LIVINGSTON EDUCATIONAL SERVICE AGENCY

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

YEAR ENDED JUNE 30, 2023

Maner Costerisan

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Livingston Educational Service Agency

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Livingston Educational Service Agency, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

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 Livingston Educational Service Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 Livingston Educational Service Agency's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Livingston Educational Service Agency's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2023 on our consideration of Livingston Educational Service Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Livingston Educational Service Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Livingston Educational Service Agency's internal control over financial reporting and compliance.

Maner Costerisan PC

September 25, 2023

LIVINGSTON EDUCATIONAL SERVICE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report presents our discussion and analysis of Livingston Educational Service Agency's (the Agency) financial performance during the year ended June 30, 2023. Please read it in conjunction with the Agency's basic financial statements, which immediately follow this section. Should you ever have a question regarding the Agency's financial operations, feel free to contact Laura Walters, C.F.O., C.P.A., Livingston Educational Service Agency Finance & Budget Director at (517) 540-6812.

Please be aware that the basic financial statements, including the relationships of the statements to each other, and the significant differences in the information they provide are discussed in the Notes to the Financial Statements - specifically in Note 1 - Summary of Significant Accounting Policies. Said simply, the Government-wide financial statements show the Agency's financial operations more like the business world would, while the fund financial statements show the Agency's financial operations like they have been traditionally reported using a modified accrual basis of accounting.

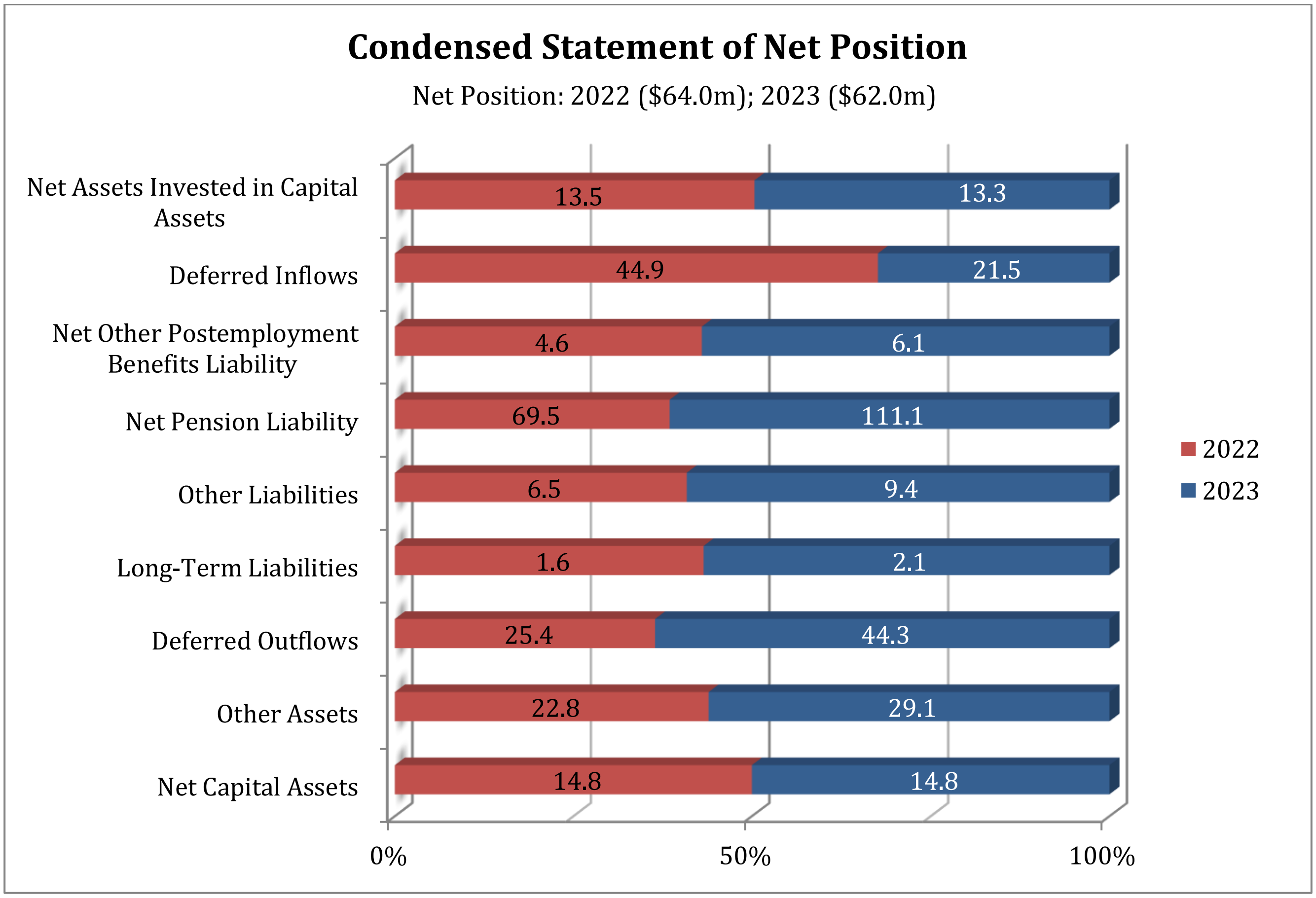
The table below shows the change in fund balance for general fund and special education fund as reported at the fund level. In general, the Agency has limited options when it comes to reducing operating budgets because so many of our programs are either tied to specialized educational services mandated by the state or federal government or are required by a student's individualized educational plan. Therefore, the Agency cannot just close a building or lay-off a department of employees. Instead, the Agency has remained disciplined and worked carefully through the financial planning process to remain innovative and make the right changes at the right time. At the Government-Wide level, the Agency's Net Position for 2023 increased by $1,984,694, the prior year was an increase of $5,151,570. The ending net position is as follows:

	2023	2022
Change in Net Position	$ 1,984,694	$ 5,151,570
Ending Net Position	$ (62,011,210)	$ (63,995,904)

Fund balance changes are noted below:

2023	Budget	Actual
General Fund Change in Fund Balance	$ (22,753)	$ 116,529
Special Education Fund Change in Fund Balance	$ 1,621,808	$ 1,646,657

The budget variance in the general fund as a percentage of total expenditures was 0.58%. That same variance in the special education fund was 0.04%. Both of these variances were positive - in that each fund has slightly more fund balance than was projected in the final approved budget.

