments | 711,245 |
| | \$ 15,545,491 |

As of June 30, 2021 the School District had deposits and investments subject to the following risk:

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2021, \$15,357,188 of the School District's bank balance of \$16,219,068 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

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

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

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

| <u>Investment type</u> | <u>Fair value</u> | <u>Weighted average maturity (years)</u> |
|------------------------|-------------------|--|
| MILAF+ Max Class | \$ <u>711,245</u> | N/A |

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

| <u>Investment type</u> | <u>Fair value</u> | <u>Rating</u> | <u>Rating Agency</u> |
|------------------------|-------------------|---------------|----------------------|
| MILAF+ Max Class | \$ <u>711,245</u> | AAAm | Standard & Poor's |

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

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

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

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

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

| | |
|------------------|-------------------|
| | Amortized Cost |
| MILAF+ Max Class | <u>\$ 711,245</u> |

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

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 4 - CAPITAL ASSETS

A summary of changes in governmental capital assets follows:

| | Balance June 30, 2020 | Additions | Disposals and Adjustments | Balance June 30, 2021 |
|--------------------------------------|--------------------------|--------------------|------------------------------|--------------------------|
| Assets not being depreciated: | | | | |
| Land | \$ 13,138 | \$ 0 | \$ 0 | \$ 13,138 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 5,792,451 | 23,789 | 0 | 5,816,240 |
| Land improvements | 243,715 | 0 | 0 | 243,715 |
| Equipment and furniture | 1,151,886 | 173,329 | 0 | 1,325,215 |
| Vehicles | 3,330,296 | 227,994 | (407,321) | 3,150,969 |
| Subtotal | <u>10,518,348</u> | <u>425,112</u> | <u>(407,321)</u> | <u>10,536,139</u> |
| Accumulated depreciation: | | | | |
| Buildings and improvements | 2,628,023 | 130,293 | 0 | 2,758,316 |
| Land improvements | 116,988 | 10,785 | 0 | 127,773 |
| Equipment and furniture | 1,030,792 | 52,549 | 0 | 1,083,341 |
| Vehicles | 2,141,321 | 258,154 | (407,321) | 1,992,154 |
| Subtotal | <u>5,917,124</u> | <u>451,781</u> | <u>(407,321)</u> | <u>5,961,584</u> |
| Net capital assets being depreciated | <u>4,601,224</u> | <u>(26,669)</u> | <u>0</u> | <u>4,574,555</u> |
| Net capital assets | <u>\$ 4,614,362</u> | <u>\$ (26,669)</u> | <u>\$ 0</u> | <u>\$ 4,587,693</u> |

Depreciation expense for fiscal year ended June 30, 2021 was \$451,781. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A summary of interfund receivable and payable balances at June 30, 2021 are as follows:

| | | Payables | | | |
|-------------|-------------------|------------|----------------------|---------------------|--------------|
| | | General | Special Education | Internal Service | Total |
| Receivables | General | \$ 0 | \$ 2,237,417 | \$ 99,411 | \$ 2,336,828 |
| | Special Education | 364,606 | 0 | 770,558 | 1,135,164 |
| | Capital Projects | 0 | 500,000 | 0 | 500,000 |
| | | \$ 364,606 | \$ 2,737,417 | \$ 869,969 | \$ 3,971,992 |

A summary of interfund transfers made during the year ended June 30, 2021 are as follows:

| | | Transfers Out |
|--------------|------------------|----------------------|
| | | Special Education |
| Transfers In | General | \$ 1,182,223 |
| | Capital Projects | 500,000 |
| | | \$ 1,682,223 |

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

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

NOTE 6 - RECEIVABLES

Receivables at June 30, 2021 consist of accounts (fees), intergovernmental grants and interest.

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

| | |
|----------------------|--------------|
| State aid and grants | \$ 2,399,609 |
| Federal grants | 619,660 |
| | \$ 3,019,269 |

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 7 - UNEARNED REVENUE

Governmental funds report unearned revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also reflect unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, grant and categorical aid payments received prior to meeting all eligibility requirements amounted to \$5,525,342.

NOTE 8 - LONG-TERM OBLIGATIONS

The following is a summary of governmental long-term obligations for the School District for the year ended June 30, 2021:

| | Balance June 30, 2020 | Additions | Retirements and Payments | Balance June 30, 2021 | Amount Due Within One Year |
|-------------------------|--------------------------|-----------|-----------------------------|--------------------------|----------------------------------|
| Compensated absences | \$ 177,879 | \$ 0 | \$ 102,553 | \$ 75,326 | \$ 0 |

Compensated absences include unused sick pay. Unused sick pay is calculated using the termination payoff rate of \$20 for eligible employees times the number of unused days (maximum 120 days). At June 30, 2021, the amount of \$75,326 has been recorded in the district-wide financial statements.

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical claims and participates in the SET-SEG risk pool for claims relating to workers' compensation, general liability, and property/casualty claims. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three fiscal years.

