

West Shore Educational Service District

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended June 30, 2021



West Shore Educational Service District

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INDEPENDENT AUDITOR'S REPORT

Board of Education
West Shore Educational Service District
Ludington, Michigan

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the West Shore Educational Service District as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and OPEB information on pages 4 through 13 and 43 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the West Shore Educational Service District's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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Other Reporting Required by *Government Auditing Standards*

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

A handwritten signature in black ink that reads "Brickley DeLong, P.C." The signature is written in a cursive, flowing style.

Hart, Michigan
October 6, 2021



West Shore Educational Service District

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Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2021

West Shore Educational Service District is located in Ludington, Michigan. The Educational Service District provided services to eight school districts and one public school academy located within portions of five different counties during fiscal year 2021. The current year Management's Discussion and Analysis, a requirement of GASB 34, is West Shore Educational Service District Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2021.

Generally accepted accounting principles according to GASB 34 require the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

Using this Annual Report:

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

Reporting the Educational Service as a Whole – District-wide Financial Statements:

The district-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements, which appear first in the Educational Service District's financial statements, report information on the Educational Service District as a whole and its activities in a way to provide an easy-to-understand overview of the District's financial position and results of operations for the year. We prepare these statements to include all assets, deferred inflows and outflows and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the West Shore Educational Service District's net position – the difference between assets, deferred inflows and outflows and liabilities, as reported in the Statement of Net Position – as one way to measure the District's financial health or financial position.



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Over time, increases or decreases in the District's net position – as reported in the Statement of Activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the District's operating results. However, West Shore Educational Service District exists to provide services to our local school districts, their staff, and the students they serve. We do not generate profits as commercial entities do. One must consider other non-financial factors, such as the quality of services provided, to assess the overall health of the West Shore Educational Service District.

The Statement of Net Position and Statement of Activities report the governmental activities of the West Shore Educational Service District, which encompass all of the District's services, including instruction, supporting services, and community services. Property taxes, state aid, and federal grants finance most of these activities.

Reporting the Educational Service District's Most Significant Funds – Fund Financial Statements:

The Educational Service District's fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and bond covenants. However, the District has established other funds to help it control and manage money for particular purposes. The governmental funds of the District use the following accounting approach:

Governmental funds: All of the Educational Service District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using the modified accrual basis of accounting. This method measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Educational Service District's programs. We describe the relationship or differences between governmental activities reported in the fund financial statements and the district-wide financial statements in a reconciliation schedule.



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Financial Analysis of the District as a Whole:

Net position: Note that the Statement of Net Position provides the perspective of the Educational Service District as a whole. Table 1 provides a summary comparison of the Educational Service School district's net position as of June 30, 2020 and 2021.

TABLE 1 — Governmental Activities

	<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>Percentage Change</u>
Assets			
Current assets	\$ 20,374,271	\$ 23,038,845	13.1%
Noncurrent assets	7,398,251	7,392,115	-0.1%
Deferred outflows	13,890,171	11,592,690	-16.5%
Total assets and deferred outflows	41,662,693	42,023,650	0.9%
Liabilities			
Current liabilities	5,194,193	5,694,385	9.6%
Noncurrent liabilities	45,954,463	45,338,895	-1.3%
Deferred inflows	6,245,174	6,528,347	4.5%
Total liabilities and deferred inflows	57,393,830	57,561,627	0.3%
Net Position			
Net investment in capital assets	7,181,397	7,336,890	2.2%
Restricted	74,934	109,229	45.8%
Unrestricted	(22,987,468)	(22,984,096)	0.0%
Total net position	\$ (15,731,137)	\$ (15,537,977)	1.2%

As of June 30, 2021, the Educational Service District's net position was a deficit of \$15,537,977. In comparison to the previous year, total net position increased by \$193,160 or 1.2%.



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Changes in net position: The aforementioned analysis focuses on the net position (see Table 1). Net Position can be separated into three categories: net investment in capital assets, restricted assets, and unrestricted assets. The change in net position (see Table 2) of the West Shore Educational Service District's governmental activities is discussed below. The District's net position increased from a deficit of \$15,731,137 at June 30, 2020 to a deficit of \$15,537,977 at June 30, 2021. Net investment in capital assets, totaling \$7,336,890 compares the original cost of the Service District's capital assets, less accumulated depreciation, to long-term debt used to finance the acquisition of those assets. Any debt will be repaid from future tax revenues. Similar to prior years, a portion of the net position, \$8,044, is legally restricted for donor designated purposes. Another portion of the net position, \$101,185, is restricted for Debt Service. The remaining amount of the net position, \$(22,984,096), was unrestricted. The operating results of all four major funds will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the Educational Service District as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net position for fiscal year 2021.