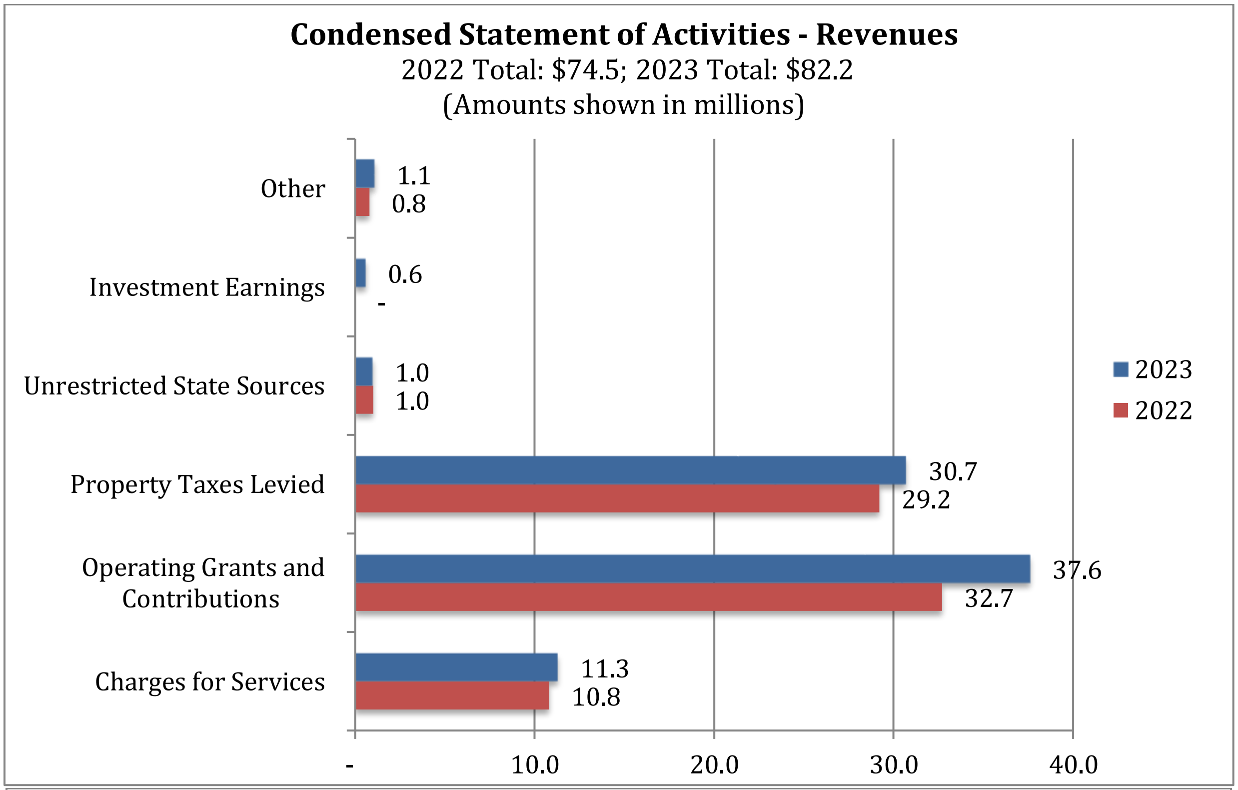


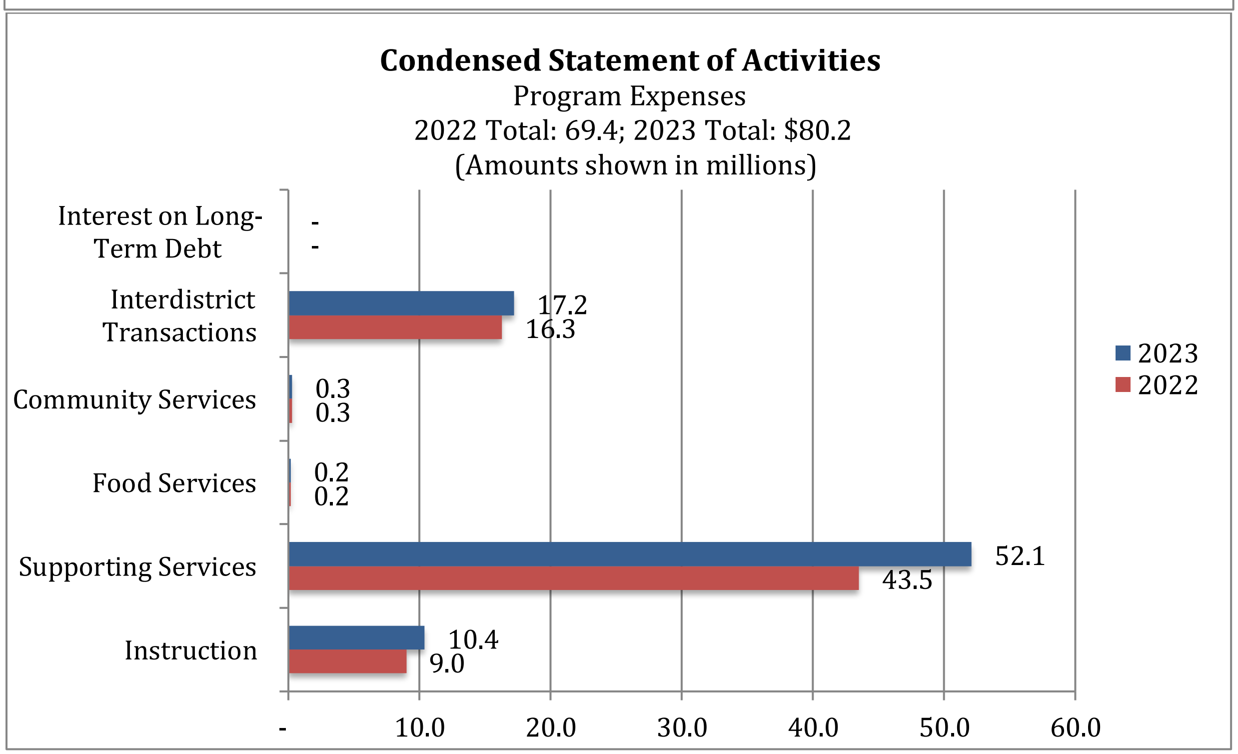
The increase in Other Assets of approximately $6,270,000 is attributable to a net increase in cash and investments that resulted from current year operations as well as an increase in intergovernmental receivables.

Long-Term Liabilities increased by approximately $498,000 during 2023 due to approximately $560,000 in notes from direct borrowing and direct placement related to the new building lease in the current year and an approximately $354,000 increase in compensated absences due to the changes in sick time pay out in the most recently executed LIPSA agreement. These increases were partially offset by the current year payments on previously existing long-term obligations.

Other Liabilities increased by approximately $2,903,000 due to an increase in accounts payable, accrued retirement, and unearned revenue.

The Condensed Statement of Activities presented below compares 2023 to 2022 and provides additional information to support the discussion and analysis noted above. Overall, the amounts have changed in accordance with the Agency's financial plan.





The 2024 fiscal year will continue to show a structurally balanced budget for the Agency. The Agency will continue to evaluate the impacts of all state and federal funding changes and adjust budgets accordingly.

BASIC FINANCIAL STATEMENTS

LIVINGSTON EDUCATIONAL SERVICE AGENCY
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 10,909,496
Investments	8,590,559
Receivables	
Accounts	82,662
Leases	3,525
Intergovernmental	9,149,383
Inventories	600
Prepaids	139,137
Noncurrent assets	
Receivables, due within one year	189,246
Capital assets, not being depreciated/amortized	224,007
Capital assets, net of accumulated depreciation/amortization	14,599,058
TOTAL ASSETS	43,887,673
DEFERRED OUTFLOWS OF RESOURCES	
Related to pension	35,353,142
Related to other postemployment benefit	8,946,971
TOTAL DEFERRED OUTFLOWS OF RESOURCES	44,300,113
LIABILITIES	
Payables	
Accounts	1,200,880
Intergovernmental	9,601
Accrued payroll related liabilities	696,765
Accrued retirement	2,840,667
Accrued interest	4,358
Unearned revenue	4,530,157
Claims payable	47,693
Incurred by not yet reported liability	25,000
Noncurrent liabilities	
Due within one year	498,875
Due in more than one year	1,599,400
Net pension liability	111,096,853
Net other postemployment benefit liability	6,124,206
TOTAL LIABILITIES	128,674,455
DEFERRED INFLOWS OF RESOURCES	
Related to pension	485,631
Related to other postemployment benefit	13,094,544
Related to state aid funding for pension	7,936,278
Related to unavailable revenue - leases	8,088
TOTAL DEFERRED INFLOWS OF RESOURCES	21,524,541
NET POSITION	
Net investment in capital assets	13,322,819
Unrestricted	(75,334,029)
TOTAL NET POSITION	$ (62,011,210)

See notes to financial statements.

