

Northwest Education Services
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

June 30, 2024

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Northwest Education Services

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Northwest Education Services* (the "School District"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table on contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 - 18, the budgetary comparison information of pages 56 - 58, the pension trend information on page 59 and the OPEB trend information on page 60 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standard Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying combining non-major fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining non-major fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2024 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering the School District's internal control over financial reporting and compliance.

Dennis, Gartland & Niergarth

Certified Public Accountants
Traverse City, Michigan

October 2, 2024

Management's Discussion and Analysis For the Year Ended June 30, 2024

Our discussion and analysis of Northwest Education Services (the "School District") financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2024. Please read this analysis in conjunction with the School District's financial statements, which immediately follows this section.

DESCRIPTION OF REPORTING ENTITY AND SERVICES PROVIDED

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

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

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

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

Northwest Education Services

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

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

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

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

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

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

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

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

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

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

Northwest Education Services

Articulation Benefits for the Student

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

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Figure A-1

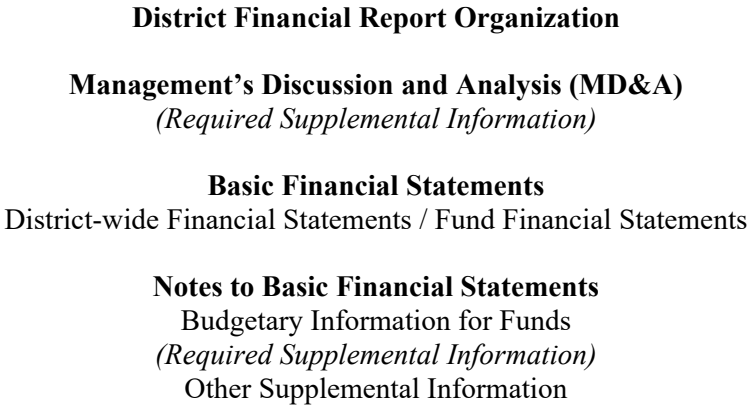


Figure A-2 summarizes the major features of the School District’s financial statements, including the portion of the School District’s activities they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis highlights the structure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

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

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

DISTRICT-WIDE STATEMENTS

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

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

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

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

Northwest Education Services

FUND FINANCIAL STATEMENTS

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

The School District has three types of funds:

Governmental Funds

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

Fiduciary Funds

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

Proprietary Funds

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

Northwest Education Services

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District’s net position as of June 30, 2024 and 2023:

Table 1

	Governmental Activities 2023-2024	Governmental Activities 2022-2023	% Change
Assets			
Current and other assets	\$ 66,475,011	\$ 53,599,158	24.0%
Capital assets, net	21,657,060	22,756,085	-4.8%
Net OPEB asset	1,879,180	-	100.0%
Total assets	<u>90,011,251</u>	<u>76,355,243</u>	<u>17.9%</u>
Deferred outflows of resources	<u>31,861,519</u>	<u>40,473,039</u>	<u>-21.3%</u>
Liabilities			
Current liabilities	19,511,634	17,547,159	11.2%
Long-term liabilities	<u>112,683,251</u>	<u>140,038,336</u>	<u>-19.5%</u>
Total liabilities	<u>132,194,885</u>	<u>157,585,495</u>	<u>-16.1%</u>
Deferred inflows of resources	<u>27,400,058</u>	<u>15,231,402</u>	<u>79.9%</u>
Net Position			
Net investment in capital assets	20,383,612	21,231,163	-4.0%
Restricted	35,539	34,530	2.9%
Unrestricted (deficit)	<u>(58,141,324)</u>	<u>(77,254,308)</u>	<u>24.7%</u>
Total net position	<u>\$ (37,722,173)</u>	<u>\$ (55,988,615)</u>	<u>32.6%</u>

The above analysis focuses on the net position (see Table 1). The School District’s net position was (\$37.7) million at June 30, 2024. The change in net position is the result of many factors, but primarily due to changes in the long-term liability, deferred inflows, and deferred outflows for pension and OPEB reporting. Capital assets, net of related debt, totaling \$20.4 million, compares the original cost, less depreciation of the School District’s capital assets to long-term debt used to finance the acquisition of those assets. The School District has no debt related to the acquisition of assets but maintains lease agreements for the right to use certain buildings. It is the desire of North Ed to utilize existing fund balances to finance capital needs for the School District. Of the remaining amount of net position, \$36 thousand was restricted and (\$58.1) million was unrestricted.

The (\$37.7) million in net position of governmental activities represents the accumulated results of all past years’ operations. It means that if we had to pay off all of our bills today, including all of our non-capital liabilities (compensated absences, for example), we would have (\$37.7) million of unrestricted and \$36 thousand of restricted funds remaining. The operating results of the School District will have a significant impact on the change in unrestricted net position from year-to-year.

Northwest Education Services

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net position for fiscal years 2024 and 2023.

Table 2

	Governmental <u>Activities 2023-2024</u>	Governmental <u>Activities 2022-2023</u>	<u>% Change</u>
Revenue			
Program Revenue			
Charges for services	\$ 3,766,048	\$ 3,454,940	9.0%
Operating grants and contributions	44,374,028	39,418,534	12.6%
General Revenue			
Property taxes	43,426,405	40,118,889	8.2%
State School Aid - unrestricted	3,189,165	3,072,971	3.8%
Other transactions	16,023,505	15,821,701	1.3%
Total revenues	<u>110,779,151</u>	<u>101,887,035</u>	<u>8.7%</u>
Functions/Program Expenses			
Instruction	21,147,195	23,168,550	-8.7%
Supports services	55,247,397	56,680,320	-2.5%
Community services	657,610	534,285	23.1%
Food service	7,786	21,271	-63.4%
Transfers to other districts	13,778,157	12,090,342	14.0%
Depreciation and amortization	1,674,564	1,546,830	8.3%
Total expenses	<u>92,512,709</u>	<u>94,041,598</u>	<u>-1.6%</u>
Change in net position	<u>\$ 18,266,442</u>	<u>\$ 7,845,437</u>	<u>132.8%</u>

As reported in the Statement of Activities, the cost of all of our governmental activities this year was \$92.5 million. Certain activities were partially funded from those who benefited from the programs (\$3.8 million) or by other grants and contributions (\$44.4 million). We paid for the remaining "public benefit" portion of our governmental activities with \$43.4 million in taxes, \$3.2 million in State Aid, and \$16.0 million in other revenues including interest and general entitlements.

The School District experienced an increase in net position of \$18.3 million for 2023-2024. The School District's change in financial position primarily is the result of increased grant funding allocations and property taxes.

Northwest Education Services

The School District's Funds

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

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

General Education Fund -

The General Education Fund is the main operating fund of the School District. Fund balance for this fund increased by \$294,539 primarily due to increased interest income. A major source of revenue for the General Education Fund is State Aid which includes numerous grants, the majority of which flow to other districts.

Special Education Fund -

The major sources of revenue for the Special Education Fund are property taxes and grant funding. Special Education tax dollars are restricted to supporting special education expenditures. Fund balance for this fund increased by \$1,238,696. This increase is primarily due increased interest income as well as open staff positions.

Vocational Education Fund -

The major source of revenue for the Vocational Education Fund is the vocational millage. These funds are restricted to support vocational programming. This fund experienced an increase in fund balance of \$22,259 mainly due to an increase in interest income that was offset by an increase in the transfer of funds to the Vocational Education Capital Projects Fund.

Fund Budgetary Highlights

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

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

Northwest Education Services

Changes to fund budgets were as follows:

General Education Fund actual revenue increased from the original budget due to increased grant funding, as well as increases in interest income and Medicaid Care 4 Students funding. Conservative spending practices kept expenditures below budgeted estimates, with the exception of pupil and business support services, and the transfer to the General Education Capital Projects Fund as discussed in the previous section of this report.

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

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

Capital Asset and Debt Administration

Capital Assets

At June 30, 2024, the School District had roughly \$21.7 million invested in a broad range of capital assets including buildings, land, furniture, equipment and vehicles. This amount represents a decrease of \$1.1 million from June 30, 2023. The net decrease was primarily related to construction in progress that was placed into service during the year.

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>% Change</u>
Building and improvements	\$ 33,412,090	\$29,663,901	12.6%
Buildings - leased assets	1,934,960	1,934,960	0.0%
Furniture and equipment	9,248,583	8,673,466	6.6%
Buses and vehicles	1,214,854	1,134,914	7.0%
Land	108,543	108,543	0.0%
Construction-in-process	<u>110,213</u>	<u>4,048,643</u>	<u>-97.3%</u>
Total capital assets	46,029,243	45,564,427	1.0%
Less: accumulated amortization	(744,756)	(496,504)	-50.0%
Less: accumulated depreciation	<u>(23,627,427)</u>	<u>(22,311,838)</u>	<u>5.9%</u>
Total capital assets, net	<u>\$ 21,657,060</u>	<u>\$22,756,085</u>	<u>-4.8%</u>

Northwest Education Services

Debt

At June 30, 2024, the School District had no outstanding bonds. The School District leases certain buildings and has a total lease liability outstanding of \$1,273,448 as of June 30, 2024.