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

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 9 - RISK MANAGEMENT (CONTINUED)

All non-union District employees have an option to participate in the District's self-funded, comprehensive medical care, dental and vision benefits program. The cost of medical care is paid out of employee and employer contributions. The District has contracted with EHIM, a third-party administrator, to provide administrative services for this health care benefits program and a deposit has been established with an ongoing \$85,000 balance to cover health costs, \$20,000 to cover dental benefits and \$3,000 to cover vision costs. Stop gap insurance has been purchased to reimburse the school district for individual claims incurred over the hard cap. The School District transferred self funded health insurance to an internal service fund effective June 1, 2020. Included in the accrued payroll and other liabilities is \$238,949 for an estimate of claims incurred but not recorded (IBNR) as of June 30, 2021.

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS

Plan Description

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

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

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

Benefits Provided - Overall

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

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

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

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

Benefits Provided - Pension

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

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

Pension Reform 2010

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

Pension Reform 2012

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

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

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

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

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

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

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

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

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

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

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

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

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

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

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

Pension Reform of 2017

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

Benefits Provided – Other postemployment benefit (OPEB)

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

Retiree Healthcare Reform of 2012

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

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

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

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

Regular Retirement (no reduction factor for age)

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

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

Member Contributions

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

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The 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.

Pension and OPEB contributions made in the fiscal year ending September 30, 2020 were determined as of the September 30, 2017 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2017, are amortized over a 19-year period beginning October 1, 2019 and ending September 30, 2038.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

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

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

| | Pension | Other Postemployment Benefit |
|--------------------------------------|-----------------|------------------------------------|
| October 1, 2019 - September 30, 2020 | 13.39% - 19.59% | 7.57% - 8.09% |
| October 1, 2020 - September 30, 2021 | 13.39% - 19.41% | 7.57% - 8.09% |

The School District's pension contributions for the year ended June 30, 2021 were equal to the required contribution total. Total pension contributions were approximately \$3,714,000. Of the total pension contributions approximately \$3,617,000 was contributed to fund the Defined Benefit Plan and approximately \$97,000 was contributed to fund the Defined Contribution Plan.

The School District's OPEB contributions for the year ended June 30, 2021 were equal to the required contribution total. Total OPEB contributions were approximately \$938,000. Of the total OPEB contributions approximately \$879,000 was contributed to fund the Defined Benefit Plan and approximately \$59,000 was contributed to fund the Defined Contribution Plan.

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

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

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

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

Pension Liabilities

The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2019 and rolled-forward using generally accepted actuarial procedures. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

| MPSERS (Plan) Non-University Employers: | September 30, 2020 | September 30, 2019 |
|--|--------------------|--------------------|
| Total Pension Liability | \$ 85,290,583,799 | \$ 83,442,507,212 |
| Plan Fiduciary Net Position | \$ 50,939,496,006 | \$ 50,325,869,388 |
| Net Pension Liability | \$ 34,351,087,793 | \$ 33,116,637,824 |
| Proportionate share | 0.12347 % | 0.12465 % |
| Net Pension liability for the School District | \$ 42,414,617 | \$ 41,280,230 |

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

For the year ended June 30, 2021, the School District recognized pension expense of approximately \$5,029,000.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

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

At June 30, 2021, 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 | \$ 648,061 | \$ (90,528) |
| Net difference between projected and actual earnings on pension plan investments | 178,207 | 0 |
| Changes in assumptions | 4,699,949 | 0 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 109,118 | (335,657) |
| Unearned revenue related to pension portion of Section 147c | 0 | (1,618,575) |
| School District's contributions subsequent to the measurement date | 3,100,817 | 0 |
| Total | \$ 8,736,152 | \$ (2,044,760) |

\$3,100,817, reported as deferred outflows of resources related to pensions resulting from School District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent year.

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

| Year Ended June 30 | Amount |
|---------------------------|---------------------|
| 2022 | \$ 2,459,373 |
| 2023 | 1,667,390 |
| 2024 | 832,587 |
| 2025 | 249,800 |
| | \$ 5,209,150 |

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

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

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

OPEB Liabilities

The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2019 and rolled-forward using generally accepted actuarial procedures. The School District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

| MPSERS (Plan) Non-University Employers: | September 30, 2020 | September 30, 2019 |
|---|--------------------|--------------------|
| Total OPEB Liability | \$ 13,206,903,534 | \$ 13,925,860,688 |
| Plan Fiduciary Net Position | \$ 7,849,636,555 | \$ 6,748,112,668 |
| Net OPEB Liability | \$ 5,357,266,979 | \$ 7,177,748,020 |
| Proportionate share | 0.12417 % | 0.12464 % |
| Net OPEB liability for the School District | \$ 6,652,194 | \$ 8,946,349 |

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

For the year ended June 30, 2021, the School District recognized OPEB expense of approximately \$(170,516).