LIVINGSTON EDUCATIONAL SERVICE AGENCY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Governmental Activities: Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	$ 10,378,610	$ 476,164	$ 12,802,083	$ 2,899,637
Supporting services	52,050,141	10,776,937	24,345,243	(16,927,961)
Food services	222,336	-	223,340	1,004
Community services	319,192	34,651	156,476	(128,065)
Interdistrict transactions and facilities acquisition	17,228,671	-	43,659	(17,185,012)
Interest on long-term obligations	41,941	-	-	(41,941)
Total governmental activities	$ 80,240,891	$ 11,287,752	$ 37,570,801	(31,382,338)
General revenues				
Property taxes levied for general purposes				603,114
Property taxes levied for special education				30,087,217
State sources - unrestricted				1,013,149
Revenue not restricted to specific programs				1,084,702
Investment earnings				578,850
Total general revenues				33,367,032
CHANGE IN NET POSITION				1,984,694
Net position, beginning of year				(63,995,904)
Net position, end of year				$ (62,011,210)

See notes to financial statements.

LIVINGSTON EDUCATIONAL SERVICE AGENCY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund	Special Education Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 1,743,759	$ 4,178,994	$ 4,704,597	$ 10,627,350
Investments	4,070,529	69,469	4,450,561	8,590,559
Receivables				
Accounts	17,814	64,848	-	82,662
Leases	-	-	3,525	3,525
Intergovernmental	4,678,492	4,179,012	291,879	9,149,383
Due from other funds	127,260	-	193,991	321,251
Inventories	600	-	-	600
Prepaids	81,302	57,835	-	139,137
TOTAL ASSETS	$ 10,719,756	$ 8,550,158	$ 9,644,553	$ 28,914,467
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Payables				
Accounts	$ 698,159	$ 112,745	$ 389,976	$ 1,200,880
Intergovernmental	6,158	3,443	-	9,601
Accrued payroll and related liabilities	341,578	355,187	-	696,765
Accrued retirement	2,764,335	76,332	-	2,840,667
Due to internal service fund	7,830	70,962	-	78,792
Due to other funds	16,682	304,569	-	321,251
Unearned revenue	4,242,307	287,850	-	4,530,157
TOTAL LIABILITIES	8,077,049	1,211,088	389,976	9,678,113
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - leases	-	-	8,088	8,088
FUND BALANCES				
Nonspendable				
Inventories	600	-	-	600
Prepaids	81,302	57,835	-	139,137
Restricted for				
Special education - operations	-	7,281,235	-	7,281,235
Assigned for				
Capital projects	-	-	9,246,489	9,246,489
Curriculum and instruction	358,290	-	-	358,290
Student/school activities	31,526	-	-	31,526
Unassigned	2,170,989	-	-	2,170,989
TOTAL FUND BALANCES	2,642,707	7,339,070	9,246,489	19,228,266
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 10,719,756	$ 8,550,158	$ 9,644,553	$ 28,914,467

See notes to financial statements.

LIVINGSTON EDUCATIONAL SERVICE AGENCY
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2023

Fund balances - total governmental funds	$ 19,228,266
Amounts reported for governmental activities in the statement of net position are different because	
Amounts due from local districts on bus installment loans are not considered a current financial resource and are therefore not recognized in the governmental funds.	
Add - long-term receivables, including current portion	189,246
An internal service fund is used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities.	
Add - net position of governmental activities accounted for in the internal service fund	288,245
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add - capital assets not being depreciated/amortized	224,007
Add - capital assets, net of accumulated depreciation/amortization	14,599,058
Certain liabilities, such as bonds and installment notes payable, are not due and payable in the current period and therefore are not reported in the funds. In addition, revenue is reported in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end.	
Deduct - general obligation bond	(1,029,689)
Deduct - notes from direct borrowing and direct placement	(470,557)
Deduct - accrued interest on long-term obligations	(4,358)
Deduct - compensated absences	(598,029)
Deduct - net pension liability	(111,096,853)
Deduct - net other postemployment benefit liability	(6,124,206)
Amounts that consumed or acquired net position but apply to future period(s) and so will not be recognized as an outflow (expense) or inflow (revenue) of resources until that time.	
Add - deferred outflows of resources - related to pension	35,353,142
Deduct - deferred inflows of resources - related to pension	(485,631)
Add - deferred outflows of resources - related to other postemployment benefit	8,946,971
Deduct - deferred inflows of resources - related to other postemployment benefit	(13,094,544)
Deduct - deferred inflows of resources - related to state aid funding for pension	(7,936,278)
Net position of governmental activities	$ (62,011,210)

See notes to financial statements.

LIVINGSTON EDUCATIONAL SERVICE AGENCY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

	General Fund	Special Education Fund	Capital Projects Fund	Nonmajor Debt Service Fund	Total Governmental Funds
REVENUES					
Local sources					
Property taxes	$ 603,114	$ 30,087,217	$ -	$ -	$ 30,690,331
Tuition	13,561	-	-	-	13,561
Investment earnings	115,095	270,203	191,870	-	577,168
Other	204,279	2,669,924	-	-	2,874,203
Total local sources	936,049	33,027,344	191,870	-	34,155,263
State sources	9,350,751	19,830,752	-	-	29,181,503
Federal sources	2,696,898	7,439,009	-	-	10,135,907
Interdistrict	11,362,458	484,684	265,186	-	12,112,328
TOTAL REVENUES	24,346,156	60,781,789	457,056	-	85,585,001
EXPENDITURES					
Current					
Instruction	4,398,119	6,035,867	-	-	10,433,986
Supporting services	18,193,853	35,781,948	-	-	53,975,801
Community service	247,025	81,297	-	-	328,322
Other services	280,108	-	-	-	280,108
Interdistrict transactions	1,055,665	15,551,464	-	-	16,607,129
Debt service					
Principal	-	89,541	-	320,000	409,541
Interest	-	10,458	-	32,550	43,008
Capital outlay	-	-	510,502	-	510,502
TOTAL EXPENDITURES	24,174,770	57,550,575	510,502	352,550	82,588,397
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	171,386	3,231,214	(53,446)	(352,550)	2,996,604
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	-	15,345	-	-	15,345
Proceeds from leases	-	560,098	-	-	560,098
Transfer in from internal service fund	10,143	-	-	-	10,143
Transfers in	-	40,000	2,225,000	352,550	2,617,550
Transfers out	(65,000)	(2,200,000)	(352,550)	-	(2,617,550)
TOTAL OTHER FINANCING SOURCES (USES)	(54,857)	(1,584,557)	1,872,450	352,550	585,586
NET CHANGE IN FUND BALANCES	116,529	1,646,657	1,819,004	-	3,582,190
Fund balances, beginning of year	2,526,178	5,692,413	7,427,485	-	15,646,076
Fund balances, end of year	$ 2,642,707	$ 7,339,070	$ 9,246,489	$ -	$ 19,228,266

See notes to financial statements.