Other liabilities include accumulated leave liability in the amount of \$1,103,250 owed to employees who have been employed by the School District for specified periods of time and are qualified for retirement under the Michigan Public School Employees Retirement System.

Factors Bearing on the School District's Future

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

- The distribution of Special Education Fund balance above 12% increases the School District's reliance on tax revenues for cash flow purposes. In November 2022, the School District passed a Headlee Override millage to restore the millage rate, which was reduced due to the Headlee amendment.
- The School District's superintendent announced his retirement, effective October, 2025. The Board of Education will begin a superintendent search in the near future, with the goal of having a new superintendent hired effective July 1, 2025.
- In February 2023, the School District purchased the Pine Rest facility located on the Arnell Campus for \$1,850,000. The building will address facility needs for the early childhood program while Pine Rest continues renting a portion of the building. The purchase of the building was funded by the General Education Capital Projects Fund. The cost of future renovations, which is unknown at this time, will be funded by the General Education Capital Projects Fund and the Special Education Capital Projects Fund.
- A roof replacement project for the final section of roofing is planned at Career Tech. Funding for the project will be from the Vocational Education Capital Projects Fund. The cost of the roofing project is unknown at this time.
- The current retirement rate is estimated to be 48.38%. The School District continues to see some cost containment in this area due to enacted reforms, including one-time funding in the 2024-2025 School Aid Fund budget that effectively reduces the unfunded actuarial accrued liability from 20.96% to an estimated 15.21% of covered payroll. The amount of additional revenue to the School District is unknown at this time.
- Northwest Education Services and districts in the region are experiencing a shortage of qualified educators and support staff. We expect this issue to expand in the near future.
- Our region is a microcosm of the State as a whole when you look at funding diversity and student needs. Northwest Education Services continues to provide increased leadership and support for local districts in meeting state and federal mandates for student and staff performance. State and Federal funding variances among districts as well as declining student populations continue to challenge districts and place a corresponding impact on service expenditures for Northwest Education Services. Regardless of external pressures, Northwest Education Services will continue to provide outstanding service to the students and staff in the region.

Contacting the School District's Financial Management

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

Northwest Education Services

BOARD OF EDUCATION

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

STAFF

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

Northwest Education Services

STATEMENT OF NET POSITION

June 30, 2024

	<u>Governmental Activities</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
ASSETS	
Current assets	
Cash and cash equivalents	\$ 16,438,318
Investments	36,175,768
Due from other governments and other receivables	13,497,532
Prepays	363,393
Total current assets	<u>66,475,011</u>
Non-current assets	
Capital assets, net of accumulated depreciation	21,657,060
Net OPEB asset	1,879,180
Total assets	<u>90,011,251</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension liability	25,226,645
OPEB asset	6,634,874
Total deferred outflows of resources	<u>31,861,519</u>
Total assets and deferred outflows of resources	<u>\$ 121,872,770</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
LIABILITIES	
Current liabilities	
Accounts payable	\$ 3,783,517
Salaries payable and related expenses	7,759,982
Due to other governments	44,068
Unearned revenue	6,152,512
Current portion of lease liabilities	227,490
Other current liabilities	1,544,065
Total current liabilities	19,511,634
Accrued accumulated leave benefits	1,087,750
Accrued environmental liability	732,500
Long-term portion of lease liabilities	1,045,958
Net pension liability	109,817,043
Total liabilities	<u>132,194,885</u>
DEFERRED INFLOWS OF RESOURCES	
Pension liability	12,186,258
OPEB asset	15,213,800
Total deferred inflows of resources	<u>27,400,058</u>
NET POSITION	
Net investment in capital assets	20,383,612
Restricted	35,539
Unrestricted (deficit)	(58,141,324)
Total net position	<u>(37,722,173)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 121,872,770</u>

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

Northwest Education Services

STATEMENT OF ACTIVITIES

Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction expense	\$ 21,147,195	\$ 196,576	\$ 19,487,983	\$ (1,462,636)
Support services	55,247,397	3,522,775	15,308,886	(36,415,736)
Community services	657,610	46,688	575,207	(35,715)
Food service	7,786	9	-	(7,777)
Transfers to other districts	13,778,157	-	9,001,952	(4,776,205)
Depreciation and amortization - unallocated	1,674,564	-	-	(1,674,564)
Total governmental activities	\$ 92,512,709	\$ 3,766,048	\$ 44,374,028	(44,372,633)
General revenues				
Property taxes				
Levied for general purposes				2,831,403
Levied for Special Education				30,081,428
Levied for Vocational Education				10,513,574
State school aid - unrestricted				3,189,165
Grants and contributions not restricted to specific programs				9,373,762
Investment and other				6,649,743
Total general revenues				62,639,075
Change in net position				18,266,442
Net position, beginning of year				(55,988,615)
Net position, end of year				\$ (37,722,173)

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

Northwest Education Services
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2024

	General Education Fund	Special Education Fund	Vocational Education Fund	Capital Projects Fund #2	Capital Projects Fund #6	Non-Major Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 3,757,329	\$ -	\$ 1,482,218	\$ 1,159,573	\$ 3,415,845	\$ 4,863,196	\$ 14,678,161
Investments	3,976,448	8,886,951	901,176	17,799,383	4,593,532	18,278	36,175,768
Due from other governments and other receivables	3,922,556	8,496,366	473,367	-	24,920	230,694	13,147,903
Total assets	<u>\$ 11,656,333</u>	<u>\$ 17,383,317</u>	<u>\$ 2,856,761</u>	<u>\$ 18,958,956</u>	<u>\$ 8,034,297</u>	<u>\$ 5,112,168</u>	<u>\$ 64,001,832</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$ 2,004,239	\$ 316,628	\$ 41,808	\$ 138,664	\$ 434,473	\$ 228,900	\$ 3,164,712
Accrued payroll and related liabilities	536,302	6,135,402	1,020,729	-	-	67,549	7,759,982
Other accrued expenditures	482,363	997,533	48,669	-	-	-	1,528,565
Due to other governments	-	44,068	-	-	-	-	44,068
Unearned revenue	5,726,559	40,188	-	-	-	385,765	6,152,512
Total liabilities	<u>8,749,463</u>	<u>7,533,819</u>	<u>1,111,206</u>	<u>138,664</u>	<u>434,473</u>	<u>682,214</u>	<u>18,649,839</u>
FUND BALANCES							
Restricted							
Fund use	-	9,849,498	1,745,555	18,820,292	7,599,824	-	38,015,169
School Food Service	-	-	-	-	-	15	15
Michigan Works!	-	-	-	-	-	35,524	35,524
Committed							
School/Student Activity	-	-	-	-	-	418,589	418,589
Assigned for capital projects							
Capital Projects Fund #1	-	-	-	-	-	3,975,826	3,975,826
Unassigned	2,906,870	-	-	-	-	-	2,906,870
Total fund balances	<u>2,906,870</u>	<u>9,849,498</u>	<u>1,745,555</u>	<u>18,820,292</u>	<u>7,599,824</u>	<u>4,429,954</u>	<u>45,351,993</u>
Total liabilities and fund balances	<u>\$ 11,656,333</u>	<u>\$ 17,383,317</u>	<u>\$ 2,856,761</u>	<u>\$ 18,958,956</u>	<u>\$ 8,034,297</u>	<u>\$ 5,112,168</u>	

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

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$46,029,243, and accumulated depreciation and amortization is \$24,372,183.	21,657,060
Internal Service Fund net position used in governmental activities is not a financial resource of the governmental funds and, therefore, is not reported as assets in governmental funds.	751,124
Long-term assets are not collectible in the current period and, therefore, are not reported as assets in the funds. Long-term assets at year-end consisted of the net OPEB asset.	1,879,180
Deferred outflows of resources is not a financial resource and, therefore, is not reported as an asset in governmental funds. Deferred outflows of resources at year-end consist of:	
	Net pension liability 25,226,645
	Net OPEB asset 6,634,874
Long-term liabilities, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
	Accrued environmental liability (732,500)
	Lease liabilities (1,273,448)
	Net pension liability (109,817,043)
Deferred inflows of resources is not a financial resource and, therefore, is not reported as a liability in governmental funds. Deferred inflow of resources at year-end consist of:	
	Net pension liability (12,186,258)
	Net OPEB liability (15,213,800)
Total net position - governmental activities	<u>\$ (37,722,173)</u>