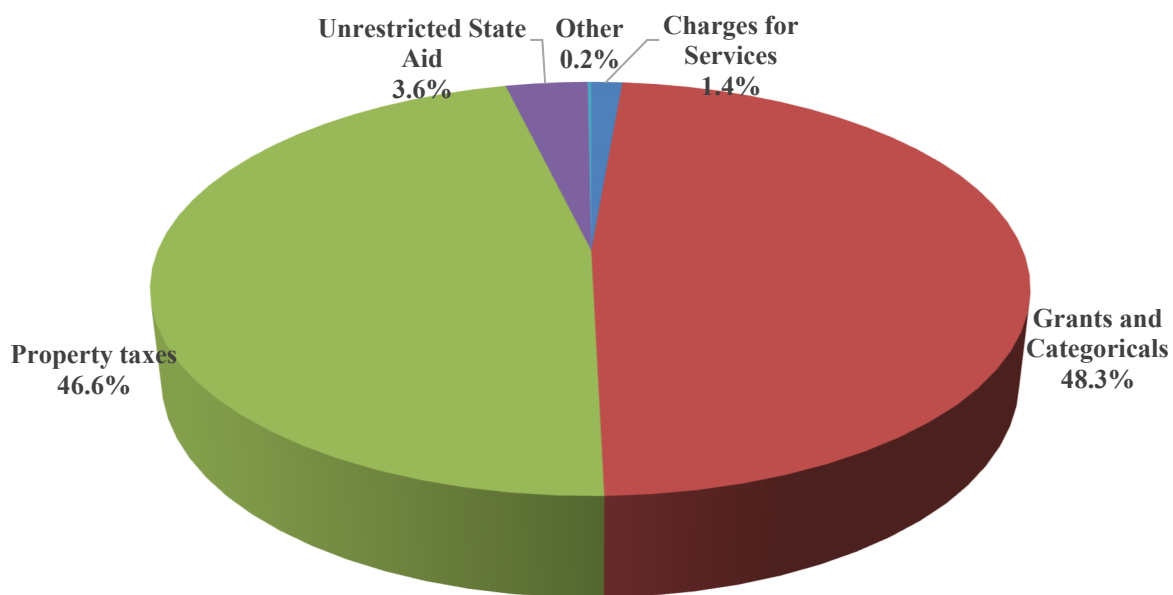
- Total revenue from all of the District's activities increased 1.0% to \$27.5 million due to increased property tax revenues as a result of property value increases, offset by decrease in investment income and unrestricted state aid.
- The total cost of all programs and services decreased 2.0% to \$27.3 million. Support Services decreased as a result of one-time grant funding in the prior year.

Total revenue surpassed total expenses thereby increasing net position by \$193,160 from the prior year.

TABLE 2

FY2021 Revenues - \$27.5 Million

	<u>2020</u>	<u>2021</u>	<u>Total Percentage Change 2020-2021</u>
Revenue			
Program Revenue			
Charges for services	\$ 395,648	\$ 372,647	-5.8%
Grants and categoricals	12,992,990	13,263,170	2.1%
General Revenue			
Property taxes	12,265,466	12,819,455	4.5%
Unrestricted state aid	1,266,945	987,363	-22.1%
Other	303,610	42,423	-86.0%
Total revenue	\$ 27,224,659	\$ 27,485,058	1.0%





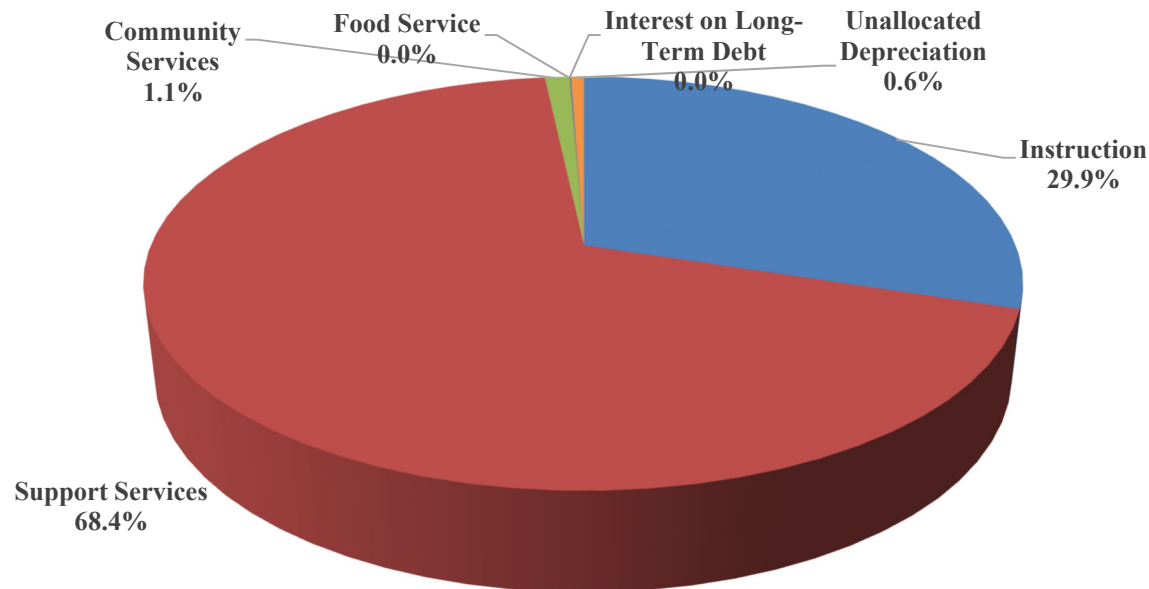
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TABLE 2 (Continued)

FY2021 Expenses - \$27.3 Million

	2020	2021	Percentage Change 2020-2021
Function/Program Expenses			
Instruction	\$ 8,304,179	\$ 8,153,673	-1.8%
Support Services	19,196,721	18,671,061	-2.7%
Community Services	166,073	296,305	78.4%
Food service	13,569	13,000	-4.2%
Interest on long-term debt	7,630	4,075	-46.6%
Unallocated depreciation	160,001	153,784	-3.9%
Total expenses	\$ 27,848,173	\$ 27,291,898	-2.0%
Increase (Decrease) in Net Position	\$ (623,514)	\$ 193,160	131.0%