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

Net change in fund balances - total governmental funds	$ 3,582,190
Amounts reported for *governmental activities* in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Add - capital outlay	1,547,853
Deduct - loss on disposal of capital assets	(3,783)
Deduct - depreciation/amortization expense	(1,560,060)
Internal service funds are used by management to charge the costs of certain personnel costs to individual funds. The net decrease in the net position of the internal service funds are reported with governmental activities.	
Add - net income for the internal service fund	5,735
Amounts due from local districts on bus installment loans are not considered a current financial resource and are therefore not recognized in the governmental funds.	
Deduct - reduction in long-term receivables	(189,244)
The issuance of long-term obligations (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences in the treatment of long-term obligations and related items are as follows:	
Deduct - notes from direct borrowing and direct placement	(560,098)
Add - amortization of general obligation bond premium	6,751
Add - principal payments on general obligation bond	320,000
Add - principal payments on notes from direct borrowing and direct placement	89,541
Compensated absences are reported on the accrual method in the statement of activities and recorded as an expenditure when financial resources are used in the governmental funds	
Deduct - increase in accrued compensated absences	(354,286)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the statement of revenues, expenditures and changes in fund balances.	
Add - decrease in accrued interest payable on bonds and notes payable	1,067
Deduct - pension related items	(1,925,993)
Add - other postemployment benefit related items	4,208,437
Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension contributions subsequent to the measurement period.	
Deduct - increase in state aid funding for pension	(3,183,416)
Change in net position of governmental activities	$ 1,984,694

See notes to financial statements.

LIVINGSTON EDUCATIONAL SERVICE AGENCY
INTERNAL SERVICE FUND
STATEMENT OF NET POSITION
JUNE 30, 2023

	Internal Service Fund
ASSETS	
Current assets	
Cash and cash equivalents	$ 282,146
Due from other funds	78,792
Total current assets	360,938
LIABILITIES	
Current liabilities	
Claims payable	47,693
Incurred but not yet reported liability	25,000
Total current liabilities	72,693
NET POSITION	
Unrestricted	$ 288,245

See notes to financial statements.

LIVINGSTON EDUCATIONAL SERVICE AGENCY
INTERNAL SERVICE FUND
STATEMENT OF REVENUE, EXPENSES,
AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2023

	Internal Service Fund
OPERATING REVENUE	
Charges for services	$ 442,040
OPERATING EXPENSES	
Cost of insurance claims	400,825
Administrative costs	27,019
TOTAL OPERATING EXPENSES	427,844
Operating income	14,196
NON OPERATING INCOME	
Interest income	1,682
Net income before transfers	15,878
Transfers out	(10,143)
Change in net position	5,735
Net position, beginning of year	282,510
Net position, end of year	$ 288,245

See notes to financial statements.

LIVINGSTON EDUCATIONAL SERVICE AGENCY
INTERNAL SERVICE FUND
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023

	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Charges for services	$ 444,358
Claims paid	(392,106)
Administrative fees paid	(27,019)
Net cash provided by operating activities	25,233
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers out	(10,143)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned on investments	1,682
Net increase in cash and cash equivalents	16,772
Cash and cash equivalents, beginning of year	265,374
Cash and cash equivalents, end of year	$ 282,146
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	$ 14,196
Adjustments to reconcile operating income to net cash provided by operating activities	
Changes in operating assets and liabilities which provided (used) cash	
Due from other funds	2,318
Claims payable	8,719
Net cash provided by operating activities	$ 25,233

See notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Agency. The Agency does not currently have any fiduciary activities. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds and the proprietary internal service fund. Separate financial statements are provided for governmental funds and the internal service fund.

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

Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the Agency's funds. Separate statements for each fund category – governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental and the proprietary internal service fund are reported as separate columns in the fund financial statements.

The Agency reports the following *Major Governmental Funds*:

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

The *Special Education Fund* (special revenue fund type) accounts for special education programs.

The *Capital Projects Fund* which accounts for revenue and the disbursements of invoices specifically designated for acquiring new school sites, buildings, equipment and for major remodeling and repairs.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

Nonmajor Fund

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

Internal Service Fund

The *Internal Service Fund* is used to account for all activity related to self-insurance for vision and dental care.

During the course of operations, the Agency has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Similarly, balances between the funds included in governmental activities (i.e., the governmental and the internal service fund) are eliminated so that only the net amount is included as internal balances in the governmental activities' column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included.

Measurement Focus and Basis of Accounting

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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

The internal service fund is reported using the *economic resources measurement focus* and the accrual *basis of accounting*.

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

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the current year ended, the foundation allowance was based on pupil membership counts.

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Information

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue fund. The capital projects fund is appropriated on a project-length basis. Other funds do not have appropriated budgets.

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

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

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

b. Public hearings are conducted to obtain taxpayer comments.

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

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

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

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

Cash and Cash Equivalents

The Agency's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Investments

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

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

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

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

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

e. Bankers' acceptances of United States banks.

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

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

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/ expenses when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Assets

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

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

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

Capital Asset Classes	Lives/Years
Buildings and structures	25 - 50
Furniture and equipment	5 - 20
Site improvements	10
Vehicles and buses	7
Right to use - building lease	3

Defined Benefit Plans

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

Deferred Outflows

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred Inflows

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

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance Policies (continued)

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

Leases

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

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

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

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

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

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

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

Lessor: The Agency is a lessor for a noncancelable lease of copiers. The Agency recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Leases (continued)

At the commencement of a lease, the Agency initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payment received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgements include how the Agency determines (1) the discount rate is uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Agency uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Agency monitors changes in circumstances that would require a remeasurement of this lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

<u>Revenues and Expenditures/Expenses</u>

Program Revenues

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

Property Taxes

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

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

Fund	Mills Levied	Taxable Value (Billions)
General fund - general education	0.0631	9.6
Special revenue fund - special education	3.1391	9.6

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses (continued)

Compensated Absences

The Agency's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Long-term Obligations

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

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

Internal Service Fund Operating and Nonoperating Revenues and Expenses

Internal service fund distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges for benefits and services. Operating expenses for the internal service fund include the cost of benefits and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 2 - DEPOSITS AND INVESTMENTS

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

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. As of June 30, 2023, $10,736,105 of the Agency's bank balance of $10,986,105 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was $10,909,496.

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk - Investments

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

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

Interest Rate Risk

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

Investment Type	Fair Value	Weighted Average Maturity (Years)
MILAF External Investment pool-CMC	$ 2,110,624	N/A
MILAF External Investment pool-MAX	5,072,932	N/A
Michigan Class Investment Pool	1,407,003	0.1233
	$ 8,590,559	
Portfolio weighted average maturity		0.1233

One day maturity equals 0.0027, one year equals 1.00.

Concentration of Credit Risk

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

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk (continued)

Investment Type	Fair Value	Rating	Rating Agency
MILAF External Investment pool-CMC	$ 2,110,624	AAAm	Standard & Poor's
MILAF External Investment pool-MAX	5,072,932	AAAm	Standard & Poor's
Michigan Class Investment Pool	1,407,003	AAAm	Standard & Poor's
	$ 8,590,559		

Foreign Currency Risk

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

Fair Value Measurement

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

The three levels of the fair value hierarchy are described as follows:

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

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

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurement (continued)

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

	Amortized Cost
MILAF External Investment pool-CMC	$ 2,110,624
MILAF External Investment pool-MAX	5,072,932
	$ 7,183,556

Investments in Entities that Calculate Net Asset Value per Share

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

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

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

Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Michigan Class Investment Pool	$ 1,407,003	$ -	No restrictions	None

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

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

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

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

	Primary Government
Cash and cash equivalents	$ 10,909,496
Investments	8,590,559
	$ 19,500,055

NOTE 3 - LONG-TERM RECEIVABLES

A receivable for amounts due from local districts on bus installment financing agreements is recorded on the Agency-wide statements for the year ended June 30, 2023. These receivables are not considered a current financial resource and are therefore not recognized in the governmental funds. The following amounts represent the total amount to be paid by the local districts. Receivable payments are as follows:

Year Ending June 30,	
2024	$ 189,246

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

Due from other governmental units at June 30, 2023 consist of the following:

State sources	$ 5,251,608
Federal sources	1,797,845
Interdistrict	2,099,930
	$ 9,149,383

Because of the Agency's favorable collection experience, no allowance for doubtful accounts has been recorded.