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

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

At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred (Inflows) of Resources |
|---|---|--|
| Difference between expected and actual experience | \$ 0 | \$ (4,956,506) |
| Net difference between projected and actual plan investments | 55,520 | 0 |
| Changes in assumption | 2,193,360 | 0 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 112,522 | (162,057) |
| School District's contributions subsequent to the measurement date | 655,192 | 0 |
| Total | \$ 3,016,594 | \$ (5,118,563) |

\$655,192, reported as deferred outflows of resources related to OPEB resulting from School District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

| Year Ended June 30 | Amount |
|---------------------------|-----------------------|
| 2022 | \$ (733,305) |
| 2023 | (658,616) |
| 2024 | (555,012) |
| 2025 | (458,364) |
| 2026 | (351,864) |
| | \$ (2,757,161) |

Actuarial Assumptions

Investment rate of return for Pension - 6.80% a year, compounded annually net of investment and administrative expenses for the MIP, Basic and Pension Plus groups and 6.00% a year, compounded annually net of investment and administrative expenses for the Pension Plus 2 Plan.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

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

Investment rate of return for OPEB - 6.95% a year, compounded annually net of investment and administrative expenses.

Salary increases - The rate of pay increase used for individual members is 2.75%.

Inflation - 3.0%

Mortality assumptions -

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

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

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

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2019. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2018 Comprehensive Annual Financial Report.

The long-term expected rate of return on pension and other postemployment benefit plan investments - The rate was 6.80% (MIP, Basic, and Pension Plus Plan) and 6.00% for the Pension Plus 2 Plan, and the other postemployment benefit rate was 6.95% net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Healthcare cost trend rate for other postemployment benefit – 7.0% for year one graded to 3.5% for year fifteen.

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

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

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

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

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

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

The target asset allocation at September 30, 2018 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Investment Category | Target Allocation* | Long-Term Expected Real Rate of Return* |
|--------------------------------------|---------------------------|--|
| Domestic Equity Pools | 25.0% | 5.6% |
| Private Equity Pools | 16.0% | 9.3% |
| International Equity Pools | 15.0% | 7.4% |
| Fixed Income Pools | 10.5% | 0.5% |
| Real Estate and Infrastructure Pools | 10.0% | 4.9% |
| Absolute Return Pools | 9.0% | 3.2% |
| Real Return/Opportunistic Pools | 12.5% | 6.6% |
| Short Term Investment Pools | 2.0% | (0.1)% |
| Total | 100.0% | |

*Long term rate of return are net of administrative expenses and 2.1% inflation.

Rate of return - For fiscal year ended September 30, 2020, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 5.37% and 5.24% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amount actually invested.

Pension discount rate - A single discount rate of 6.80% was used to measure the total pension liability (6.00% for the Pension Plus 2 Plan). This discount rate was based on the long-term rate of return on pension plan investments of 6.80% (6.00% for the Pension Plus 2 Plan). The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

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

OPEB Discount rate - A single discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.95%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net pension liability to changes in the discount rate - The following presents the School District's proportionate share of the net pension liability calculated using a single discount rate of 6.80% (6.00% for the 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 than the current rate:

| | Pension | | |
|--|---------------------|----------------------|---------------------|
| | 1% Decrease | Discount Rate | 1% Increase |
| School District's proportionate share of the net pension liability | <u>\$54,898,527</u> | <u>\$42,414,617</u> | <u>\$32,068,239</u> |

Sensitivity 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 6.95%, as well as what the Reporting Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

| | Other postemployment benefit | | |
|---|-------------------------------------|----------------------|--------------------|
| | 1% Decrease | Discount Rate | 1% Increase |
| School District's proportionate share of the net OPEB liability | <u>\$8,545,499</u> | <u>\$6,652,194</u> | <u>\$5,058,190</u> |

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

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

Sensitivity to the net OPEB liability to changes in the healthcare cost trend rates - The following presents the School District's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.0% (decreasing to 3.0%), as well as what the School District's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

| | Other postemployment benefit | | |
|---|-------------------------------------|--|--------------------|
| | 1% Decrease | Healthcare cost trend rates | 1% Increase |
| School District's proportionate share of the net OPEB liability | <u>\$4,997,158</u> | <u>\$6,652,194</u> | <u>\$8,534,593</u> |

Pension and OPEB Plan Fiduciary Net Position - Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2020 Comprehensive Annual Financial Report.

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

NOTE 11 - GRANTS

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

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 12 - NEW ACCOUNTING STANDARDS

For the year ended June 30, 2021, the School District implemented the following new pronouncement:

GASB Statement No. 84, *Fiduciary Activities*.

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017 and is effective for the School District's 2021 year end. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. School Districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

The restatement of the beginning of the year fund balances and net position follows:

| | Fund balances | |
|--|---------------------------------|-----------------------------|
| | Student/school activity fund | Total governmental funds |
| Fund balances as of July 1, 2020, as previously stated | \$ 0 | \$ 10,242,330 |
| Adoption of GASB Statement 84 | 18,823 | 18,823 |
| Fund balance as of July 1, 2020, as restated | \$ 18,823 | \$ 10,261,153 |

| | Net position | |
|---|----------------------------|--------------|
| | Governmental activities | |
| Net position as of July 1, 2020, as previously stated | \$ | (28,201,849) |
| Adoption of GASB Statement 84 | | 18,823 |
| Net position as of July 1, 2020, as restated | \$ | (28,183,026) |

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 13 - TAX ABATEMENTS

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

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

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

There are no significant abatements made by the School District.