Northwest Education Services

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

Year Ended June 30, 2024

	General Education Fund	Special Education Fund	Vocational Education Fund	Capital Projects Fund #2	Capital Projects Fund #6	Non-Major Governmental Funds	Total Governmental Funds
Revenues							
Property taxes	\$ 2,831,403	\$ 30,081,428	\$ 10,513,574	\$ -	\$ -	\$ -	\$ 43,426,405
Interest	517,163	787,880	268,725	676,329	314,493	82,644	2,647,234
State sources	11,450,703	27,369,453	2,197,435	-	-	925,136	41,942,727
Federal sources	1,801,867	7,107,736	352,567	-	-	2,837	9,265,007
Charges for services	960,992	5,430,036	201,181	-	-	-	6,592,209
Other	2,757,535	169,638	46,677	-	-	225,199	3,199,049
Total revenues	20,319,663	70,946,171	13,580,159	676,329	314,493	1,235,816	107,072,631
Expenditures							
Instruction	694,930	15,155,284	6,381,054	-	-	432,759	22,664,027
Support services	9,400,501	41,464,779	4,193,000	-	78,276	751,020	55,887,576
Community services	295,922	348,688	13,000	-	-	-	657,610
Food service	-	-	-	-	-	7,786	7,786
Transfers to other districts	7,600,381	4,990,264	745,327	416,768	-	-	13,752,740
Capital outlay	51,323	504,181	269,075	615,853	1,396,429	429,705	3,266,566
Total expenditures	18,043,057	62,463,196	11,601,456	1,032,621	1,474,705	1,621,270	96,236,305
REVENUES OVER (UNDER) EXPENDITURES	2,276,606	8,482,975	1,978,703	(356,292)	(1,160,212)	(385,454)	10,836,326
Other financing sources (uses)							
Operating transfers in	-	-	-	7,237,333	1,956,444	1,989,013	11,182,790
Operating transfers out	(1,982,067)	(7,244,279)	(1,956,444)	-	-	-	(11,182,790)
Total other financing sources (uses)	(1,982,067)	(7,244,279)	(1,956,444)	7,237,333	1,956,444	1,989,013	-
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	294,539	1,238,696	22,259	6,881,041	796,232	1,603,559	10,836,326
Fund balances, beginning of year	2,612,331	8,610,802	1,723,296	11,939,251	6,803,592	2,826,395	34,515,667
Fund balances, end of year	<u>\$ 2,906,870</u>	<u>\$ 9,849,498</u>	<u>\$ 1,745,555</u>	<u>\$ 18,820,292</u>	<u>\$ 7,599,824</u>	<u>\$ 4,429,954</u>	<u>\$ 45,351,993</u>

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

Northwest Education Services

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

Year Ended June 30, 2024

Total net change in fund balances - governmental funds **\$ 10,836,326**

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

Capital outlays to purchase or build capital assets that meet the capitalized threshold are reported in the governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. These are the amounts of capital outlays, asset disposals and depreciation and amortization expense.

Capital outlays	2,722,940
Capital asset disposals	(2,147,401)
Depreciation and amortization expense	(1,674,564)

Change in deferred outflows of resources for:

Net pension liability	(5,985,610)
Net OPEB asset	(2,625,910)

Change in net position in the Internal Service Fund, not reported in governmental fund statements. 98,187

Change in accrued environmental liability. 142,500

Change in lease liabilities. 251,474

Change in net pension liability. 19,618,686

Change in net OPEB asset. 9,198,470

Change in deferred inflows of resources for:

Net pension liability	(11,831,560)
Net OPEB asset	(337,096)

Change in net position of governmental activities **\$ 18,266,442**

Northwest Education Services

STATEMENT OF NET POSITION - INTERNAL SERVICE FUND

June 30, 2024

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 1,760,157
Other receivables	349,629
Prepaid expenses	<u>363,393</u>
Total assets	<u><u>\$ 2,473,179</u></u>
LIABILITIES AND NET POSITION	
LIABILITIES	
Accounts payable	\$ 618,805
Other current liabilities - accumulated leave liability	15,500
Long-term debt - accumulated leave liability	<u>1,087,750</u>
Total liabilities	1,722,055
NET POSITION	
Unrestricted	<u>751,124</u>
Total liabilities and net position	<u><u>\$ 2,473,179</u></u>

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

Northwest Education Services

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

Year Ended June 30, 2024

	<u>Governmental Activities</u>
OPERATING REVENUES	
Charges to other funds	\$ 3,579,077
Employee contributions	<u>69,802</u>
Total operating revenues	<u>3,648,879</u>
OPERATING EXPENSES	
Instruction	920,268
Support services	<u>2,688,065</u>
Total operating expenses	<u>3,608,333</u>
Operating income (loss)	40,546
NON-OPERATING REVENUES	
Interest	<u>57,641</u>
CHANGE IN NET POSITION	98,187
Net position, beginning of year	<u>652,937</u>
Net position, end of year	<u><u>\$ 751,124</u></u>

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

Northwest Education Services

STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUND

Year Ended June 30, 2024

	<u>Governmental Activities</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Charges to other funds - insurance	\$ 3,531,076
Employee contributions	69,801
Payments to other funds - compensated absences	(38,119)
Cash paid to service provider	(962,354)
Cash paid for insurance claims	<u>(2,584,991)</u>
Cash flows used by operating activities	15,413
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earnings	<u>57,641</u>
Net change in cash and cash equivalents	73,054
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,687,103</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 1,760,157</u></u>
Reconciliation of operating income to net cash from operating activities	
Operating income (loss)	\$ 40,546
Adjustments	
Change in accounts receivable	(48,001)
Change in prepaid expenses	(42,086)
Change in accounts payable	103,073
Change in current liability	9,000
Change in long-term accrued liabilities	<u>(47,119)</u>
Net cash used by operating activities	<u><u>\$ 15,413</u></u>

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

Northwest Education Services

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2024

	<u>Custodial Funds</u>
ASSETS	
Cash	<u>\$ 119,588</u>
LIABILITIES	
Due to pupil activities	<u>\$ 119,588</u>

Northwest Education Services

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

June 30, 2024

	<u>Custodial Funds</u>
Additions	
Contributions	\$ 34,315
Deductions	
Payments	<u>37,336</u>
Net change in fiduciary net position	(3,021)
Net position, beginning of year	<u>122,609</u>
Net position, end of year	<u><u>\$ 119,588</u></u>

Northwest Education Services

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The accounting and reporting framework and the more significant accounting principles and practices of Northwest Education Services (the “School District”) are discussed in subsequent sections of this note. The remainder of the notes are organized to provide explanations, including required disclosures, of the School District’s financial activities for the fiscal year ended June 30, 2024.

The Financial Reporting Entity

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

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

NOTES TO FINANCIAL STATEMENTS - Continued

Fund Financial Statements

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS - Continued

Fund Types and Major Funds

Activities in Major Funds

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

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

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

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

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

Activities in Non-Major Funds

Governmental Funds

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

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

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

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

Internal Service Fund

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

Fiduciary Funds

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

NOTES TO FINANCIAL STATEMENTS - Continued

Cash and Investments

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

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

Prepays

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

Capital Assets

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

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

Estimated useful lives for depreciable assets are as follows:

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

Lease Assets and Liabilities

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

Deferred Outflows of Resources and Deferred Inflows of Resources

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

Fund Equity

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

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

The School District adopted minimum fund balance policies for the General Fund, Special Education and Vocation Education funds requiring a minimum unassigned or restricted fund balance of 12% of the preceding year's revenues. Additionally, if the Special Education and Vocation Education funds restricted fund balance exceeds 12%, the School District shall reimburse local districts a supplemental amount. The School District was in compliance with the policies at June 30, 2024.

Allocation of Expenses

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

The School District has elected to not allocate indirect expenses.

Pension Plan

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

Post-Employment Benefits Other Than Pensions (OPEB)

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

Environmental Remediation and Compliance

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

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

Use of Estimates in the Preparation of Financial Statements

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

NOTE B - BUDGETARY POLICY AND PRACTICE

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

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

NOTES TO FINANCIAL STATEMENTS - Continued

6. The budget is adopted on a basis consistent with generally accepted accounting principles.
7. The budgets presented in these financial statements are as originally adopted and as formally amended by the Board of Education.