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Capital assets not being depreciated/amortized				
Land	$ 224,007	$ -	$ -	$ 224,007
Capital assets being depreciated/amortized				
Buildings and structures	18,217,562	-	-	18,217,562
Furniture and equipment	2,425,687	467,238	841,819	2,051,106
Site improvements	1,618,945	-	-	1,618,945
Vehicles and buses	6,646,548	502,808	224,566	6,924,790
Right to use - building lease	-	577,807	-	577,807
Total capital assets being depreciated/amortized	28,908,742	1,547,853	1,066,385	29,390,210
Accumulated depreciation/amortization				
Buildings and structures	6,695,187	536,741	-	7,231,928
Furniture and equipment	2,216,864	134,654	838,036	1,513,482
Site improvements	1,179,066	108,115	-	1,287,181
Vehicles and buses	4,202,577	700,299	224,566	4,678,310
Right to use - building lease	-	80,251	-	80,251
Total accumulated depreciation/amortization	14,293,694	1,560,060	1,062,602	14,791,152
Total capital assets being depreciated/amortized, net	14,615,048	(12,207)	3,783	14,599,058
Total capital assets, net	$ 14,839,055	$ (12,207)	$ 3,783	$ 14,823,065

Depreciation/amortization for the fiscal year ended June 30, 2023 amounted to $1,560,060. The Agency allocated depreciation/amortization to the various activities as follows:

Governmental activities	
Instruction	$ 24,649
Supporting services	913,869
Facilities acquisition	621,542
Total governmental activities	$ 1,560,060

NOTE 6 - LONG-TERM OBLIGATIONS

The Agency issues bonds, notes, and other contractual commitments to fund for the acquisition, construction, and improvement of major facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Agency. Other long-term obligations include notes from direct borrowing and direct placement, employee compensated absences, and the self-insurance liability.

Long-term obligations currently outstanding are listed below.

General Obligation Bond	
2015 Building and site obligation bonds due in annual installments of $330,000 to $345,000 through May 1, 2026, plus interest at rates from 2.25% and 3.00%.	$ 1,010,000
Plus premium on bond issuance	19,689
Total general obligation bond	1,029,689
Notes from Direct Borrowing and Direct Placement	
Building lease due in monthly installments of $16,667 to $17,708 through January 2026, including interest at 4%.	470,557
Total general obligation bond and notes from direct borrowing and direct placement	1,500,246
Self-insurance liability	25,000
Compensated absences	598,029
Total general long-term obligations	$ 2,123,275

The annual requirements to amortize long-term obligations outstanding as of June 30, 2023, are as follows:

	General Obligation Bond		Notes from Direct Borrowing and Direct Placement				
Year Ending June 30,	Principal	Interest	Principal	Interest	Self-insurance Liability	Compensated Absences	Total
2024	$ 330,000	$ 26,150	$ 168,875	$ 14,458	$ -	$ -	$ 539,483
2025	335,000	18,726	196,660	8,548	-	-	558,934
2026	345,000	10,350	105,022	1,229	-	-	461,601
	1,010,000	55,226	470,557	24,235	-	-	1,560,018
Issuance premium	19,689	-	-	-	-	-	19,689
Self-insurance liability	-	-	-	-	25,000	-	25,000
Compensated absences	-	-	-	-	-	598,029	598,029
	$ 1,029,689	$ 55,226	$ 470,557	$ 24,235	$ 25,000	$ 598,029	$ 2,202,736

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

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

	General Obligation Bond	Notes from Direct Borrowing and Direct Placement	Self-insurance Liability	Compensated Absences	Total
Balance, July 1, 2022	$ 1,356,440	$ -	$ 25,000	$ 243,743	$ 1,625,183
Additions	-	560,098	-	354,286	354,286
Deletions	(326,751)	(89,541)	-	-	(416,292)
Balance, June 30, 2023	1,029,689	470,557	25,000	598,029	2,123,275
Due within one year	(330,000)	(168,875)	(25,000)	-	(523,875)
Due in more than one year	$ 699,689	$ 301,682	$ -	$ 598,029	$ 1,599,400

The Agency's outstanding notes from direct borrowings and direct placement related to governmental activities of $470,557 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

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

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided - Overall

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

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

Benefits Provided - Pension

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

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

Pension Reform 2010

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

Pension Reform 2012

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

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

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

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

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

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

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

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

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

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

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform of 2017

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

Benefits Provided - Other Postemployment Benefit (OPEB)

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

Retiree Healthcare Reform of 2012

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

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

Regular Retirement (no reduction factor for age)

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Regular Retirement (no reduction factor for age) (continued)

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

Member Contributions

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

Employer Contributions

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

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

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

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

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

The Agency's pension contributions for the year ended June 30, 2023 were equal to the required contribution total. Total pension contributions were approximately $13,702,000. Of the total pension contributions approximately $13,333,000 was contributed to fund the Defined Benefit Plan and approximately $369,000 was contributed to fund the Defined Contribution Plan.

The Agency's OPEB contributions for the year ended June 30, 2023 were equal to the required contribution total. Total OPEB contributions were approximately $2,610,000. Of the total OPEB contributions approximately $2,391,000 was contributed to fund the Defined Benefit Plan and approximately $219,000 was contributed to fund the Defined Contribution Plan.

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions (continued)

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

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

Pension Liabilities

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

MPSERS (Plan) Non-university Employers	September 30, 2022	September 30, 2021
Total pension liability	$ 95,876,795,620	$ 86,392,473,395
Plan fiduciary net position	$ 58,268,076,344	$ 62,717,060,920
Net pension liability	$ 37,608,719,276	$ 23,675,412,475
Proportionate share	0.29540%	0.29350%
Net pension liability for the Agency	$ 111,096,853	$ 69,487,435

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

For the year ended June 30, 2023, the Agency recognized pension expense of $15,259,356.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 19,090,420	$ -
Net difference between projected and actual plan investments earnings	260,522	-
Differences between expected and actual experience	1,111,356	(248,401)
Changes in proportion and differences between employer contributions and proportionate share contributions	2,797,876	(237,230)
Reporting Unit's contributions subsequent to the measurement date	12,092,968	-
	$ 35,353,142	$ (485,631)

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

$12,092,968, reported as deferred outflows of resources related to pensions resulting from Agency employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Year Ending September 30,	Amount
2023	$ 7,058,212
2024	5,239,103
2025	4,066,375
2026	6,410,853

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

OPEB Liabilities

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

MPSERS (Plan) Non-university Employers	September 30, 2022	September 30, 2021
Total other postemployment benefits liability	$ 12,522,713,324	$ 12,046,393,511
Plan fiduciary net position	$ 10,404,650,683	$ 10,520,015,621
Net other postemployment benefits liability	$ 2,118,062,641	$ 1,526,377,890
Proportionate share	0.28914%	0.30001%
Net other postemployment benefits liability for the Agency	$ 6,124,206	$ 4,579,256

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

For the year ended June 30, 2023, the Agency recognized OPEB benefit of $1,817,052.

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 5,458,701	$ (444,479)
Net difference between projected and actual plan investments earnings	478,655	-
Differences between expected and actual experience	-	(11,994,973)
Changes in proportion and differences between employer contributions and proportionate share contributions	1,130,804	(655,092)
Reporting Unit's contributions subsequent to the measurement date	1,878,811	-
	$ 8,946,971	$ (13,094,544)

$1,878,811, reported as deferred outflows of resources related to OPEB resulting from Agency employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

Year Ending September 30,	Amount
2023	$ (2,024,734)
2024	(1,901,925)
2025	(1,727,058)
2026	(133,781)
2027	(213,212)
2028	(25,674)

Actuarial Assumptions

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

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

Inflation - 3.0%.