NOTE 14 - UPCOMING ACCOUNTING PRONOUNCEMENT

Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, was issued by the GASB in June 2017 and will be effective for the School District's 2022 year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The School District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2021-2022 fiscal year.

In May 2020, the GASB issued Statement No. 96, Subscription-based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The School District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 15 - UNCERTAINTY

On March 11, 2020, the World Health Organization declared the coronavirus (COVID-19) a pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen having a broad and negative impact on commerce and financial markets around the world. While the disruption is currently expected to be temporary, there is considerable uncertainty regarding the duration. The extent on the impact of COVID-19 on the School District's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on the School District's employees, funding sources and vendors, all of which, at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the School District is uncertain and the accompanying financial statements include no adjustments related to the effects of this pandemic.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2021

| | Original Budget | Final Amended Budget | Actual | Variances with Final Budget Favorable (Unfavorable) |
|---|---------------------|----------------------------|---------------------|--|
| Local sources | \$ 1,040,328 | \$ 1,120,324 | \$ 1,025,872 | \$ (94,452) |
| State sources | 6,188,968 | 8,045,946 | 6,128,178 | (1,917,768) |
| Federal sources | 350,634 | 493,857 | 426,476 | (67,381) |
| Interdistrict and other sources | 2,648,152 | 3,109,315 | 2,583,587 | (525,728) |
| Total revenues | <u>10,228,082</u> | <u>12,769,442</u> | <u>10,164,113</u> | <u>(2,605,329)</u> |
| <u>Expenditures</u> | | | | |
| Instruction: | | | | |
| Basic programs | 66,372 | 85,198 | 5,970 | 79,228 |
| Added needs | 675,689 | 745,786 | 612,186 | 133,600 |
| Support services: | | | | |
| Pupil | 687,960 | 1,239,315 | 982,159 | 257,156 |
| Instructional staff | 2,314,009 | 3,193,219 | 2,161,360 | 1,031,859 |
| General administrative | 542,576 | 523,575 | 481,229 | 42,346 |
| Business services | 706,614 | 751,242 | 711,578 | 39,664 |
| Operations and maintenance | 280,521 | 275,578 | 185,348 | 90,230 |
| Transportation | 1,300 | 2,272 | 2,248 | 24 |
| Central services | 1,618,634 | 1,909,110 | 1,689,524 | 219,586 |
| Community services | 1,537,865 | 1,795,905 | 1,315,285 | 480,620 |
| Improvements | 12,645 | 0 | 0 | 0 |
| Total expenditures | <u>8,444,185</u> | <u>10,521,200</u> | <u>8,146,887</u> | <u>2,374,313</u> |
| Excess (deficiency) of revenues over expenditures | <u>1,783,897</u> | <u>2,248,242</u> | <u>2,017,226</u> | <u>(231,016)</u> |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Operating transfers in | 1,005,000 | 1,492,209 | 1,182,223 | (309,986) |
| Transfers out to other local districts | (3,057,143) | (3,678,749) | (2,734,442) | 944,307 |
| Operating transfers out | 0 | (22,889) | 0 | 22,889 |
| Total other financing sources (uses) | <u>(2,052,143)</u> | <u>(2,209,429)</u> | <u>(1,552,219)</u> | <u>657,210</u> |
| Net change in fund balance | (268,246) | 38,813 | 465,007 | 426,194 |
| Fund balance - beginning of year | <u>1,464,518</u> | <u>1,464,518</u> | <u>1,464,518</u> | <u>0</u> |
| Fund balance - end of year | <u>\$ 1,196,272</u> | <u>\$ 1,503,331</u> | <u>\$ 1,929,525</u> | <u>\$ 426,194</u> |

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
 Required Supplemental Information
 Budgetary Comparison Schedule - Special Education Fund
 For the Year Ended June 30, 2021