Excess of Expenditures over Appropriations in Budgeted Funds

Michigan Public Act 621 of 1978 provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the school year ended June 30, 2024, the School District was out of compliance with the Act as follows:

	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Special Education			
Support services			
School administration	\$ 794,703	\$ 1,312,996	\$ 518,293

NOTE C - CASH AND INVESTMENTS

At June 30, 2024, the School District's cash and investments include the following:

	<u>Balance Sheet Classification</u>		
	<u>Cash and</u>		<u>Total</u>
	<u>Equivalents</u>	<u>Investments</u>	
Bank deposits and cash on hand	\$ 4,788,636	\$ -	\$ 4,788,636
Money market bank deposits	11,769,270	-	11,769,270
Investments	-	36,175,768	36,175,768
	<u>\$ 16,557,906</u>	<u>\$ 36,175,768</u>	<u>\$ 52,733,674</u>

Custodial Credit Risk – Deposits and Investments

In the event of a bank failure, the School District's deposits and investments may not be returned to it. As of June 30, 2024, \$18,547,231 of the School District's bank balance of \$19,547,231 was exposed to custodial credit risk because it was uninsured and uncollateralized. At June 30, 2024, \$36,175,768 of investments were uninsured, but collateralized by securities held by the pledging institution.

Investments

Michigan law permits investments in the following vehicles:

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

NOTES TO FINANCIAL STATEMENTS - Continued

Investment Type	Investment Maturities (in years) Market Value				
	Fair Value	Current	1-5	6-10	More than 10
Investment pools	\$36,175,768	\$36,175,768	\$ -	\$ -	\$ -

Interest Rate Risk

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

Credit Risk

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

NOTE D - RECEIVABLES, UNCOLLECTIBLE ACCOUNTS AND UNEARNED REVENUE

Property Taxes Receivable, Unearned Revenue and Property Tax Calendar

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

During the fiscal year, \$0.1881, \$2.0000 and \$0.6990 per \$1,000 of equalized principal residence and non-principal residence property value in the School District of approximately \$15.18 billion was levied for general operating, special education and vocational education purposes, respectively.

Intergovernmental Receivables, Unearned Revenue and Deferred Inflows of Resources

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

NOTES TO FINANCIAL STATEMENTS - Continued

Amounts due from other governments at June 30, 2024, are as follows:

Due from the State of Michigan	
State Aid	\$ 8,195,262
Due from Federal grants	3,607,100
Other receivables	<u>1,695,170</u>
	<u>\$ 13,497,532</u>

NOTE E - INVESTMENTS IN CAPITAL ASSETS

Investments in capital assets consisted of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers/ Reclassification/ Dispositions</u>	<u>Ending Balance</u>
Building and improvements	\$ 29,663,901	\$ 1,846,947	\$ 1,901,242	\$33,412,090
Buildings - leased assets	1,934,960	-	-	1,934,960
Furniture and equipment	8,673,466	685,840	(110,723)	9,248,583
Buses and vehicles	<u>1,134,914</u>	<u>79,940</u>	<u>-</u>	<u>1,214,854</u>
Total depreciable assets	41,407,241	2,612,727	1,790,519	45,810,487
Less accumulated depreciation	(22,311,838)	(1,426,312)	110,723	(23,627,427)
Less accumulated amortization on buildings - leased assets	(496,504)	(248,252)	-	(744,756)
Land	108,543	-	-	108,543
Construction-in-process	<u>4,048,643</u>	<u>110,213</u>	<u>(4,048,643)</u>	<u>110,213</u>
Total capital assets, net	<u>\$ 22,756,085</u>	<u>\$ 1,048,376</u>	<u>\$ (2,147,401)</u>	<u>\$ 21,657,060</u>

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

Unallocated	<u>\$ 1,674,564</u>
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NOTE F - LONG-TERM DEBT

At June 30, 2024, the School District's long-term debt consisted of the following:

Accrued Expenses

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

\$ 1,103,250

NOTES TO FINANCIAL STATEMENTS - Continued

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

Changes in long-term debt during the year ended June 30, 2024, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Accumulated leave liability	<u>\$1,141,369</u>	<u>\$ 8,628</u>	<u>\$(46,747)</u>	<u>\$1,103,250</u>	<u>\$15,500</u>

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

NOTE G - LEASE LIABILITIES

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

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

The total cost of the School District's building leased assets is \$1,934,960, less accumulated amortization of \$744,756.

The future lease payments under lease agreements are as follows:

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 227,490	\$ 21,061	\$ 248,551
2026	201,966	17,424	219,390
2027	205,516	13,874	219,390
2028	209,128	10,262	219,390
2029	212,804	6,586	219,390
2030	<u>216,544</u>	<u>2,846</u>	<u>219,390</u>
Total	<u>\$ 1,273,448</u>	<u>\$72,053</u>	<u>\$ 1,345,501</u>

NOTE H - RISK MANAGEMENT

General Liability

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

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

Unemployment Liability

The School District pays unemployment claims on a reimbursement basis through the Bureau of Workers and Unemployment Compensation (“BWUC”). As BWUC pays eligible recipient benefits, this amount is billed to the School District. The School District accrues an estimated liability for future unemployment claims for employees laid off as of June 30 each year, plus an estimate for future unemployment claims from anticipated future layoffs of employees. The unemployment liability accrual was \$50,887 for the year ended June 30, 2024, and is included in salaries payable and related liabilities.

Employee Health Benefits

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

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

A reconciliation of the liability for unpaid claims follows:

Liability, beginning of year	\$ 515,732
Claims incurred	2,109,117
Payments on claims	<u>(2,045,902)</u>
Liability, end of year	<u>\$ 578,947</u>

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

Receivables and Payables

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

The School District had no interfund receivables or payable balances at June 30, 2024.

Transfers and Payments

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

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

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

Fund	Transfers In	Transfers Out
Major funds		
General Education Fund	\$ -	\$ 1,982,067
Special Education Fund	-	7,244,279
Vocational Education Fund	-	1,956,444
Capital Projects Fund #2	7,237,333	-
Capital Projects Fund #6	1,956,444	-
Non-major funds		
School Food Service	6,946	-
Capital Projects Fund #1	1,982,067	-
	<u>\$ 11,182,790</u>	<u>\$ 11,182,790</u>

NOTE J - PENSION PLAN

Plan Description

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

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

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

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

Benefits Provided

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

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

Contributions

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

NOTES TO FINANCIAL STATEMENTS - Continued

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of September 30, 2022, will be amortized over a 16-year period beginning October 1, 2022, and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for the Plan’s fiscal year September 30, 2023:

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	20.16%
Member Investment Plan	3.0 - 7.0%	20.16%
Pension Plus	3.0 - 6.4%	17.24%
Pension Plus 2	6.2%	19.95%
Defined Contributions	0.0%	13.75%

Required contributions to the pension plan from the School District were \$12,228,636 for the year ended September 30, 2023. Total contributions remitted to the plan include State pension funding the School District remitted to ORS as non-statutorily required contributions.

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

At June 30, 2024, the School District reported a liability of \$109,817,043 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2022. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employees during the measurement period. At September 30, 2023, the School District's proportion was 0.33929685%, which was an increase of 0.0048373% from its proportion measured as of September 30, 2022.

NOTES TO FINANCIAL STATEMENTS - Continued

For the year ended June 30, 2024, the School District recognized pension expense of \$14,191,334. At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,466,589	\$ 168,222
Changes of assumptions	14,880,709	8,579,879
Net difference between projected and actual earnings on pension plan investments	-	2,247,212
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,511,439	1,190,945
School District contributions subsequent to the measurement date	<u>5,367,908</u>	<u>-</u>
Total	<u>\$ 25,226,645</u>	<u>\$ 12,186,258</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pension resulting from employer contributions subsequent to measurement date of \$5,367,908 will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended September 30,</u>	<u>Amount</u>
2024	\$ 2,772,044
2025	1,957,636
2026	4,680,339
2027	<u>(1,737,540)</u>
Total	<u>\$ 7,672,479</u>

Actuarial Assumptions

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

NOTES TO FINANCIAL STATEMENTS - Continued

Additional information as of the latest actual valuation follows:

Summary of Actuarial Assumptions:

Valuation Date:	September 30, 2022
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
MIP and Basic Plans:	6.00% net of investment expenses
Pension Plus Plan:	6.00% net of investment expenses
Pension Plus 2 Plan:	6.00% net of investment expenses
Projected Salary Increases:	2.75-11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	
Retirees:	PubT-2010 Male and Female Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Active Retirees:	PubT-2010 Male and Female Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Notes:

- Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2023 valuation. The total pension liability as of September 30, 2023, is based on the results of an actuarial valuation date of September 30, 2022, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.4406.
- Recognition period for assets in years: 5.0000.
- Full actuarial assumptions are available in the 2023 MPERS Annual Comprehensive Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Rate of Return on Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2023, are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	25.0%	5.8%
Alternative Investment Pools	16.0	9.6
International Equity Pools	15.0	6.8
Fixed Income Pools	13.0	1.3
Real Estate & Infrastructure Pools	10.0	6.4
Absolute Return Pools	9.0	4.8
Real Return/Opportunistic Pools	10.0	7.3
Short Term Investment Pools	<u>2.0</u>	0.3
Total	<u>100.0%</u>	

**Long-term rates of return are net of administrative expenses and 2.7% inflation.*

Rate of Return

For the fiscal year ended September 30, 2023, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 8.29%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

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

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

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

1% Decrease 5.00%	Current Single Discount Rate Assumption 6.00%	1% Increase 7.00%
\$ 148,362,504	\$ 109,817,043	\$ 77,726,554

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

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

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

The School District reported \$1,799,547 and \$48,962 payable to the plan at June 30, 2024 for legally required defined benefit and defined contribution plan contributions, respectively.