Mortality Assumptions -

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

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

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

Experience Study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2021. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2018 valuation.

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

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

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

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

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

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

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

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

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

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

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

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

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	$ 146,606,572	$ 111,096,853	$ 81,835,244

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

	Other Postemployment Benefit		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other post employment benefit liability	$ 10,272,766	$ 6,124,206	$ 2,630,603

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

	Other Postemployment Benefit		
	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Reporting Unit's proportionate share of the net other post employment benefit liability	$ 2,564,525	$ 6,124,206	$ 10,120,019

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension and OPEB Plan Fiduciary Net Position

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

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

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2023 are as follows:

Receivable Fund	Payable Fund	Amount
General fund	Special education fund	$ 127,260
Capital projects fund	General fund	16,682
Capital projects fund	Special education fund	177,309
		$ 321,251

The outstanding balances between funds results mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All amounts are expected to be repaid within the year.

NOTE 9 - INTERFUND TRANSFERS

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

Transfer In Fund	Transfer Out Fund	Amount
Capital projects fund	Special education fund	$ 2,200,000
Special education fund	General fund	40,000
Capital projects fund	General fund	25,000
Debt service fund	Capital projects fund	352,550
		$ 2,617,550

Transfers are used to (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them, (2) move receipts restricted to or allowed for debt service funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 10 - CAPITAL PROJECTS ASSIGNED FUND BALANCE

The assigned fund balance for the capital projects fund at June 30, 2023 consists of the following:

General education fund facilities and technology	$ 1,783,092
Special education fund facilities and technology	8,067,162
Collaboratives	(603,765)
	$ 9,246,489

NOTE 11 - TAX ABATEMENTS

The Agency is required to disclose significant tax abatements as required by GASB Statement No. 77, *Tax Abatements*. The Agency receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by cities and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities. The property taxes abated for the general and special education funds by municipality under these programs are as follows:

Municipality	Taxes Abated
Handy Township	$ 21,672
Howell Township	8,876
Brighton Township	87
Green Oak Township	4,337
Howell City	9,691
Brighton City	8,706
	$ 53,369

There are no significant abatements made by the Agency.

NOTE 12 - CONTINGENT LIABILITIES

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

NOTE 13 - UPCOMING ACCOUNTING PRONOUNCEMENTS

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

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

NOTE 14 - CHANGE IN ACCOUNTING PRINCIPLE

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

Summary:

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

There is no material impact on beginning of the year net position.

NOTE 15 - LEASE RECEIVABLES

In a previous period, the Agency entered into a lease agreement with three of the County's local districts. The Agency purchased copiers to be leased by the locals for a period of three years with a two-year renewal period. The cost of the copiers was $792,811. The copiers are fully depreciated as of June 30, 2023.

The Agency recognized $32,352 in lease revenue and $635 in interest revenue during the current fiscal year related to this lease. As of June 30, 2023, the Agency's receivable for lease payments was $3,525. Also, the Agency has deferred inflows of resources associated with this lease that will be recognized over the lease term. As of June 30, 2023, the balance of the deferred inflow of resources was $8,088.

The future minimum rental obligations of the local districts as of June 30, 2023 are as follows:

Year Ending June 30,	
2024	$ 3,525

REQUIRED SUPPLEMENTARY INFORMATION

LIVINGSTON EDUCATIONAL SERVICE AGENCY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2023

	Budget Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Local sources				
Property taxes	$ 598,896	$ 602,489	$ 603,114	$ 625
Tuition	2,500	12,000	13,561	1,561
Investment earnings	-	80,000	115,095	35,095
Other	197,661	224,944	204,279	(20,665)
Total local sources	799,057	919,433	936,049	16,616
State sources	7,284,461	9,413,977	9,350,751	(63,226)
Federal sources	2,643,794	2,640,163	2,696,898	56,735
Interdistrict	11,101,452	11,606,676	11,362,458	(244,218)
TOTAL REVENUES	21,828,764	24,580,249	24,346,156	(234,093)
EXPENDITURES				
Current				
Instruction				
Basic programs	3,049,266	3,339,916	3,457,852	(117,936)
Added needs	420,490	850,467	854,836	(4,369)
Adult and continuing	73,117	101,489	85,431	16,058
Supporting services				
Pupil services	1,872,697	1,790,683	1,714,844	75,839
Instructional staff	1,864,146	2,076,982	2,129,117	(52,135)
General administration	457,644	538,022	530,577	7,445
School administration	1,068,210	1,582,506	1,519,684	62,822
Business services	237,569	237,503	233,571	3,932
Operation and maintenance	337,484	374,734	374,294	440
Transportation services	9,210,656	10,135,418	9,874,079	261,339
Central services	1,722,705	1,830,084	1,817,687	12,397
Other (food service)	225,000	260,000	280,108	(20,108)
Community service	236,479	253,396	247,025	6,371
Interdistrict transactions	920,725	1,170,121	1,055,665	114,456
TOTAL EXPENDITURES	21,696,188	24,541,321	24,174,770	366,551
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	132,576	38,928	171,386	132,458
OTHER FINANCING SOURCES (USES)				
Transfer in from internal service fund	5,000	9,000	10,143	1,143
Transfers out	(68,930)	(70,681)	(65,000)	5,681
TOTAL OTHER FINANCING SOURCES (USES)	(63,930)	(61,681)	(54,857)	6,824
NET CHANGE IN FUND BALANCE	68,646	(22,753)	116,529	139,282
Fund balance, beginning of year	2,526,178	2,526,178	2,526,178	-
Fund balance, end of year	$ 2,594,824	$ 2,503,425	$ 2,642,707	$ 139,282

LIVINGSTON EDUCATIONAL SERVICE AGENCY
BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION FUND
YEAR ENDED JUNE 30, 2023

	Budget Amounts			
	Original	Final	Actual	Variance with Final Budget
REVENUES				
Local sources				
Property taxes	$ 29,932,812	$ 30,085,592	$ 30,087,217	$ 1,625
Investment earnings	1,000	295,000	270,203	(24,797)
Other	1,989,305	2,702,520	2,669,924	(32,596)
Total local sources	31,923,117	33,083,112	33,027,344	(55,768)
State sources	16,072,613	19,809,597	19,830,752	21,155
Federal sources	7,400,901	7,552,951	7,439,009	(113,942)
Interdistrict	399,443	490,085	484,684	(5,401)
TOTAL REVENUES	55,796,074	60,935,745	60,781,789	(153,956)
EXPENDITURES				
Current				
Instruction				
Added needs	6,287,618	6,122,578	6,035,867	86,711
Supporting services				
Pupil services	21,775,156	23,772,158	23,772,204	(46)
Instructional staff	3,700,834	3,538,042	3,489,147	48,895
General administration	184,052	208,113	206,961	1,152
Business services	738,862	690,703	669,420	21,283
Operation and maintenance	690,588	988,737	1,441,047	(452,310)
Transportation services	4,622,394	5,098,101	4,993,435	104,666
Central services	1,055,918	1,197,857	1,209,734	(11,877)
Community service	74,425	97,921	81,297	16,624
Interdistrict transactions	15,387,628	15,568,440	15,551,464	16,976
Debt service				
Principal	-	-	89,541	(89,541)
Interest	-	-	10,458	(10,458)
TOTAL EXPENDITURES	54,517,475	57,282,650	57,550,575	(267,925)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,278,599	3,653,095	3,231,214	(421,881)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital asset	-	29,115	15,345	(13,770)
Proceeds from leases	-	-	560,098	560,098
Transfers in	40,000	40,000	40,000	-
Transfers out	(1,257,993)	(2,100,402)	(2,200,000)	(99,598)
TOTAL OTHER FINANCING SOURCES (USES)	(1,217,993)	(2,031,287)	(1,584,557)	446,730
NET CHANGE IN FUND BALANCE	60,606	1,621,808	1,646,657	24,849
Fund balance, beginning of year	5,692,413	5,692,413	5,692,413	-
Fund balance, end of year	$ 5,753,019	$ 7,314,221	$ 7,339,070	$ 24,849