| | Original Budget | Final Amended Budget | Actual | Variances with Final Budget Favorable (Unfavorable) |
|---|---------------------|----------------------------|---------------------|--|
| Local sources | \$ 9,552,337 | \$ 10,031,433 | \$ 10,120,632 | \$ 89,199 |
| State sources | 6,930,033 | 7,294,091 | 7,297,764 | 3,673 |
| Federal sources | 3,294,950 | 3,628,532 | 3,102,497 | (526,035) |
| Interdistrict and other sources | 617,745 | 504,873 | 515,611 | 10,738 |
| Total revenues | <u>20,395,065</u> | <u>21,458,929</u> | <u>21,036,504</u> | <u>(422,425)</u> |
| <u>Expenditures</u> | | | | |
| Instruction: | | | | |
| Added needs | 4,808,171 | 4,749,915 | 4,206,496 | 543,419 |
| Support services: | | | | |
| Pupil | 8,108,909 | 8,058,354 | 7,507,519 | 550,835 |
| Instructional staff | 1,643,691 | 1,613,966 | 1,498,300 | 115,666 |
| School administrative | 460,052 | 369,800 | 262,996 | 106,804 |
| Business services | 70,378 | 93,150 | 82,814 | 10,336 |
| Operations and maintenance | 508,451 | 548,434 | 451,611 | 96,823 |
| Transportation | 2,280,317 | 2,298,855 | 1,999,608 | 299,247 |
| Central services | 189,177 | 185,663 | 155,899 | 29,764 |
| Community services | 56,734 | 41,528 | 37,750 | 3,778 |
| Improvements | 53,237 | 30,000 | 23,051 | 6,949 |
| Total expenditures | <u>18,179,117</u> | <u>17,989,665</u> | <u>16,226,044</u> | <u>1,763,621</u> |
| Excess (deficiency) of revenues over expenditures | <u>2,215,948</u> | <u>3,469,264</u> | <u>4,810,460</u> | <u>1,341,196</u> |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Transfers out to other local districts | (1,071,000) | (1,455,932) | (1,317,223) | 138,709 |
| Operating transfers out | <u>(1,018,595)</u> | <u>(1,718,767)</u> | <u>(1,682,223)</u> | <u>36,544</u> |
| Total other financing sources (uses) | <u>(2,089,595)</u> | <u>(3,174,699)</u> | <u>(2,999,446)</u> | <u>175,253</u> |
| Net change in fund balance | 126,353 | 294,565 | 1,811,014 | 1,516,449 |
| Fund balance - beginning of year | <u>7,560,246</u> | <u>7,560,246</u> | <u>7,560,246</u> | <u>0</u> |
| Fund balance - end of year | <u>\$ 7,686,599</u> | <u>\$ 7,854,811</u> | <u>\$ 9,371,260</u> | <u>\$ 1,516,449</u> |

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

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Reporting unit's proportion of net pension liability (%) | 0.12347 % | 0.12465 % | 0.12508 % | 0.12410 % | 0.12333 % | 0.11889 % | 0.11619 % |
| Reporting unit's proportionate share of net pension liability | \$42,414,617 | \$41,280,230 | \$37,601,120 | \$32,158,350 | \$30,770,702 | \$29,039,618 | \$25,591,951 |
| Reporting unit's covered-employee payroll* | \$11,026,987 | \$10,892,227 | \$10,785,518 | \$10,370,198 | \$10,610,457 | \$ 9,947,232 | \$ 9,941,001 |
| Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll | 25.99808 % | 26.38606 % | 28.68403 % | 32.24730 % | 34.48234 % | 34.25400 % | 38.84425 % |
| Plan fiduciary net position as a percentage of total pension liability (Non-university employers) | 59.72000 % | 60.31000 % | 62.36000 % | 64.21000 % | 63.27000 % | 63.17000 % | 66.20000 % |

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

With the implementation of GASB Statement No. 68 in 2015, the 10 year history will be provided prospectively until a full 10 year history is shown.

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

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Statutorily required contributions | \$ 3,617,581 | \$ 3,414,698 | \$ 3,286,520 | \$ 3,416,467 | \$ 3,104,321 | \$ 2,293,598 | \$ 1,804,455 |
| Contributions in relation to statutorily required contributions* | <u>3,617,581</u> | <u>3,414,698</u> | <u>3,286,520</u> | <u>3,416,467</u> | <u>3,104,321</u> | <u>2,293,598</u> | <u>1,804,455</u> |
| Contribution deficiency (excess) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| Reporting unit's covered-employee payroll** | \$10,741,141 | \$11,127,603 | \$10,825,531 | \$10,706,969 | \$10,279,216 | \$ 9,947,232 | \$ 9,941,001 |
| Contributions as a percentage of covered-employee payroll | 33.68 % | 30.69 % | 30.36 % | 31.91 % | 30.20 % | 23.06 % | 18.15 % |

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

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

With the implementation of GASB Statement No. 68 in 2015, the 10 year history will be provided prospectively until a full 10 year history is shown.

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

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|---------------|---------------|---------------|---------------|
| Reporting unit's proportion of net OPEB liability (%) | 0.12417 % | 0.12464 % | 0.12672 % | 0.12452 % |
| Reporting unit's proportionate share of net OPEB liability | \$ 6,652,194 | \$ 8,946,349 | \$ 10,072,517 | \$ 11,026,665 |
| Reporting unit's covered-employee payroll* | \$ 11,026,987 | \$ 10,892,227 | \$ 10,785,518 | \$ 10,370,198 |
| Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll | 165.76466 % | 121.75053 % | 107.07868 % | 94.04655 % |
| Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers) | 48.67000 % | 48.46000 % | 42.95000 % | 36.39000 % |

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

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

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

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|----------------|----------------|----------------|----------------|
| Statutorily required contributions | \$ 879,436 | \$ 889,238 | \$ 839,421 | \$ 860,137 |
| Contributions in relation to statutorily required contributions* | <u>879,436</u> | <u>889,238</u> | <u>839,421</u> | <u>860,137</u> |
| Contribution deficiency (excess) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| Reporting unit's covered-employee payroll** | \$10,741,141 | \$11,127,603 | \$10,825,531 | \$10,706,969 |
| Contributions as a percentage of covered-employee payroll | 8.19 % | 7.99 % | 7.75 % | 8.03 % |

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

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

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

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to Required Supplementary Information
For the Year Ended June 30, 2021

Changes of benefit terms: There were no changes of benefit terms in 2021.