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

Plan Description

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

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

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

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

Benefits Provided

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

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

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

Contributions

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2022 valuation will be amortized over an 16-year period beginning October 1, 2022 and ending September 30, 2038.

NOTES TO FINANCIAL STATEMENTS - Continued

The schedule below summarizes OPEB contribution rates in effect for the fiscal year ended September 30, 2023:

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.0%	8.07%
Personal Healthcare Fund (PHF)	0.0%	7.21%

Required contributions to the OPEB plan from the School District were \$2,587,726 for the year ended September 30, 2023.

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

At June 30, 2024, the School District reported an asset of \$1,879,180 for its proportionate share of the MPSERS net OPEB asset. The net OPEB asset was measured as of September 30, 2023, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 30, 2022. As of September 30, 2023, the MPSERS OPEB plan was over funded resulting in an OPEB asset. The School District's proportion of the net OPEB asset was determined by dividing each employer's statutorily required OPEB contributions to the systems during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2023, the School District's proportion was 0.33218757%, which was an increase of 0.01337777% from its proportion measured as of September 30, 2022.

For the year ended June 30, 2024, the School District recognized OPEB income of \$3,137,879. At June 30, 2024, 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
Differences between expected and actual experience	\$ -	\$ 14,200,048
Changes of assumptions	4,183,382	503,758
Net difference between projected and actual earnings on OPEB plan investments	5,730	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	411,981	509,994
School District contributions subsequent to the measurement date	2,033,781	-
Total	<u>\$ 6,634,874</u>	<u>\$ 15,213,800</u>

NOTES TO FINANCIAL STATEMENTS - Continued

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date of \$2,033,781 will be recognized as a reduction of the net OPEB asset in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30,	Amount
2024	\$ (3,395,561)
2025	(3,197,796)
2026	(1,260,403)
2027	(1,229,203)
2028	(1,008,040)
Thereafter	<u>(521,704)</u>
Total	<u>\$ (10,612,707)</u>

Actuarial Assumptions

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

Additional information as of the latest actual valuation follows:

Summary of Actuarial Assumptions:

Valuation Date:	September 30, 2022
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.00% net of investment expenses
Projected Salary Increases:	2.75-11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate	Pre-65: 7.50% Year 1 graded to 3.5% Year 15 Post-65: 6.25% Year 1 graded to 3.5% Year 15
Mortality:	
Retirees:	PubT-2010 Male and Female Mortality Retiree Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Active Retirees:	PubT-2010 Male and Female Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

NOTES TO FINANCIAL STATEMENTS - Continued

Other Assumptions

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

Notes:

- Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2023 valuation. The total OPEB asset as of September 30, 2023, is based on the results of an actuarial valuation date of September 30, 2022, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 6.5099.
- Recognition period for assets in years: 5.0000.
- Full actuarial assumptions are available in the 2023 MPSERS Annual Comprehensive Financial Report at www.michigan.gov/orsschools.

Long-Term Expected Rate of Return on Investments

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2023, are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.8%
Private Equity Pools	16.0	9.6
International Equity Pools	15.0	6.8
Fixed Income Pools	13.0	1.3
Real Estate & Infrastructure Pools	10.0	6.4
Absolute Return Pools	9.0	4.8
Real Return/Opportunistic Pools	10.0	7.3
Short Term Investment Pools	2.0	0.3
Total	100.0%	

*Long-term rates of return are net of administrative expenses and 2.7% inflation.

Rate of Return

For the fiscal year ended September 30, 2023, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 7.94%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

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

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

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

1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
\$ 1,948,146	\$ (1,879,180)	\$ (5,168,390)

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

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$ (5,176,591)	\$ (1,879,180)	\$ 1,689,700

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2023 MPSERS ACFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

The School District reported \$98,725 payable to the Plan at June 30, 2024 for the OPEB asset.

NOTE L - FUND BALANCE

The School District annually distributes funds for special education services to local education agencies. At June 30, 2024, the School District committed to distributing \$275,750 from the special education fund restricted fund balance to the local education agencies.

NOTE M - COMMITMENTS AND CONTINGENCIES

Terminal/Sick Leave

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

Federal and State Grants

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

Environmental Matters

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

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

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

NOTES TO FINANCIAL STATEMENTS - Continued

The School District's future costs are estimated to be \$732,500, prior to any insurance reimbursements. The School District anticipates receiving insurance reimbursements of approximately 50% of the costs, bringing the estimated costs down to \$366,250, net of insurance. A remediation action plan ("RAP") was submitted and accepted by the MDEQ. As of June 30, 2024, \$732,500 has been accrued in the statement of net position relative to this liability and \$732,500 is restricted in the Capital Projects #6 Fund, for future costs in this matter. The exact amount needed has not been determined.

The School District's portion of environmental expense consisted of cash expenses for ongoing operation study and monitoring of environmental concerns totaling approximately \$76,484 for the year ended June 30, 2024, net of insurance reimbursements.

Collectively Bargained Employment Agreements

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

The support staff of the School District are organized under the Northwest Education Services Instructional Support Staff Association. The Board of Education and the Northwest Education Services Instructional Support Staff Association had a contract through June 30, 2024. Subsequent to year-end, a new contract was ratified through June 30, 2027.

NOTE N - SUBSEQUENT EVENTS

As described in Note M, the School District ratified a new support staff contract.

The School District has evaluated events and transactions for potential recognition and disclosure through October 2, 2024, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

Northwest Education Services

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL EDUCATION FUND

Year Ended June 30, 2024

	Budgeted Amounts		Actual (GAAP Basis)
	Original	Final	
Revenues			
Local sources	\$ 3,453,484	\$ 4,051,947	\$ 4,054,998
State sources	10,623,898	12,593,349	11,450,703
Federal sources	1,328,454	1,937,075	1,801,867
Other transactions	2,562,233	3,035,519	3,012,095
Total revenues	17,968,069	21,617,890	20,319,663
Expenditures			
Instruction expense			
Basic program	227,580	407,423	374,795
Added needs	378,745	375,557	320,136
Support services			
Pupil	136,674	275,555	288,353
Instructional staff	4,781,818	5,629,097	5,296,998
General administration	645,758	619,077	600,753
School administration	-	6,743	-
Business	1,144,885	1,103,042	1,103,548
Operation and maintenance	422,811	369,427	344,870
Pupil transportation	48,091	47,428	47,428
Central	1,835,958	1,747,969	1,738,555
Other support services	33,800	33,695	31,318
Community services	304,966	362,928	295,922
Payments to other governmental agencies, interfund transfers and other transactions	8,280,154	10,658,133	9,582,448
Total expenditures	18,241,240	21,636,074	20,025,124
REVENUES UNDER EXPENDITURES	(273,171)	(18,184)	294,539
Fund balance, beginning of year	2,429,339	2,612,331	2,612,331
Fund balance, unassigned	\$ 2,156,168	\$ 2,594,147	\$ 2,906,870

Northwest Education Services

BUDGETARY COMPARISON SCHEDULE FOR THE SPECIAL EDUCATION FUND

Year Ended June 30, 2024

	Budgeted Amounts		Actual
	Original	Final	(GAAP Basis)
Revenues			
Local sources	\$ 33,749,865	\$ 34,664,420	\$ 34,775,999
State sources	27,326,926	27,436,537	27,369,453
Federal sources	6,436,668	7,139,417	7,107,736
Other transactions	1,754,858	1,719,845	1,692,983
Total revenues	69,268,317	70,960,219	70,946,171
Expenditures			
Instruction expense			
Added needs	16,398,042	15,603,641	15,251,002
Support services			
Pupil	28,483,392	27,718,009	27,456,819
Instructional staff	4,448,305	4,361,391	3,704,957
General administration	124,909	103,120	89,335
School administration	705,951	794,703	1,312,996
Business	1,338,226	1,249,144	1,214,367
Operation and maintenance	1,471,756	1,462,915	1,413,681
Pupil transportation	5,415,986	5,081,373	4,937,232
Central	1,781,013	1,788,947	1,743,670
Other	925	100	185
Community services	258,331	304,860	348,688
Payments to other governmental agencies, interfund transfers and other transactions	8,484,299	12,311,842	12,234,543
Total expenditures	68,911,135	70,780,045	69,707,475
REVENUES OVER (UNDER) EXPENDITURES	357,182	180,174	1,238,696
Fund balance, beginning of year - restricted	8,226,022	8,610,802	8,610,802
Fund balance, end of year - restricted	\$ 8,583,204	\$ 8,790,976	\$ 9,849,498