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Reporting Unit's proportion of net pension liability (%)	0.29540%	0.29350%	0.28310%	0.27777%	0.27190%	0.26449%	0.25581%	0.25287%	0.24534%
Reporting Unit's proportionate share of net pension liability	$ 111,096,853	$ 69,487,435	$ 97,249,008	$ 91,988,946	$ 81,738,100	$ 68,539,875	$ 63,822,085	$ 61,764,503	$ 54,039,096
Reporting Unit's covered-employee payroll	$ 28,333,462	$ 27,366,043	$ 25,729,798	$ 24,642,348	$ 23,720,616	$ 22,558,475	$ 21,785,454	$ 21,199,098	$ 20,915,186
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	392.10%	253.92%	377.96%	373.30%	344.59%	303.83%	292.96%	291.35%	258.37%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

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

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions	$ 13,333,363	$ 9,860,349	$ 8,567,458	$ 7,644,050	$ 7,191,277	$ 7,019,074	$ 6,125,844	$ 5,546,493	$ 4,752,199
Contributions in relation to statutorily required contributions	13,333,363	9,860,349	8,567,458	7,644,050	7,191,277	7,019,074	6,125,844	5,546,493	4,752,199
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Reporting Unit's covered-employee payroll	$ 29,212,064	$ 27,839,791	$ 26,643,369	$ 25,927,641	$ 24,225,051	$ 23,293,158	$ 22,354,285	$ 21,616,074	$ 21,407,201
Contributions as a percentage of covered-employee payroll	45.64%	35.42%	32.16%	29.48%	29.69%	30.13%	27.40%	25.66%	22.20%

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

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

	2022	2021	2020	2019	2018	2017
Reporting Unit's proportion of net OPEB liability (%)	0.28914%	0.30001%	0.28841%	0.28088%	0.27832%	0.26491%
Reporting Unit's proportionate share of net OPEB liability	$ 6,124,206	$ 4,579,256	$ 15,450,918	$ 20,160,596	$ 22,123,689	$ 23,458,834
Reporting Unit's covered-employee payroll	$ 28,333,462	$ 27,366,043	$ 25,729,798	$ 24,642,348	$ 23,720,616	$ 22,558,475
Reporting Unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	21.61%	16.73%	60.05%	81.81%	93.27%	103.99%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%

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

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

	2023	2022	2021	2020	2019	2018
Statutorily required contributions	$ 2,391,385	$ 2,271,749	$ 2,276,091	$ 2,143,846	$ 1,960,968	$ 1,973,403
Contributions in relation to statutorily required contributions	2,391,385	2,271,749	2,276,091	2,143,846	1,960,968	1,973,403
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Reporting Unit's covered-employee payroll	$ 29,212,064	$ 27,839,791	$ 26,643,369	$ 25,927,641	$ 24,225,051	$ 23,293,158
Contributions as a percentage of covered-employee payroll	8.19%	8.16%	8.54%	8.27%	8.09%	8.47%

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

LIVINGSTON EDUCATIONAL SERVICE AGENCY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2023

NOTE 1 - PENSION INFORMATION

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

Changes of Assumptions - the assumption changes for 2022 were:

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

NOTE 2 - OPEB INFORMATION

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

Changes of Assumptions - the assumption changes for 2022 were:

Discount rate decreased to 6.00% from 6.95%.

ADDITIONAL SUPPLEMENTARY INFORMATION

LIVINGSTON EDUCATIONAL SERVICE AGENCY
BONDED DEBT
JUNE 30, 2023

$3,080,000 bond issued December 22, 2015.

Interest Due		Principal Due	Debt Service Requirement for Fiscal Year	
November 1	May 1	May 1	June 30,	Amount
$ 13,075	$ 13,075	$ 330,000	2024	$ 356,150
9,363	9,363	335,000	2025	353,726
5,175	5,175	345,000	2026	355,350
$ 27,613	$ 27,613	$ 1,010,000		$ 1,065,226

The bonds were approved by the Board of Education at the November 11, 2015 meeting to demolish outdated buildings and reconstruct equivalent spaces. The bonds will carry interest rates ranging from 2.25% to 3.00%.

LIVINGSTON EDUCATIONAL SERVICE AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Pass-through Grantor's Number	Approved Grant Award Amount	Accrued (Unearned) Revenue 7/1/2022	Prior Year Expenditures (Memorandum Only)	Current Year Cash Receipts	Current Year Expenditures	Accrued (Unearned) Revenue 6/30/2023
U.S. Department of Education								
Passed through Michigan Department of Education								
Special Education Cluster (IDEA)								
Special Education Grants to States	84.027	220450-2122	$ 6,003,666	$ 926,788	$ 5,894,320	$ 1,036,134	$ 109,346	$ -
Special Education Grants to States	84.027	230450-2223	6,046,802	-	-	4,902,402	5,893,690	991,288
COVID-19 IDEA State Initiated Transition (ARP)	84.027X	221280-2122	1,295,568	57,500	530,505	759,062	765,063	63,501
Special Education Grants to States	84.027	230493-2223	167,000	-	-	167,000	167,000	-
Total ALN 84.027			13,513,036	984,288	6,424,825	6,864,598	6,935,099	1,054,789
Special Education Preschool Grants	84.173	220460-2122	156,700	343	156,700	343	-	-
Special Education Preschool Grants	84.173	230460-2223	162,894	-	-	162,894	162,894	-
COVID-19 Special Education Preschool Grants (ARP)	84.173X	221285-2122	101,001	-	-	25,550	27,078	1,528
Total ALN 84.173			420,595	343	156,700	188,787	189,972	1,528
Total Special Education Cluster (IDEA)			13,933,631	984,631	6,581,525	7,053,385	7,125,071	1,056,317
Career and Technical Education - Basic Grants to States	84.048	223520-221217	177,459	20,196	177,459	20,196	-	-
Career and Technical Education - Basic Grants to States	84.048	233520-231217	192,787	-	-	174,022	192,787	18,765
Total ALN 84.048			370,246	20,196	177,459	194,218	192,787	18,765
Special Education - Grants for Infants and Families	84.181	221340-2122	174,005	2,364	174,005	2,364	-	-
Special Education - Grants for Infants and Families	84.181	231340-2223	178,804	-	-	178,804	178,804	-
COVID-19 Special Education - Grants for Infants and Families ARP	84.181X	221283-EOAPR	84,578	2,643	2,643	50,831	51,070	2,882
Total ALN 84.181			437,387	5,007	176,648	231,999	229,874	2,882
Education for Homeless Children and Youth	84.196	222320-2122	27,755	22,089	22,089	27,755	5,666	-
Education for Homeless Children and Youth	84.196	232320-2223	29,319	-	-	-	25,824	25,824
Total ALN 84.196			57,074	22,089	22,089	27,755	31,490	25,824
Adult Education - Basic Grants to States	84.002	221130-221715	46,731	2,815	42,463	2,815	-	-
Adult Education - Basic Grants to States	84.002	231130-231715	45,739	-	-	38,319	39,539	1,220
Total ALN 84.002			92,470	2,815	42,463	41,134	39,539	1,220
Title I Grants to Local Educational Agencies - Regional Assistance Grant	84.010	221570-2122	137,348	31,659	69,601	96,016	64,357	-
Title I Grants to Local Educational Agencies - Regional Assistance Grant	84.010	231570-2223	140,737	-	-	23,736	86,772	63,036
Total ALN 84.010			278,085	31,659	69,601	119,752	151,129	63,036
Education Stabilization Fund								
COVID-19 Homeless Students ARP	84.425W	211013-2223	26,660	1,459	1,459	6,940	6,547	1,066
Total ALN 84.425			26,660	1,459	1,459	6,940	6,547	1,066
Total U.S. Department of Education			15,195,553	1,067,856	7,071,244	7,675,183	7,776,437	1,169,110

The accompanying notes are an integral part of this schedule.