Changes of assumptions: There were no changes of assumptions for the pension in 2021.

The assumption changes for 2021 for OPEB were:

Healthcare cost trend rate decreased to 7.0% Year 1 graded to 3.5% Year 15 from
7.5% Year 1 graded to 3.5% Year 12.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
 Other Supplemental Information
 Balance Sheet
 Nonmajor Governmental Funds
June 30, 2021

| | <u>Special Revenue Fund</u> | <u>Student Activities</u> | <u>Capital Projects Fund</u> | <u>Total</u> |
|---|-------------------------------------|-------------------------------|----------------------------------|--------------|
| <u>Assets</u> | | | | |
| Cash and investments | \$ 27,320 | \$ 1,108,362 | \$ 1,135,682 | |
| Due from other funds | <u>0</u> | <u>500,000</u> | <u>500,000</u> | |
| Total assets | <u>\$ 27,320</u> | <u>\$ 1,608,362</u> | <u>\$ 1,635,682</u> | |
| <u>Fund Balance</u> | | | | |
| <u>Fund Balance</u> | | | | |
| Restricted for capital projects | 0 | 1,608,362 | 1,608,362 | |
| Committed for student/school activities | <u>27,320</u> | <u>0</u> | <u>27,320</u> | |
| Total fund balance | <u>\$ 27,320</u> | <u>\$ 1,608,362</u> | <u>\$ 1,635,682</u> | |

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
 Other Supplemental Information
 Statement of Revenues, Expenditures
 and Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2021

| | Special Revenue Fund | Capital Projects Fund | Total |
|---|----------------------------|-----------------------------|-------------|
| | Student Activities | | |
| <u>Revenues</u> | | | |
| Other local sources | \$ 15,912 | \$ 14,827 | \$ 30,739 |
| Total revenues | 15,912 | 14,827 | 30,739 |
| <u>Expenditures</u> | | | |
| Improvements | 0 | 124,031 | 124,031 |
| Student/school activities | 7,415 | 0 | 7,415 |
| Total expenditures | 7,415 | 124,031 | 131,446 |
| Excess (deficiency) of revenues over expenditures | 8,497 | (109,204) | (100,707) |
| <u>Other Financing Sources (Uses)</u> | | | |
| Transfers in | 0 | 500,000 | 500,000 |
| Net change in fund balance | 8,497 | 390,796 | 399,293 |
| Fund balance - beginning of year, restated | 18,823 | 1,217,566 | 1,236,389 |
| Fund balance - end of year | \$ 27,320 | \$1,608,362 | \$1,635,682 |



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

October 6, 2021

Board of Education
Shiawassee Regional Educational Service District
Owosso, Michigan

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Shiawassee Regional Educational Service District (School District), as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise Shiawassee Regional Educational Service District's basic financial statements and have issued our report thereon dated October 6, 2021.

Internal Control Over Financial Reporting

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

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

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



Board of Education
Shiawassee Regional Educational Service District
October 6, 2021

Compliance and Other Matters

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

Purpose of this Report

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

Weinlander Fitzhugh



WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

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

October 6, 2021

Board of Education
Shiawassee Regional Educational Service District
Owosso, Michigan

Report on Compliance for Each Major Federal Program

We have audited Shiawassee Regional Educational Service District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Shiawassee Regional Educational Service District's major federal programs for the year ended June 30, 2021. Shiawassee Regional Educational Service District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Shiawassee Regional Educational Service District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Shiawassee Regional Educational Service District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Shiawassee Regional Educational Service District's compliance.



Board of Education
Shiawassee Regional Educational Service District
October 6, 2021

Opinion on Each Major Federal Program

In our opinion, Shiawassee Regional Educational Service 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, 2021.

Report on Internal Control Over Compliance

Management of Shiawassee Regional Educational Service District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Shiawassee Regional Educational Service District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Shiawassee Regional Educational Service District's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Weinlander Fitzhugh

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
 Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

SECTION I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified opinion

Internal control over financial reporting:

- Material weakness(es) identified? YES NO
- Significant deficiency(ies) identified? YES NONE REPORTED

Noncompliance material to financial statements noted? YES NO

Federal Awards

Internal Control over major programs:

- Material weakness(es) identified? YES NO
- Significant deficiency(ies) identified? YES NONE REPORTED

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? YES NO

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 84.027 | Handicapped Preschool and School Program |
| 84.173 | Preschool grant |

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

Auditee qualified as low-risk auditee? YES NO

SECTION II - Financial Statement Findings

There are no matters reported.