Northwest Education Services

BUDGETARY COMPARISON SCHEDULE FOR THE VOCATIONAL EDUCATION FUND

Year Ended June 30, 2024

	Budgeted Amounts		Actual (GAAP Basis)
	Original	Final	
Revenues			
Local sources	\$10,846,286	\$11,019,021	\$10,991,657
State sources	2,177,686	2,235,834	2,197,435
Federal sources	271,417	352,567	352,567
Other transactions	46,724	38,500	38,500
Total revenues	<u>13,342,113</u>	<u>13,645,922</u>	<u>13,580,159</u>
Expenditures			
Instruction expense			
Added needs	6,403,027	6,620,609	6,590,923
Support services			
Pupil	973,870	967,642	933,460
Instructional staff	493,054	451,015	443,329
General administration	292,003	287,107	274,009
School administration	665,331	629,506	598,782
Business	268,022	256,431	248,023
Operation and maintenance	1,139,199	1,099,628	1,086,090
Pupil transportation	21,960	24,008	17,679
Central	700,819	660,569	631,438
Other	38,254	19,860	19,396
Community services	11,850	14,033	13,000
Payments to other governmental agencies, interfund transfers and other transactions	<u>2,224,046</u>	<u>2,701,299</u>	<u>2,701,771</u>
Total expenditures	<u>13,231,435</u>	<u>13,731,707</u>	<u>13,557,900</u>
REVENUES OVER (UNDER) EXPENDITURES	110,678	(85,785)	22,259
Fund balance, beginning of year - restricted	<u>1,490,376</u>	<u>1,723,296</u>	<u>1,723,296</u>
Fund balance, end of year - restricted	<u><u>\$ 1,601,054</u></u>	<u><u>\$ 1,637,511</u></u>	<u><u>\$ 1,745,555</u></u>

Northwest Education Services

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

Michigan Public School Employees Retirement Plan

Last 10 Fiscal Years (amounts determined as of 9/30 each fiscal year)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
School District's proportion of collective net pension liability	.33929685%	.34416415%	.33635012%	.33436673%	.33331985%	.33026454%	.32487632%	.31087629%	.30522213%	.29220000%
School District's proportionate share of net pension liability	\$ 109,817,043	\$ 129,435,729	\$ 79,632,278	\$ 114,858,609	\$ 110,384,328	\$ 99,283,483	\$ 84,189,265	\$ 77,561,091	\$ 74,550,587	\$ 64,361,720
School District's covered payroll	\$ 33,324,738	\$ 33,780,134	\$ 30,856,993	\$ 29,994,320	\$ 29,446,112	\$ 28,471,861	\$ 27,781,429	\$ 26,582,927	\$ 25,588,828	\$ 25,032,815
School District's proportionate share of net pension liability as a percentage of covered payroll	329.54%	383.17%	258.07%	382.93%	374.87%	348.71%	303.04%	291.77%	291.34%	257.11%
Plan fiduciary net position as a percentage of total pension liability	65.91%	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

SCHEDULE OF SCHOOL DISTRICT'S DEFINED BENEFIT PENSION CONTRIBUTIONS

Michigan Public School Employees Retirement Plan

Last 10 Fiscal Years (amounts determined as of 6/30 each fiscal year)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required employer contributions	\$ 6,954,144	\$ 6,612,393	\$ 6,180,043	\$ 6,204,504	\$ 5,899,721	\$ 5,152,098	\$ 5,018,992	\$ 5,242,770	\$ 5,888,131	\$ 5,537,723
School District contributions made to the Plan	6,954,144	6,612,393	6,180,043	6,204,504	5,899,721	5,152,098	5,018,992	5,242,770	5,888,131	5,537,723
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$ 34,388,450	\$ 32,864,391	\$ 32,214,374	\$ 30,388,105	\$ 30,192,675	\$ 29,125,465	\$ 28,384,294	\$ 28,536,764	\$ 26,222,808	\$ 25,755,636
Contributions as a percentage of covered payroll	20.22%	20.12%	19.18%	20.42%	19.54%	17.69%	17.68%	18.37%	22.45%	21.50%

Northwest Education Services

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

Michigan Public School Employees Retirement Plan

	<u>9/30/2023</u>	<u>9/30/2022</u>	<u>9/30/2021</u>	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>
School District's proportion of collective net OPEB (asset) liability	.33218757%	.34556534%	.33898631%	.33711189%	.33616767%	.33391407%	.32512407%
School District's proportionate share of net OPEB (asset) liability	\$ (1,879,180)	\$ 7,319,290	\$ 5,174,212	\$ 18,059,984	\$ 24,129,268	\$ 26,542,668	\$ 28,791,268
School District's covered payroll	\$ 33,324,738	\$ 33,780,134	\$ 30,856,993	\$ 29,994,320	\$ 29,446,112	\$ 28,471,861	\$ 27,781,429
School District's proportionate share of net OPEB (asset) liability as a percentage of covered payroll	-5.64%	21.67%	16.77%	60.21%	81.94%	93.22%	103.63%
Plan fiduciary net position as a percentage of total OPEB (asset) liability	105.04%	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%

SCHEDULE OF SCHOOL DISTRICT'S OPEB CONTRIBUTIONS

Michigan Public School Employees Retirement Plan

	<u>6/30/2024</u>	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>
Statutorily required employer contributions	\$ 2,688,547	\$ 2,156,544	\$ 2,378,514	\$ 1,874,357	\$ 1,953,297	\$ 2,206,812	\$ 1,630,992
School District contributions made to the Plan	2,688,547	2,156,544	2,378,514	1,874,357	1,953,297	2,206,812	1,630,992
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$ 34,388,450	\$ 32,864,391	\$ 32,214,374	\$ 30,388,105	\$ 30,192,675	\$ 29,125,465	\$ 28,384,294
Contributions as a percentage of covered payroll	7.82%	6.56%	7.38%	6.17%	6.47%	7.58%	5.75%

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

Northwest Education Services

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2024

	Special Revenue Funds			Capital Projects Fund #1	Total Non-Major Governmental Funds
	School Food Service	Michigan Works!	Student/School Activity		
ASSETS					
Cash and cash equivalents	\$ 15	\$ 410,480	\$ 419,962	\$ 4,032,739	\$ 4,863,196
Investments	-	-	-	18,278	18,278
Due from other governments and other receivables	-	230,694	-	-	230,694
	-	230,694	-	-	230,694
Total assets	\$ 15	\$ 641,174	\$ 419,962	\$ 4,051,017	\$ 5,112,168
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ -	\$ 152,336	\$ 1,373	\$ 75,191	\$ 228,900
Accrued payroll and related liabilities	-	67,549	-	-	67,549
Unearned revenue	-	385,765	-	-	385,765
	-	385,765	-	-	385,765
Total liabilities	-	605,650	1,373	75,191	682,214
FUND BALANCES					
Restricted for fund use	15	35,524	-	-	35,539
Committed for fund use	-	-	418,589	-	418,589
Assigned	-	-	-	3,975,826	3,975,826
	-	-	-	3,975,826	3,975,826
Total fund balances	15	35,524	418,589	3,975,826	4,429,954
Total liabilities and fund balances	\$ 15	\$ 641,174	\$ 419,962	\$ 4,051,017	\$ 5,112,168

Northwest Education Services

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

Year Ended June 30, 2024

	Special Revenue Funds			Capital Projects Fund #1	Total Non-Major Governmental Funds
	School Food Service	Michigan Works!	Student/School Activity		
Revenues					
Local sources	\$ 9	\$ -	\$ 225,190	\$ -	\$ 225,199
Interest	-	2,049	966	79,629	82,644
State sources	-	925,136	-	-	925,136
Federal sources	-	2,837	-	-	2,837
Total revenues	9	930,022	226,156	79,629	1,235,816
Expenditures					
Instruction	-	432,759	-	-	432,759
Support services	-	495,423	255,597	-	751,020
Food service	7,786	-	-	-	7,786
Capital outlay	-	-	-	429,705	429,705
Total expenditures	7,786	928,182	255,597	429,705	1,621,270
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES					
	(7,777)	1,840	(29,441)	(350,076)	(385,454)
Other financing sources					
Operating transfers in	6,946	-	-	1,982,067	1,989,013
REVENUE OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES					
	(831)	1,840	(29,441)	1,631,991	1,603,559
Fund balance, beginning of year					
	846	33,684	448,030	2,343,835	2,826,395
Fund balance, end of year					
	\$ 15	\$ 35,524	\$ 418,589	\$ 3,975,826	\$ 4,429,954

FEDERAL PROGRAMS

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

Board of Education
Northwest Education Services

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Northwest Education Services* (the "School District") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 2, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Dennis, Gartland & Niergarth

Certified Public Accountants
Traverse City, Michigan

October 2, 2024

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

Board of Education
Northwest Education Services

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited *Northwest Education Services'* (the "School District") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2024. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questions Costs.