Cost of Services

The Statement of Activities also shows each activity's *net cost* (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

- The cost of all activities this year was \$27.3 million.
- A portion of the cost, \$372,647 was financed by the users of the programs through user charges.
- The federal and state government subsidized program cost with grants and state aid revenue totaling \$13,263,170.
- Total program revenue increased by \$247,179 over the prior year.
- Most of the District's net costs of services was \$13.7 million, however, were financed by District taxpayers, and to a lesser extent, state taxpayers.
- Current year property tax revenue comprised 46.6% of total revenue compared to 45.9% in the prior fiscal year.

As indicated above, the *net cost* shows the financial burden that was placed on the West Shore Educational Service District taxpayers and on State taxpayers. Since property taxes for operations and unrestricted state aid constitute the majority of District operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the Educational Service District and the local districts it serves and balance those needs with available tax revenues and unrestricted state aid revenue.

The Educational Service District's Funds

As we noted earlier, the Educational Service District uses funds to help it control and manage money for specific purposes. Looking at funds helps the reader consider whether the District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Educational Service District's overall financial health.

As the Educational Service District completed this year, the governmental funds reported a combined fund balance of \$17.5 million, which is an increase of \$2,019,107 from the prior year.

- Our General Fund reflects an increase in fund balance of \$457,683. Total fund revenues decreased by \$122,549 primarily due to decreased federal and state source grant revenue, offset by an increase in local revenues while total expenditures decreased by \$183,082 from the prior year due to decreased support services as a result of one-time grant funding to support Stem regional and state wide activities in the prior year.
- The Special Education Fund ended the year with fund balance increase of \$681,416. Revenues increased by \$490,346 due to more federal and state grant source revenue received than in the previous year. Expenditures and Other Financing Uses increased by \$742,553 compared to the prior year due to the purchase of two new school buses, election expenditures, and Covid-19 related expenditures.
- The Career and Technical Education Fund experienced a fund balance increase by \$345,258. Revenues increased by \$181,650 due to higher levels of property tax and state aid revenue. Expenditures and Other Financing Uses increased by \$265,565 mainly from reduced added needs and instructional staff expenditures in the prior year as a result of pandemic-related school closure and a new teaching position in the current year.



Governmental Fund Budgetary Highlights

Over the course of the fiscal year, the Educational Service District revises its budget as changes in revenues and expenditures become known. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the District’s original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements. Because the State of Michigan’s fiscal year differs from the District’s fiscal year, the District’s original budgets are adopted approximately 120 days before actual state revenues are known. Material changes to original budgets for the General, Special Education, and Career and Technical Education fund budgets are as follows:

- General Fund: The final revenue budget increased by \$148,237 over the original budget estimate due to higher than planned federal source revenues, while final budgeted expenditures decreased by \$170,860 over the original budget as a result of the transfer of Code.org grant fiscal administration to another entity.
- Special Education Fund: Budgeted revenues increased by \$211,233 compared to the original budget due to higher than planned federal and state aid revenue. Budgeted expenditures increased by \$158,762 over the original budget as a result of education association and support staff union contract pay adjustments and staffing changes.
- Career and Technical Education Fund: Final budgeted revenues increased by \$116,879 due to higher than planned federal and state aid revenue. Budgeted expenditures decreased \$192,029 as a result of education association and support staff union contract pay adjustments and staffing changes.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2021, West Shore Educational Service District had \$12.7 million invested in capital assets. This amount represents a net increase, including additions and deletions, of \$402,292 or 3.3%. Total depreciation expense for the year was \$492,168 compared to \$463,105 in the prior year.

Current year asset additions by type are as follows:

Buildings and improvements	\$ 28,803
Furniture and equipment	192,385
Vehicles and equipment	<u>269,251</u>
Total additions	<u>\$ 490,439</u>



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Debt

During the year ended June 30, 2021, West Shore Educational Service District retired \$161,630 in notes from direct borrowings and direct placements. Employee compensated absences decreased \$32,683 over the prior year. Other obligations, as reflected on the district-wide financial statements and not reflected below, include a net pension liability of \$38,786,373 as required by GASB Statement 68 and other post-employment benefits of \$6,108,555 as required by GASB 75. Other debt obligations at June 30, 2021, are as follows:

Notes from direct borrowings and direct payments	\$ 55,225
Compensated absences	<u>534,967</u>
Debt total	<u>\$ 590,192</u>

The State limits the amount of general obligation debt that Educational Service districts can issue without a vote of the electors. The debt limit is limited to 1/9 of 1% of the state equalized valuation of the taxable property within the District. If the District issues “qualified debt”, i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The District’s outstanding unqualified general obligation debt is significantly below the statutorily imposed limit.

Economic Factors and Next Year’s Budgets

Education funding for Michigan K-12 school districts, per pupil funding that actually impacts students in classrooms, is slowly being restored from previously reduced levels. However, other operating costs continue to rise. Student population within the Educational Service District continues to decline.