LIVINGSTON EDUCATIONAL SERVICE AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Pass-through Grantor's Number	Approved Grant Award Amount	Accrued (Unearned) Revenue 7/1/2022	Prior Year Expenditures (Memorandum Only)	Current Year Cash Receipts	Current Year Expenditures	Accrued (Unearned) Revenue 6/30/2023
U.S. Department of Health and Human Services								
Direct Program								
Head Start Cluster								
Head Start	93.600	05CH011145-03-01	$ 2,066,384	$ 55,338	$ 2,066,384	$ 55,338	$ -	$ -
Head Start	93.600	05CH011145-04-01	1,922,331	-	-	1,403,029	1,922,331	519,302
COVID-19 Head Start	93.600	05HE001276-01-00	52,369	52,369	52,369	52,369	-	-
COVID-19 Head Start	93.600	05HE001276-01-01	208,191	203,845	203,845	208,191	4,346	-
Total Head Start Cluster / ALN 93.600			4,249,275	311,552	2,322,598	1,718,927	1,926,677	519,302
Passed through Michigan Department of Education								
Every Student Succeeds Act/Preschool Development Grants	93.434	223910-2122	32,500	2,926	4,414	22,777	27,890	8,039
Total ALN 93.434			32,500	2,926	4,414	22,777	27,890	8,039
CCDF Cluster								
Child Care and Development Block Grant	93.575	2131AC-2223	25,000	-	-	25,000	25,000	-
Total CCDF Cluster / ALN 93.575			25,000	-	-	25,000	25,000	-
Passed through Michigan Department of Community Health								
Medicaid Cluster								
Medical Assistance Program	93.778		84,064	-	-	84,064	84,064	-
Total Medicaid Cluster / ALN 93.778			84,064	-	-	84,064	84,064	-
Total U.S. Department of Health and Human Services			4,390,839	314,478	2,327,012	1,850,768	2,063,631	527,341
U.S. Department of Labor								
Passed through Michigan Works - Livingston County								
WIOA Cluster								
WIA/WIOA Youth Activities	17.259		58,771	53,969	53,969	53,969	-	-
WIA/WIOA Youth Activities	17.259		75,175	-	-	-	71,871	71,871
Total WIOA cluster / ALN 17.259			133,946	53,969	53,969	53,969	71,871	71,871
Total U.S. Department of Labor			133,946	53,969	53,969	53,969	71,871	71,871

The accompanying notes are an integral part of this schedule.

LIVINGSTON EDUCATIONAL SERVICE AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Pass-through Grantor's Number	Approved Grant Award Amount	Accrued (Unearned) Revenue 7/1/2022	Prior Year Expenditures (Memorandum Only)	Current Year Cash Receipts	Current Year Expenditures	Accrued (Unearned) Revenue 6/30/2023
U.S. Department of Agriculture								
Passed through Michigan Department of Education								
Child Care Food Program - Meals	10.558	221920	$ 24,963	$ -	$ -	$ 24,963	$ 24,963	$ -
Child Care Food Program - Meals	10.558	231920	186,655	-	-	158,594	186,655	28,061
Child Care Food Program - Cash in Lieu	10.558	222010	1,392	-	-	1,392	1,392	
Child Care Food Program - Cash in Lieu	10.558	232010	10,330	-	-	8,868	10,330	1,462
Total ALN 10.558			223,340	-	-	193,817	223,340	29,523
Pandemic EBT Local Level Costs	10.649	220980-2022	628	-	-	628	628	-
Total U.S. Department of Agriculture			223,968	-	-	194,445	223,968	29,523
Total Federal Awards			$ 19,944,306	$ 1,436,303	$ 9,452,225	$ 9,774,365	$ 10,135,907	$ 1,797,845

The accompanying notes are an integral part of this schedule.

LIVINGSTON EDUCATIONAL SERVICE AGENCY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Livingston Educational Service Agency under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Livingston Educational Service Agency, it is not intended to and does not present the financial position or changes in net position of Livingston Educational Service Agency.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 - RECONCILING WITH AUDITED FINANCIAL STATEMENTS

Federal expenditures are reported as revenue in the following funds in the financial statements as of June 30, 2023:

General fund	$ 2,696,898
Special education fund	7,439,009
Expenditures per schedule of expenditures of federal awards	$ 10,135,907

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

To the Board of Education
Livingston Educational Service Agency

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 Livingston Educational Service Agency, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Livingston Educational Service Agency's basic financial statements, and have issued our report thereon dated September 25, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Maner Costerisan PC

September 25, 2023

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

To the Board of Education
Livingston Educational Service Agency

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Livingston Educational Service Agency's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than 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 Livingston Educational Service Agency's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the 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 Livingston Educational Service Agency's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Livingston Educational Service Agency's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Livingston Educational Service Agency's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

Maner Costerisan PC

September 25, 2023

LIVINGSTON EDUCATIONAL SERVICE AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued based on financial statements prepared in accordance with generally accepted accounting principals:	*Unmodified*
Internal control over financial reporting:	
➢ Material weakness(es) identified?	____ Yes __X__ No
➢ Significant deficiency(ies) identified that are not considered to be material weaknesses?	____ Yes __X__ None reported
Noncompliance material to financial statements noted?	____ Yes __X__ No

Federal Awards

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

Identification of major program:

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

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

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

LIVINGSTON EDUCATIONAL SERVICE AGENCY
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023

There were no audit findings in the prior year.

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September 25, 2023

To the Board of Education of
Livingston Educational Service Agency

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Livingston Educational Service Agency for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

<u>Significant Audit Matters</u>

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Livingston Educational Service Agency are described in Note 1 to the financial statements. During the 2023 fiscal year, the Agency implemented Governmental Accounting Standard No. 96, *Subscription-based IT Arrangements*. The application of existing policies was not changed during fiscal year 2023. We noted no transactions entered into by the Agency during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

> Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability. We evaluated the key factors and assumptions used to develop the balance of the net pension liability and net other postemployment benefit liability in determining that they are reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate in calculating the liability for employee compensated absences. We evaluated the key factors and assumptions used to develop the balance of employee compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's determination of the estimated life span of the capital assets. We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole. In addition, certain amounts included in capital assets have been estimated based on an outside appraisal company.

Management's estimate of the Internal Service Fund's insurance payable for the incurred but not reported (IBNR) claims is based on actual payouts through the report date, as well as historical payment experience. We evaluated the key factors and assumptions used to develop the balance of IBNR in determining that it is reasonable to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 25, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Agency's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Agency's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) which are required and supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the other supplementary information, which accompany the financial statements, but are not RSI. With respect to this other supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the other supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

A separate management letter was not issued.

Restriction on Use

This information is intended solely for the use of the Board of Education and management of Livingston Educational Service Agency and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Maner Costerisan PC