SECTION III - Federal Award Findings and Questioned Costs

There are no matters reported.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2021

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

SHIAWASSEE REGIONAL EDUCATION SERVICE DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

| Federal Grantor Pass Through Grantor Program Title Grant Number | Federal CFDA Number | Approved Grant Award Amount | (Memo Only) Prior Year Expenditures | Accrued (Deferred) Revenue July 1, 2020 | Adjustments and Transfers | Current Year Receipts (Cash Basis) | Current Year Expenditures | Accrued (Deferred) Revenue June 30, 2021 | Payments to Subrecipients |
|---|---------------------------|-----------------------------------|---|--|---------------------------------|--|------------------------------|---|---------------------------------|
| CLUSTERS: | | | | | | | | | |
| IDEA Cluster Programs: | | | | | | | | | |
| U.S. Department of Education | | | | | | | | | |
| Passed through Michigan Department of Education: | | | | | | | | | |
| Handicapped Preschool & School Program | | | | | | | | | |
| PL 94-142 Flowthrough: | | | | | | | | | |
| Project 200450-1920 | | | | | | | | | |
| Project 210450-2021 | | | | | | | | | |
| 84.027 | | | | | | | | | |
| | | \$ 2,741,805 | \$ 2,610,521 | \$ 80,000 | \$ - | \$ 211,284 | \$ 131,284 | \$ - | \$ - |
| | | 2,836,295 | - | - | - | 2,113,748 | 2,521,697 | 407,949 | - |
| | | <u>5,578,100</u> | <u>2,610,521</u> | <u>80,000</u> | <u>-</u> | <u>2,325,032</u> | <u>2,652,981</u> | <u>407,949</u> | <u>-</u> |
| State Initiated / Department: | | | | | | | | | |
| Project 200493-GSG | | | | | | | | | |
| Project 210493-GSG | | | | | | | | | |
| | | 118,800 | 118,800 | - | - | - | - | - | - |
| | | 142,600 | - | - | - | 133,460 | 142,600 | 9,140 | - |
| | | <u>261,400</u> | <u>118,800</u> | <u>-</u> | <u>-</u> | <u>133,460</u> | <u>142,600</u> | <u>9,140</u> | <u>-</u> |
| Subtotal CFDA #84.027 | | | | | | | | | |
| | | <u>5,839,500</u> | <u>2,729,321</u> | <u>80,000</u> | <u>-</u> | <u>2,458,492</u> | <u>2,795,581</u> | <u>417,089</u> | <u>-</u> |
| Preschool Grant | | | | | | | | | |
| P.L. 94-142 Preschool Incentive: | | | | | | | | | |
| Project 190460-1819 | | | | | | | | | |
| Project 200460-1920 | | | | | | | | | |
| 84.173 | | | | | | | | | |
| | | 110,815 | 17,762 | 10,876 | - | 103,929 | 93,053 | - | - |
| | | 112,683 | - | - | - | - | 63,186 | 63,186 | - |
| | | <u>223,498</u> | <u>17,762</u> | <u>10,876</u> | <u>-</u> | <u>103,929</u> | <u>156,239</u> | <u>63,186</u> | <u>-</u> |
| Subtotal CFDA #84.173 | | | | | | | | | |
| | | <u>223,498</u> | <u>17,762</u> | <u>10,876</u> | <u>-</u> | <u>103,929</u> | <u>156,239</u> | <u>63,186</u> | <u>-</u> |
| Total For IDEA Cluster Programs | | | | | | | | | |
| | | <u>6,062,998</u> | <u>2,747,083</u> | <u>90,876</u> | <u>-</u> | <u>2,562,421</u> | <u>2,951,820</u> | <u>480,275</u> | <u>-</u> |

See accompanying notes to schedule of expenditures of federal awards.

SHIAWASSEE REGIONAL EDUCATION SERVICE DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

| Federal Grantor Pass Through Grantor <u>Program Title Grant Number</u> | <u>Federal CFDA Number</u> | <u>Approved Grant Award Amount</u> | <u>(Memo Only) Prior Year Expenditures</u> | <u>Accrued (Deferred) Revenue July 1, 2020</u> | <u>Adjustments and Transfers</u> | <u>Current Year Receipts (Cash Basis)</u> | <u>Current Year Expenditures</u> | <u>Accrued (Deferred) Revenue June 30, 2021</u> | <u>Payments to Subrecipients</u> |
|--|------------------------------------|--|--|--|--|---|--------------------------------------|---|--|
| <u>OTHER FEDERAL AWARDS:</u> | | | | | | | | | |
| U.S. Department of Education: | | | | | | | | | |
| Passed through Michigan Department of Education: | | | | | | | | | |
| Infants and Toddlers | 84.181 | | | | | | | | |
| Infants and Toddler Formula Grant: | | | | | | | | | |
| Project 201340-1920 | | \$ 104,121 | \$ 98,798 | \$ 4,560 | \$ - | \$ 4,560 | \$ - | \$ - | \$ - |
| Project 211340-2021 | | 107,149 | - | - | - | 76,639 | 101,044 | 24,405 | - |
| | | <u>211,270</u> | <u>98,798</u> | <u>4,560</u> | <u>-</u> | <u>81,199</u> | <u>101,044</u> | <u>24,405</u> | <u>-</u> |
| COVID - Governors Emergency Education Relief Fund | 84.425C | | | | | | | | |
| Project 201230 -20-21 | | 9,771 | - | - | - | 2,973 | 4,012 | 1,039 | - |
| Project 201200 -20-21 | | 16,656 | - | - | - | - | 16,656 | 16,656 | - |
| | | <u>26,427</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,973</u> | <u>20,668</u> | <u>17,695</u> | <u>-</u> |
| U.S. Department of Health and Human Services | | | | | | | | | |
| Passed through Michigan Department of Education: | | | | | | | | | |
| PDG - Trusted Advisors | 93.434 | | | | | | | | |
| Project 203910-1920 | | 12,389 | - | - | - | 4,270 | 4,270 | - | - |
| Project 213910-2021 | | 25,000 | - | - | - | 5,079 | 5,249 | 170 | - |
| | | <u>37,389</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>9,349</u> | <u>9,519</u> | <u>170</u> | <u>-</u> |
| Total non cluster programs passed through MDE | | <u>275,086</u> | <u>98,798</u> | <u>4,560</u> | <u>-</u> | <u>93,521</u> | <u>131,231</u> | <u>42,270</u> | <u>-</u> |
| Passed through Genesee Intermediate School District: | | | | | | | | | |
| Vocational Education - Basic Grants to States | 84.048 | | | | | | | | |
| Vocational Education Regional Allocation: | | | | | | | | | |
| Project 203520-201215 | | 199,521 | 189,468 | 8,728 | - | 18,781 | 10,053 | - | - |
| Project 213520-211215 | | 219,434 | - | - | - | 162,204 | 219,434 | 57,230 | - |
| | | <u>418,955</u> | <u>189,468</u> | <u>8,728</u> | <u>-</u> | <u>180,985</u> | <u>229,487</u> | <u>57,230</u> | <u>-</u> |