The net result is fewer dollars being available to meet operational costs. With lower than average fund equity levels, our K-12 districts are being challenged to keep dollars flowing into classrooms. However, this past fiscal year local school districts were awarded COVID-19 grants to help offset additional costs due to the pandemic. Intermediate School Districts were not awarded grant funding to the same extent. Local property values continue to rise resulting in higher than average increases in property tax revenues. Therefore, we project a slight increase in fiscal year 2021-22 funding as compared to fiscal year 2020-21. We also continue to anticipate higher than normal expenditures for health and safety, remote learner support and increased technology.

We believe true collaboration between the Educational Service District and the K-12 districts we serve is necessary to reduce operational costs so instructional programming may be adequately funded. Our challenge in the future is to work with our local districts in building a collaborative framework to assist and guide us in identifying and in actively pursuing any cost-saving opportunities that may be available to us. We hope to pursue long-term financial solutions rather than focusing on short-term funding fixes.

Other Potentially Significant Matters: The implementation of Governmental Accounting Standards Board Statement 68—*Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* have decreased the net position of the District. The impact is reflected on the two District-wide Financial Statements: the Statement of Net Position and Statement of Activities. The inclusion of the net pension liability of \$38,786,373 and the net other postemployment benefits liability of \$6,108,555 are primarily for the benefit of creditors and financial institutions. The day-to-day operations reflected in the fund financial statements are not impacted by the net pension liability and net other postemployment liability.



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Contacting the School District's Financial Management

This financial report is designed to provide a general overview of the West Shore Educational Service District's finances for all those with an interest in the District's finances. We encourage readers to consider the information presented here in conjunction with the West Shore Educational School District's financial statements, which immediately follow. If you have questions about this report or need additional information, contact the Central Business Office, 2130 W. US-10, Ludington, Michigan 49431.

West Shore Educational Service District
STATEMENT OF NET POSITION
June 30, 2021

	Governmental activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 880,878
Investments	19,412,829
Receivables	30,606
Due from other governmental units	2,705,664
Prepaid items	8,868
Total current assets	23,038,845
Noncurrent assets	
Capital assets, net	
Nondepreciable	141,925
Depreciable	7,250,190
Total noncurrent assets	7,392,115
Total assets	30,430,960
DEFERRED OUTFLOWS OF RESOURCES	
Related to other postemployment benefits	2,992,529
Related to pensions	8,600,161
Total deferred outflows of resources	11,592,690
Total assets and deferred outflows of resources	42,023,650
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	1,894,711
Due to other governmental units	784,842
Unearned revenue	2,868,607
Note payable and other obligations, due within one year	146,225
Total current liabilities	5,694,385
Noncurrent liabilities	
Note payable and other obligations, less amounts due within one year	443,967
Net other postemployment benefits liability	6,108,555
Net pension liability	38,786,373
Total noncurrent liabilities	45,338,895
Total liabilities	51,033,280
DEFERRED INFLOWS OF RESOURCES	
Related to other postemployment benefits	4,690,120
Related to pensions	1,838,227
Total deferred inflows of resources	6,528,347
Total liabilities and deferred inflows of resources	57,561,627
NET POSITION	
Net investment in capital assets	7,336,890
Restricted	
Permanent funds	8,044
Debt service	101,185
Unrestricted	(22,984,096)
Total net position	<u>\$(15,537,977)</u>

The accompanying notes are an integral part of this statement.

West Shore Educational Service District
STATEMENT OF ACTIVITIES
For the year ended June 30, 2021

<i>Functions/Programs</i>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating grants</u>	<u>Revenue and</u>
		<u>services</u>	<u>and contributions</u>	<u>Changes in</u>
				<u>Net Position</u>
				<u>Governmental</u>
				<u>activities</u>
Governmental activities				
Instruction	\$ 8,153,673	\$ 170,677	\$ 3,732,620	\$ (4,250,376)
Support services	18,671,061	201,970	9,241,892	(9,227,199)
Community services	296,305	-	288,658	(7,647)
Food services	13,000	-	-	(13,000)
Interest on long-term debt	4,075	-	-	(4,075)
Unallocated depreciation	153,784	-	-	(153,784)
Total governmental activities	<u><u>\$ 27,291,898</u></u>	<u><u>\$ 372,647</u></u>	<u><u>\$ 13,263,170</u></u>	(13,656,081)
General revenues				
Property taxes				12,819,455
Grants and contributions not restricted to specific programs				987,363
Investment earnings				17,073
Miscellaneous				25,350
Total general revenues				<u>13,849,241</u>
Change in net position				193,160
Net position at beginning of year				<u>(15,731,137)</u>
Net position at end of year				<u><u>\$ (15,537,977)</u></u>

The accompanying notes are an integral part of this statement.