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statues, regulations, rules, and provisions of contracts or grant agreements applicable to the School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain profession skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

Dennis, Gartland & Niergarth

Certified Public Accountants
Traverse City, Michigan

October 2, 2024

NORTHWEST EDUCATION SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Year Ended June 30, 2024

Grant Name	Project Number	Assistance Listing Number	Passed Through	Grant Amount	Accrued (Unearned) Revenue July 1, 2023	Prior Years Expenditures	Current Year Cash Receipts	Current Year Expenditures	Adjustments	Accrued (Unearned) Revenue June 30, 2024	Cash Transferred to Subrecipients	
U.S. Department of Agriculture												
Regional Food System Partnerships	N/A	10.177	GCRC	\$ 52,000	\$ 779	\$ 779	\$ 6,118	\$ 5,339	\$ -	\$ -	\$ -	
SNAP Cluster												
Supplemental Nutrition Assistance Program (SNAP)												
MNN Food Stamp Assistance	N/A	10.551	MFF	135,000	23,622	90,821	57,292	33,670	-	-	-	
MNN Food Stamp Assistance	N/A	10.551	MFF	150,000	-	-	84,954	125,022	-	40,068	-	
Total SNAP Cluster				285,000	23,622	90,821	142,246	158,692	-	40,068	-	
TOTAL U.S. DEPARTMENT OF AGRICULTURE				337,000	24,401	91,600	148,364	164,031	-	40,068	-	
U.S. Department of Treasury												
Coronavirus State and Local Fiscal Recovery Funds												
Grow Your Own	232425 2023	21.027	MDE	2,338,206	-	-	-	522,950	-	522,950	-	
GSRP Expansion	222390 GSRP2122	21.027	MDE	452,226	80,683	491,550	204,765	204,765	(80,683)	-	156,559	
GSRP Expansion	232390 GSRP2223	21.027	MDE	590,175	47,439	167,153	265,696	218,257	-	-	218,257	
TOTAL U.S. DEPARTMENT OF TREASURY				3,380,607	128,122	658,703	470,461	945,972	(80,683)	522,950	374,816	
U.S. Department of Education												
Adult Education - Basic Grants to States	V002A210023	84.002A	NWMCOG	7,731	-	-	2,837	2,837	-	-	-	
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)												
Regional Assistance Grant	221570 2122	84.010A	MDE	137,348	9,220	137,348	9,220	-	-	-	-	
Regional Assistance Grant	231570 2223	84.010A	MDE	146,569	8,992	76,490	13,536	60,859	-	56,315	-	
Regional Assistance Grant	241570 2324	84.010A	MDE	199,644	-	-	26,944	47,674	-	20,730	-	
Total Title I Grants to Local Education Agencies				483,561	18,212	213,838	49,700	108,533	-	77,045	-	
Migrant Education - State Grant Program (Title I, Part C of the ESEA)												
Title I Part C Migrant	231890 2223	84.011	MDE	352,736	(21,219)	259,694	(21,219)	-	-	-	-	
Title I Part C Migrant	241890 2324	84.011	MDE	315,189	-	-	167,601	227,601	-	60,000	-	
Title I Part C Migrant Summer	231830 2223	84.011	MDE	366,699	63,427	-	325,973	262,546	-	-	-	
Title I Part C Migrant Summer	241830 2324	84.011	MDE	344,787	-	-	-	53,166	-	53,166	-	
Total Migrant Education - State Grant Program				1,379,411	42,208	259,694	472,355	543,313	-	113,166	-	
Special Education Cluster (IDEA)												
Special Education - Grants to States (IDEA, Part B)												
IDEA Part B General Supervision	230493 2223	84.027	MDE	167,000	30,715	167,000	30,715	-	-	-	-	
IDEA Part B General Supervision	240493 2324	84.027	MDE	183,700	-	-	146,278	164,739	-	18,461	-	
IDEA Flowthrough	220450 2022	84.027	MDE	5,764,604	108,831	5,748,989	929,544	820,713	-	-	-	
IDEA Flowthrough	230450 2223	84.027	MDE	5,565,982	747,861	4,947,662	515,515	-	-	232,346	-	
IDEA Flowthrough	240450 2324	84.027	MDE	6,164,957	-	-	3,082,479	5,411,078	-	2,328,599	-	
IDEA Flowthrough - ARP	221280 2122	84.027X	MDE	1,220,541	188,295	1,182,686	226,150	37,855	-	-	-	
Total Special Education - Grants to States (IDEA, Part B)				19,066,784	1,075,702	12,046,337	4,930,681	6,434,385	-	2,579,406	-	
Special Education - Preschool Grants (IDEA Preschool)												
Preschool Incentive	230460 2223	84.173	MDE	176,445	106,418	121,020	106,418	19,348	-	19,348	19,348	
Preschool Incentive	240460 2324	84.173	MDE	181,814	-	-	55,983	101,001	-	45,018	56,479	
Preschool Incentive - ARP	221285 2122	84.173X	MDE	95,153	3,621	93,347	4,528	907	-	-	907	
Total Special Education - Preschool Grants (IDEA Preschool)				453,412	110,039	214,367	166,929	121,256	-	64,366	76,734	
Total Special Education Cluster				19,520,196	1,185,741	12,260,704	5,097,610	6,555,641	-	2,643,772	76,734	

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

NORTHWEST EDUCATION SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Year Ended June 30, 2024

Grant Name	Project Number	Assistance Listing Number	Passed Through	Grant Amount	Accrued (Unearned) Revenue July 1, 2023	Prior Years Expenditures	Current Year Cash Receipts	Current Year Expenditures	Adjustments	Accrued (Unearned) Revenue June 30, 2024	Cash Transferred to Subrecipients
Special Education - Grants for Infants and Families											
Early On-Pt H	231340 2223	84.181	MDE	174,164	150,006	150,006	164,987	14,981	-	-	-
Early On-Pt H	241340 2324	84.181	MDE	201,094	-	-	135,069	201,094	-	66,025	-
Early On-Pt H - ARP	221340 EOARP	84.181X	MDE	82,406	9,020	82,406	9,020	-	-	-	-
Total Special Education - Grants for Infants and Families				457,664	159,026	232,412	309,076	216,075	-	66,025	-
English Language Acquisition State Grants											
Title III Part A	230580 2223	84.365	MDE	69,772	2,697	22,940	2,697	-	-	-	-
Title III Part A	240580 2324	84.365	MDE	86,747	-	-	15,817	32,300	-	16,483	-
Total English Language Acquisition State Grants				156,519	2,697	22,940	18,514	32,300	-	16,483	-
Career and Technical Education - Basic Grants to States (Perkins IV)											
Vocational Ed - Regional Perkins	9200	84.048A	WMISD	274,671	85,025	274,671	85,025	-	-	-	-
Vocational Ed - Regional Perkins	9200	84.048A	WMISD	352,479	-	-	277,006	352,479	-	75,473	-
Total Career and Technical Education - Basic Grants to States (Perkins IV)				627,150	85,025	274,671	362,031	352,479	-	75,473	-
TOTAL U.S. DEPARTMENT OF EDUCATION				22,632,232	1,492,909	13,264,259	6,312,123	7,811,178	-	2,991,964	76,734
U.S. Department of Health and Human Services											
Every Student Succeeds Act/Preschool Development Grants											
Coordinated Eligibility and Enrollment	3.922	93.434	SRC	30,000	30,000	30,000	30,000	-	-	-	-
Trusted Advisors Grant	223910 2122	93.434	MDE	32,500	6,399	24,859	13,390	6,991	-	-	-
Total Every Student Succeeds Act/Preschool Development Grants				62,500	36,399	54,859	43,390	6,991	-	-	-
TANF Cluster											
Temporary Assistance for Needy Families	N/A	93.558	NMCAA	85,000	48,766	48,766	94,431	45,665	-	-	-
CCDF Cluster											
Child Care and Development Block Grant											
Early Childhood Services Network	22/23	93.575	EUPISD	15,312	5,655	5,655	31,318	25,663	-	-	-
Early Childhood Services Network	23/24	93.575	EUPISD	58,845	-	-	3,606	55,724	-	52,118	-
Total CCDF Cluster				74,157	5,655	5,655	34,924	81,387	-	52,118	-
Medicaid Cluster											
Medical Assistance Program (Medicaid; Title XIX)											
Medicaid Outreach (LEA)	N/A	93.778	MDHHS	113,023	-	-	113,023	113,023	-	-	113,023
Medicaid Outreach (North Ed)	N/A	93.778	MDHHS	177,082	-	-	177,082	177,082	-	-	-
Total Medicaid Cluster				290,105	-	-	290,105	290,105	-	-	113,023
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				511,762	90,820	109,280	462,850	424,148	-	52,118	113,023
TOTAL FEDERAL ASSISTANCE				\$ 26,861,601	\$ 1,736,252	\$ 14,123,842	\$ 7,393,798	\$ 9,345,329	\$ (80,683)	\$ 3,607,100	\$ 564,573