See accompanying notes to schedule of expenditures of federal awards.

SHIAWASSEE REGIONAL EDUCATION SERVICE DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

| Federal Grantor Pass Through Grantor <u>Program Title Grant Number</u> | Federal CFDA <u>Number</u> | Approved Grant Award <u>Amount</u> | (Memo Only) Prior Year <u>Expenditures</u> | Accrued (Deferred) Revenue <u>July 1, 2020</u> | Adjustments and <u>Transfers</u> | Current Year Receipts <u>(Cash Basis)</u> | Current Year <u>Expenditures</u> | Accrued (Deferred) Revenue <u>June 30, 2021</u> | Payments to <u>Subrecipients</u> |
|---|----------------------------------|--|--|---|--|---|-------------------------------------|--|--|
| U.S. Department of Treasury Passed through Copper Country ISD: COVID - Coronavirus Relief Fund Device Purchasing Program/Distance Learning CRF | 21.019 | \$ 50,645 | \$ - | \$ - | \$ - | \$ 50,645 | \$ 50,645 | \$ - | \$ - |
| Total non cluster passed through Copper Country ISD | | <u>50,645</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>50,645</u> | <u>50,645</u> | <u>-</u> | <u>-</u> |
| U.S. Department of Health and Human Services Passed through Michigan Community Health Medicaid Assistance Program Title XIX Medicaid Administrative Outreach 20-21 | 93.778 | 32,977 | - | - | - | 32,977 | 32,977 | - | - |
| Total non cluster programs passed through Michigan Community Health | | <u>32,977</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>32,977</u> | <u>32,977</u> | <u>-</u> | <u>-</u> |
| U.S. Employment & Training Administration Passed through GSMW WDASOM WIOA In School Youth Services | 17.259 | | | | | | | | |
| 425-WIA-20 | | 100,000 | 95,528 | 9,581 | - | 9,581 | - | - | - |
| 425-WIA-21 | | 125,000 | - | - | - | 84,272 | 114,242 | 29,970 | - |
| Total programs passed through U.S. Employment & Training Administration | | <u>225,000</u> | <u>95,528</u> | <u>9,581</u> | <u>-</u> | <u>93,853</u> | <u>114,242</u> | <u>29,970</u> | <u>-</u> |
| U.S. Department of Education Rural Education Achievement Program | 84.358 | | | | | | | | |
| S358A192707 | | 31,113 | 12,542 | 2,400 | - | 11,056 | 18,571 | 9,915 | - |
| 8358A200429 | | 35,608 | - | - | - | - | - | - | - |
| | | <u>66,721</u> | <u>12,542</u> | <u>2,400</u> | <u>-</u> | <u>11,056</u> | <u>18,571</u> | <u>9,915</u> | <u>-</u> |
| Total Federal Financial Assistance | | <u>\$ 7,132,382</u> | <u>\$ 3,143,419</u> | <u>\$ 116,145</u> | <u>\$ -</u> | <u>\$ 3,025,458</u> | <u>\$ 3,528,973</u> | <u>\$ 619,660</u> | <u>\$ -</u> |

See accompanying notes to schedule of expenditures of federal awards.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Shiawassee Regional Educational Service District under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Shiawassee Regional Educational Service District, it is not intended to and does not present the financial position or changes in net position of Shiawassee Regional Educational Service District.

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

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

The School District does not have any subrecipients.

NOTE 2 - OTHER DISCLOSURES

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

NOTE 3 - (UNAUDITED) DONATED PERSONAL PROTECTIVE EQUIPMENT

For the year ended June 30, 2021, the School District received personal protective equipment from various donors with a fair value of approximately \$16,850.