West Shore Educational Service District
BALANCE SHEET
Governmental Funds
June 30, 2021

		<u>Special revenue</u>				
	<u>General Fund</u>	<u>Special Education</u>	<u>Career and Technical Education</u>	<u>Capital project</u>	<u>Other governmental funds</u>	<u>Total governmental funds</u>
ASSETS						
Cash and cash equivalents	\$ 2,008	\$ 865,689	\$ 5,137	\$ -	\$ 8,044	\$ 880,878
Investments	1,077,900	14,635,449	2,598,137	1,101,343	-	19,412,829
Receivables	2,131	20,937	7,538	-	-	30,606
Due from other governmental units	1,155,475	1,442,753	107,436	-	-	2,705,664
Due from other funds	6,349,663	-	1,892,978	918,206	101,385	9,262,232
Prepaid items	1,331	7,401	136	-	-	8,868
Total assets	\$ 8,588,508	\$ 16,972,229	\$ 4,611,362	\$ 2,019,549	\$ 109,429	\$ 32,301,077
LIABILITIES						
Accounts payable	\$ 95,529	\$ 69,350	\$ 23,262	\$ -	\$ -	\$ 188,141
Accrued liabilities	197,273	1,177,270	331,827	-	-	1,706,370
Due to other governmental units	612,758	135,876	36,208	-	-	784,842
Due to other funds	1,666,017	7,261,058	335,157	-	-	9,262,232
Unearned revenue	2,835,478	33,034	95	-	-	2,868,607
Total liabilities	5,407,055	8,676,588	726,549	-	-	14,810,192
FUND BALANCES						
Nonspendable						
Prepaid items	1,331	7,401	136	-	-	8,868
Permanent funds	-	-	-	-	8,044	8,044
Restricted						
Debt service	-	-	-	-	101,385	101,385
Special education	-	8,288,240	-	-	-	8,288,240
Career and technical education	-	-	3,884,677	-	-	3,884,677
Committed for capital projects	-	-	-	2,019,549	-	2,019,549
Assigned						
Compensated absences	62,369	-	-	-	-	62,369
Unassigned	3,117,753	-	-	-	-	3,117,753
Total fund balances	3,181,453	8,295,641	3,884,813	2,019,549	109,429	17,490,885
Total liabilities and fund balances	\$ 8,588,508	\$ 16,972,229	\$ 4,611,362	\$ 2,019,549	\$ 109,429	\$ 32,301,077

The accompanying notes are an integral part of this statement.

West Shore Educational Service District
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2021

Total fund balances—governmental funds	\$	17,490,885
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Amounts reported for governmental activities in the Statement of
Net Position are different because:

Capital assets used in governmental activities are not current
financial resources and are not reported in the governmental funds.

Cost of capital assets	\$ 12,703,202	
Accumulated depreciation	<u>(5,311,087)</u>	7,392,115

Deferred inflows and outflows of resources related to pensions and
other postemployment benefits are not reported in the governmental funds.

Deferred outflows of resources - related to other postemployment benefits	2,992,529	
Deferred inflows of resources - related to other postemployment benefits	(4,690,120)	
Deferred outflows of resources - related to pensions	8,600,161	
Deferred inflows of resources - related to pensions	<u>(1,838,227)</u>	5,064,343

Accrued interest in governmental activities is not reported in the
governmental funds.

(200)

Long-term obligations in governmental activities are not due and
payable in the current period and are not reported in the
governmental funds.

(45,485,120)

Net position of governmental activities

\$ (15,537,977)

The accompanying notes are an integral part of this statement.

West Shore Educational Service District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Governmental Funds
For the year ended June 30, 2021

	Special revenue				Other governmental funds	Total governmental funds
	General Fund	Special Education	Career and Technical Education	Capital project		
REVENUES						
Local sources						
Property taxes	\$ 988,700	\$ 8,531,470	\$ 3,299,285	\$ -	\$ -	\$ 12,819,455
Investment earnings	1,485	11,615	3,018	955	-	17,073
Fees and charges	224,716	6,290	166,000	-	-	397,006
Other	239,250	587,715	7,497	-	-	834,462
Total local sources	1,454,151	9,137,090	3,475,800	955	-	14,067,996
State sources	4,357,022	5,486,422	641,698	-	-	10,485,142
Federal sources	312,991	2,733,805	130,419	-	-	3,177,215
Total revenues	6,124,164	17,357,317	4,247,917	955	-	27,730,353
EXPENDITURES						
Current						
Instruction	1,202,511	3,612,542	2,828,613	-	-	7,643,666
Support services	2,925,453	10,730,113	956,046	-	-	14,611,612
Community services	220,636	60,231	-	-	-	280,867
Food services	-	-	-	-	13,000	13,000
Intergovernmental transfers and payments	1,317,881	1,660,015	18,000	-	-	2,995,896
Debt service						
Principal	-	-	-	-	161,630	161,630
Interest and other charges	-	-	-	-	4,575	4,575
Total expenditures	5,666,481	16,062,901	3,802,659	-	179,205	25,711,246
Excess (deficiency) of revenues over (under) expenditures	457,683	1,294,416	445,258	955	(179,205)	2,019,107
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	500,000	213,000	713,000
Transfers out	-	(613,000)	(100,000)	-	-	(713,000)
Total other financing sources (uses)	-	(613,000)	(100,000)	500,000	213,000	-
Net change in fund balances	457,683	681,416	345,258	500,955	33,795	2,019,107
Fund balances at beginning of year	2,723,770	7,614,225	3,539,555	1,518,594	75,634	15,471,778
Fund balances at end of year	\$ 3,181,453	\$ 8,295,641	\$ 3,884,813	\$ 2,019,549	\$ 109,429	\$ 17,490,885

The accompanying notes are an integral part of this statement.

West Shore Educational Service District
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**
For the year ended June 30, 2021

Net change in fund balances—total governmental funds	\$ 2,019,107
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities these costs are depreciated over their estimated useful lives.