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

NORTHWEST EDUCATION SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
PROVIDED TO SUBRECIPIENTS
For fiscal year ended June 30, 2024

Program Title/Grant Number Subrecipient Name	Assistance Listing Number	Subrecipient Award/Contract Amount	Due To (From) Subrecipient July 1, 2023	(Memo Only)	Subrecipient Current Year Expenditures	Current Year Cash Transferred To Subrecipient	Due To (From) Subrecipient June 30, 2024
				Subrecipients Prior Year Expenditures			
U.S. Department of Treasury							
Passed Through Michigan Department of Education							
Coronavirus State and Local Fiscal Recovery Funds							
GSRP Preschool							
22S439 2223	4393		21.027				
Benzie County Central Schools		\$ 50,508	\$ -	\$ 5,820	\$ 43,696	\$ 43,696	\$ -
Buckley Community Schools		147,315	-	-	147,315	147,315	-
Elk Rapids Public Schools		67,344	-	-	67,344	67,344	-
Frankfort-Elberta Area Schools		25,254	25,254	25,254	-	-	-
Forest Area Community Schools		8,418	-	7,784	634	634	-
Blue Fish Childrens Center		67,344	22,185	29,244	29,682	29,682	22,185
Northern Michigan Community Action Agency		126,270	-	40,125	86,145	86,145	-
		<u>492,453</u>	<u>47,439</u>	<u>108,227</u>	<u>374,816</u>	<u>374,816</u>	<u>22,185</u>
Total U.S. Department of Treasury		492,453	47,439	108,227	374,816	374,816	22,185
U.S. Department of Education							
Passed Through Michigan Department of Education							
Special Education Cluster							
PreSchool							
230460 22-23	8053		84.173				
Suttons Bay Public Schools		72	72	-	-	72	-
Elk Rapids Schools		19,276	-	-	19,276	19,276	-
		<u>19,348</u>	<u>72</u>	<u>-</u>	<u>19,276</u>	<u>19,348</u>	<u>-</u>
PreSchool							
240460 23-24	8054		84.173				
Elk Rapids Schools		21,267	-	-	21,267	21,267	-
Kalkaska Public Schools		20,021	-	-	20,021	20,021	-
Kingsley Area Schools		21,267	-	-	21,267	-	21,267
Mancelona Public Schools		15,191	-	-	15,191	15,191	-
		<u>77,746</u>	<u>-</u>	<u>-</u>	<u>77,746</u>	<u>56,479</u>	<u>21,267</u>

NORTHWEST EDUCATION SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
PROVIDED TO SUBRECIPIENTS
For fiscal year ended June 30, 2024

Program Title/Grant Number Subrecipient Name	Assistance Listing Number	Subrecipient Award/Contract Amount	Due To (From) Subrecipient July 1, 2023	(Memo Only)	Subrecipient Current Year Expenditures	Current Year Cash Transferred To Subrecipient	Due To (From) Subrecipient June 30, 2024
				Subrecipients Prior Year Expenditures			
PreSchool ARP							
221285 21-22	4372	84.173X					
Elk Rapids Schools		15,233	-	14,364	867	867	-
Suttons Bay Public Schools		692	-	652	40	40	-
		<u>15,925</u>	<u>-</u>	<u>15,016</u>	<u>907</u>	<u>907</u>	<u>-</u>
Total U.S. Department of Education		113,019	72	15,016	97,929	76,734	21,267
U.S. Department of Health and Human Services							
Passed through Michigan Department of Health and Human Services							
Medicaid-School Based Services/							
Outreach (LEA)	93.778						
Alba Public School		918	-	-	918	918	-
Bellaire Public Schools		3,571	-	-	3,571	3,571	-
Benzie County Central Schools		6,421	-	-	6,421	6,421	-
Buckley Community School		2,853	-	-	2,853	2,853	-
Elk Rapids Schools		6,738	-	-	6,738	6,738	-
Forest Area Community Schools		3,613	-	-	3,613	3,613	-
Frankfort-Elberta Area Schools		4,336	-	-	4,336	4,336	-
Glen Lake Community Schools		5,386	-	-	5,386	5,386	-
Kalkaska Public Schools		6,380	-	-	6,380	6,380	-
Kingsley Area Schools		5,140	-	-	5,140	5,140	-
Leelanau Montessori PSA		428	-	-	428	428	-
Leland Public School		2,352	-	-	2,352	2,352	-
Mancelona Public Schools		6,739	-	-	6,739	6,739	-
Northport Public School		459	-	-	459	459	-
Suttons Bay Public Schools		4,032	-	-	4,032	4,032	-
Traverse City Area Public Schools		53,657	-	-	53,657	53,657	-
Total U.S. Department of Health and Human Services		113,023	-	-	113,023	113,023	-
Total		\$ 718,495	\$ 47,511	\$ 123,243	\$ 585,768	\$ 564,573	\$ 43,452

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

Northwest Education Services

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2024

- Note 1** The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the School District, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (“Uniform Guidance”). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
- Note 2** Management has reported that expenditures in this Schedule of Expenditures of Federal Awards are equal to those amounts reported in the annual or final cost reports. Unallowed differences, if any, have been disclosed to the auditor.
- Note 3** The financial reports, including claims for advances and reimbursements and amounts claimed or used for matching are timely, complete and accurate, and contain information that is supported by the books and records from which the basic financial statements have been prepared. Grant receipts reported on the Schedule of Expenditures of Federal Awards, as passed through the Michigan Department of Education (“MDE”), reconcile to the MDE Cash Management System (“CMS”) Grant Auditor Report. Unreconciled differences have been disclosed to the auditor.
- Note 4** A reconciliation of expenditures on the Schedule of Expenditures of Federal Awards and sources on the financial statements are as follows:

Federal expenditures per Schedule of Expenditures of Federal Awards	\$ 9,345,329
Adjustments to prior year expenditures for GSRP Expansion	(80,683)
Payments in lieu of taxes and other adjustments	361
Federal sources per financial statements	\$ 9,265,007

- Note 5** The School District did not use the 10% de-minimis cost rate under the Uniform Administrative Requirements.
- Note 6** The School District receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
GCRC	Groundwork Center for Resilient Communities
MFF	Michigan Fitness Foundation
MDE	Michigan Department of Education
NWMCOG	Northwest Michigan Council of Governments
WMISD	Wexford-Missaukee Intermediate School District
SRC	School Readiness Consulting
NMCAA	Northwest Michigan Community Action Agency
EUPISD	Eastern Upper Peninsula Intermediate School District
MDHHS	Michigan Department of Health and Human Services

Northwest Education Services

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2024

Current Year

Section 1 - Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statements of Northwest Education Services.
2. There were no material weaknesses or significant deficiencies in internal control reported as a result of the audit of the financial statements.
3. No instances of noncompliance material to the financial statements, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. There were no material weaknesses or significant deficiencies disclosed in internal control over major Federal award programs.
5. The auditor's report on compliance for the major Federal award programs expresses an unmodified opinion on all major Federal award programs.
6. There are no audit findings that are required to be reported in accordance with 2 CFR section 200.516(a).
7. The following programs were major Federal award programs:

Coronavirus State and Local Fiscal Recovery Funds	ALN 21.027
Special Education Cluster:	
Special Education – Grants to States (IDEA, Part B)	ALN 84.027
Special Education – Preschool Grants (IDEA Preschool)	ALN 84.173
8. The threshold used for distinguishing between Type A and Type B programs was \$750,000.
9. Northwest Education Services qualified as a low-risk auditee.

Section 2 - Findings in Accordance with Government Auditing Standards

No findings.

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

No findings.

Prior Year

There were no findings in the previous fiscal year.