Depreciation expense	\$ (492,168)	
Capital outlay	<u>490,439</u>	(1,729)

Governmental funds report the entire proceeds from the sale of capital assets as revenue, but the Statement of Activities reports only the gain or loss on the sale or impairment of capital assets.	(4,407)
--	---------

Repayment of principal on long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position.	161,630
--	---------

Interest expense on long-term obligations is recorded in the Statement of Activities when incurred, but is not reported in governmental funds until paid.	500
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Compensated absences reported in the Statement of Activities do not require the use of current financial resources. They are reported as expenditures when financial resources are used in the governmental funds.	32,683
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Some other postemployment benefit related expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	1,072,295
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Some pension related expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>(3,086,919)</u>
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Change in net position of governmental activities	<u><u>\$ 193,160</u></u>
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The accompanying notes are an integral part of this statement.

West Shore Educational Service District
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the West Shore Educational Service District (School District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

Reporting Entity

The School District is governed by an elected seven-member Board of Education (Board), which has responsibility and control over all activities related to public school education within the School District. The School District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities.

Generally accepted accounting principles require that if the School District is considered to be financially accountable for other organizations, those organizations should be included as component units in the School District's financial statements. Since no organizations met this criterion, none are included in the financial statements.

Basis of Presentation—Government-wide and Fund 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 School District. All fiduciary activities, if any, are reported only in the fund financial statements. Governmental activities normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds.

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

The fund financial statements provide information about the School District's funds. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The School District reports the following major governmental funds:

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

The Special Education Fund is used to account for funds legally restricted to special education programs.

The Career and Technical Education Fund is used to account for funds legally restricted to vocational education programs.

The Capital Projects Fund accounts for the acquisition of fixed assets or construction of major capital projects.

West Shore Educational Service District
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Basis of Presentation—Government-wide and Fund Financial Statements—Continued

Additionally, the School District reports the following fund types:

The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The School District accounts for its food service activities in the school service special revenue funds.

The Debt Service Fund is used to account for the resources accumulated and payments made for principal and interest on long term general obligation debt of governmental funds.

The permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the School District's programs.

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

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

Measurement Focus and Basis of Accounting

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

The 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.

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 School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

West Shore Educational Service District
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus and Basis of Accounting—Continued

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

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 school districts. For the current fiscal year, the foundation allowance was based on pupil membership counts taken in October and February.

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. 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 due from other governmental units.

The School District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain 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 considered to be measurable and available only when cash is received by the government.

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

Cash and Investments

The School District'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.

Investments for the School District are reported at fair value (generally based on quoted market prices). Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the School District intends to hold the investment until maturity.

State statutes authorize the School District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in 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. The School District is also authorized to invest in U. S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The School District's deposits and investments are in accordance with statutory authority.

West Shore Educational Service District
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out method. 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 government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than \$5,000, and an estimated useful life in excess of one year.

As the School District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Land is not depreciated. The other property, plant, and equipment, of the School District are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Years</u>
Buildings and improvements	20-50
Furniture and equipment	4-20
Vehicles and equipment	8

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses 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.

Defined Benefit Plan

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

West Shore Educational Service District
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

Deferred Outflows/Inflows of Resources

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/expenditures) until then.

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.

Net Position Flow Assumption

Sometimes the government 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 of net position to report as restricted and unrestricted 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 School District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

Sometimes the School District 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 School District'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 government 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 School District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the School District that can, by formal action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by formal action remains in place until a similar action is taken (another formal action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the School District 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.

West Shore Educational Service District
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital 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 School District are collected by various municipalities and periodically remitted to the School District. The taxes are levied 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.

Compensated Absences

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

For fund financial statements, no compensated absence liability is reported for current employees and a compensated absence liability is reported for terminated employees only when the termination date is on or before year end.

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund and special revenue funds. All annual appropriations lapse at year end.

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

1. 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.
2. Local School District boards approve or disapprove the annual General Fund and special revenue fund budgets by board resolution.
3. Public hearings are conducted to obtain taxpayer comments.
4. Prior to July 1, the budget is legally adopted by Board of Education resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). 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, Special Education Fund and Career and Technical Education Fund are noted in the required supplementary information section.
5. The administration of the School District is authorized to transfer budgeted amounts within 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 Board of Education.
6. Formal budgetary integration is employed as a management control device during the year.
7. The budget is amended during the year with supplemental appropriations, the last one approved prior to June 30, 2021.

West Shore Educational Service District
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE C—DEPOSITS AND INVESTMENTS

As of June 30, 2021, the School District had the following investments:

Investment Type	Fair value	Weighted average maturity (Days)	Standard & Poor's rating	Percent
External investment pools				
MILAF+ MAX Class	\$ 17,130,519	55	AAAm	88%
Money market funds				
Dreyfus Government Cash Management				
Fund Institutional Shares	1,058,981	27	AAAm	5%
PNC Money Market	905,141	1	Not rated	5%
West Shore Bank certificates of deposit	318,188	152	Not rated	2%
Total fair value	<u>\$ 19,412,829</u>			<u>100%</u>
Portfolio weighted average maturity		<u>53</u>		

The School District voluntarily invests certain excess funds in external investment pools (Pools). The Pools are external investment pools of "qualified" investments for Michigan school districts. The Pools are not regulated nor are they registered with the SEC. The fair value of the School District's investments in the pools is the same as the value of the Pool shares.

Interest rate risk

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

Credit risk

State law limits investments in commercial paper and corporate bonds to the three highest classifications issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices.

Concentration of credit risk

The School District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the School District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits

In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2021, \$761,681 of the School District's bank balance of \$1,260,456 was exposed to custodial credit risk because it was uninsured and uncollateralized.

West Shore Educational Service District
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE C—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 School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the School District will do business.

Foreign currency risk

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

NOTE D—FAIR VALUE MEASUREMENTS

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the School District the ability to access.

Level 2 Inputs to the valuation methodology include the following:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's 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 District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which 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.

West Shore Educational Service District
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE D—FAIR VALUE MEASUREMENTS—Continued

	Amortized Cost
MILAF External Investment pool -MAX Class	<u>\$ 17,130,519</u>

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021.

Money market funds: Valued at amortized cost, which approximates fair value.

The following table sets forth by level, within the fair value hierarchy, the School District's assets at fair value on a recurring basis as of June 30, 2021:

	Assets at Fair Value as of June 30, 2021			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ -	\$ 1,964,122	\$ -	<u>\$ 1,964,122</u>

NOTE E—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
Capital assets, not being depreciated:				
Land	\$ 141,925	\$ -	\$ -	\$ 141,925
Capital assets, being depreciated:				
Buildings and improvements	8,052,632	28,803	-	8,081,435
Furniture and equipment	2,344,334	192,385	-	2,536,719
Vehicles and equipment	1,762,019	269,251	88,147	1,943,123
Total capital assets, being depreciated	12,158,985	490,439	88,147	12,561,277
Less accumulated depreciation:				
Buildings and improvements	2,698,178	160,609	-	2,858,787
Furniture and equipment	1,103,317	130,222	-	1,233,539
Vehicles and equipment	1,101,164	201,337	83,740	1,218,761
Total accumulated depreciation	4,902,659	492,168	83,740	5,311,087
Total capital assets, being depreciated, net	7,256,326	(1,729)	4,407	7,250,190
Capital assets, net	<u>\$ 7,398,251</u>	<u>\$ (1,729)</u>	<u>\$ 4,407</u>	<u>\$ 7,392,115</u>

Depreciation

Depreciation expense has been charged to functions as follows:

Instruction	\$ 93,313
Support services	245,071
Unallocated depreciation	153,784
	<u>\$ 492,168</u>

West Shore Educational Service District
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE F—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2021 is as follows:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General Fund	Special Education Fund	\$ 6,349,663
Career and Technical Education Fund	Special Education Fund	226,961
Career and Technical Education Fund	General Fund	1,666,017
Capital Projects Fund	Career and Technical Education Fund	335,157
Capital Projects Fund	Special Education Fund	583,049
Other governmental funds	Special Education Fund	101,385
		<u><u>\$ 9,262,232</u></u>

The outstanding balances between funds result 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.

Interfund Transfers

The Special Education Fund transferred \$13,000 to the Food Service Fund to finance operations. The Special Education Fund transferred \$400,000 and the Career and Technical Education Fund transferred \$100,000 to the Capital Project Fund to set aside for future capital needs. The Special Education fund transferred \$200,000 to the Debt Service Fund for debt service payments.

NOTE G—LONG-TERM OBLIGATIONS

The School District issues bonds, notes and other contractual commitments to provide for the acquisition, construction and improvement of major capital facilities and for the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District.

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

	<u>Balance</u>			<u>Balance</u>	<u>Due within</u>
	<u>July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2021</u>	<u>one year</u>
Governmental activities					
Notes from direct borrowings					
and direct placements	\$ 216,855	\$ -	\$ 161,630	\$ 55,225	\$ 55,225
Compensated absences	567,650	231,842	264,525	534,967	91,000
	<u><u>\$ 784,505</u></u>	<u><u>\$ 231,842</u></u>	<u><u>\$ 426,155</u></u>	<u><u>\$ 590,192</u></u>	<u><u>\$ 146,225</u></u>

West Shore Educational Service District
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE G—LONG-TERM OBLIGATIONS—Continued

The governmental activity notes from direct borrowings and direct placements is comprised of a note payable to a bank which is secured by property tax revenues of the School District. The note payable is secured by the assets of the School District and if the School District defaults under the agreement all principal and accrued interest at that time are due and payable immediately. If the School District defaulted on the note, taxing authorities can withhold future property taxes to pay the note.

Notes from direct borrowings and direct placements consist of the following:

	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Balance</u>
Governmental activities:			
Note payable	1.95%	May 2022	\$ 55,225

The annual requirements of principal and interest to amortize the notes from direct borrowings and direct placements outstanding as of June 30, 2021 follow:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 55,225	\$ 1,048	\$ 56,273

NOTE H—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The Michigan Public School Employees' Retirement System (System or MPSERS) 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. The board consists of twelve members—eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

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

West Shore Educational Service District
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE H—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Plan Description—Continued

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

The System's financial statements are available on the ORS website at Michigan.gov/ORSSchools.

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. Depending on the plan option selected (Basic, Member Investment Plan (MIP), Pension Plus, Pension Plus 2), member retirement benefits for DB plan members are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

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 who became a member 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 percent of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50 percent (up to 1 percent 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 service 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.

West Shore Educational Service District
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE H—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Benefits Provided – Pension—Continued

Pension Reform 2012—Continued

Employees who first work on or after September 4, 2012, choose between two retirement plans: the Pension Plus plan described above and a DC plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions. New employees are automatically enrolled as members in the Pension Plus plan as of their date of hire. They have 75 days from the last day of their first pay period, as reported to ORS, to elect to opt out of the Pension Plus plan and become a qualified participant in the DC plan; if no election is made they will remain in the Pension Plus plan. If they elect to opt out of the Pension Plus plan, their participation in the DC plan will be retroactive to their date of hire.

Employees in the Pension Plus and DC plans are immediately vested in their own contributions and earnings on those contributions. The employee becomes vested in the employer match contribution at the following rates: 50 percent after two years of service, 75 percent after three years of service, and 100 percent after four years of service. Non-vested contributions are forfeited upon termination of employment. Forfeitures during a plan year are credited to a forfeitures account. Forfeitures are first applied to restore any forfeited amounts that are required to be restored. The remaining amounts in the forfeitures account may be maintained in reserve, used to cover a portion of the plan's administrative expenses or offset future employer contributions, as determined by the plan administrator.

Pension Reform 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closes the current hybrid plan (Pension Plus) to newly hired employees as of February 1, 2018 and creates a new optional revised hybrid plan (Pension Plus 2) 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 new hybrid plan is 6 percent. Further, the law provides that, under certain conditions, the new hybrid plan would close to new employees if the actuarial funded ratio falls below 85 percent for two consecutive years. The law includes other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Regular Retirement

The pension benefit for DB and Pension Plus plan members is based on a member's years of credited service (employment) and final average compensation (FAC). The FAC is calculated based on the member's highest total wages earned during a specific period of consecutive calendar months divided by the service credit accrued during that same time period. For a Member Investment Plan member, who became a member of MPSERS prior to July 1, 2010, the averaging period is 36 consecutive months. For a Pension Plus member, who became a member of MPSERS after June 30, 2010, the averaging period is 60 consecutive months. For a Basic Plan member, this period is the 60 consecutive months yielding the highest total wages. 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.

Post-Retirement Adjustments

A retiree who became a Member Investment Plan member prior to July 1, 2010, receives an annual post-retirement non-compounded increase of three percent of the initial pension in the October following twelve months of retirement. Basic Plan members do not receive an annual post-retirement increase, but are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions. Pension Plus members do not receive an annual post-retirement increase.

West Shore Educational Service District
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE H—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Benefits Provided – Pension—Continued

Plan Status

The Basic, MIP, and Pension Plus plans are closed to new entrants. The Pension Plus 2 plan and the DC plan are still open to new entrants.

Benefits Provided – 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 healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of 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 percent beginning January 1, 2013; 90 percent for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

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

Under Public Act 300 of 2012, members were given the choice between continuing the 3 percent contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3 percent 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 percent employee contribution into their 457 account as of their transition date, earning them a 2 percent employer match into a 401(k) account. Members who selected this option stop paying the 3 percent contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

Contributions – Pension and OPEB

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2019 valuation will be amortized over a 19-year period beginning October 1, 2019, and ending September 30, 2038.

West Shore Educational Service District
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE H—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Contributions – Pension and OPEB—Continued

The schedules below summarize the contribution rates in effect for the System’s fiscal year ended September 30, 2020.

Pension Contribution Rates

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0 - 4.0 %	19.41 %
Member Investment Plan	3.0 - 7.0	19.41
Pension Plus Plan	3.0 - 6.4	16.46
Pension Plus 2 Plan	6.2	19.59
Defined Contribution	0.0	13.39

OPEB Contribution Rates

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Premium Subsidy	3.0 %	8.09 %
Personal Healthcare Fund	0.0	7.57

The School District’s pension contributions for the year ended June 30, 2021 were equal to the required contribution total. Pension contributions were approximately \$3,412,941 including Section 147c contributions.

For the year ended June 30, 2021, the School District and employee defined contribution plan contributions were approximately \$100,200 and \$191,900, respectively.

The School District’s OPEB contributions for the year ended June 30, 2021 were equal to the required contribution total. OPEB contributions were approximately \$842,900.

Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2021, the School District reported a liability of \$38,786,373 for its proportionate share of the net pension liability and a liability of \$6,108,555 for its proportionate share of the net OPEB liability.

The net pension and OPEB liabilities were measured as of September 30, 2020, and the total pension and OPEB liabilities used to calculate the net pension and OPEB liabilities were determined by an actuarial valuation rolled forward from September 30, 2019. The School District’s proportion of the net pension and OPEB liabilities was determined by dividing each employer’s statutorily required pension and OPEB contributions to the system during the measurement period by the percent of pension and OPEB contributions, respectively, required from all applicable employers during the measurement period. At September 30, 2020 and 2019, the School District’s pension proportion was 0.11291 and 0.11288 percent, respectively. At September 30, 2020 and 2019, the School District’s OPEB proportion was 0.11402 and 0.11254 percent, respectively.

For the year ended June 30, 2021, the School District recognized pension expense (benefit) of \$6,227,342 and OPEB expense (benefit) of \$(159,233).

West Shore Educational Service District
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE H—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources—Continued

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

	Pension		OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 592,624	\$ 82,784	\$ -	\$ 4,551,445
Changes of assumptions	4,297,904	-	2,014,112	-
Net difference between projected and actual earnings on plan investments	162,963	-	50,983	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	349,348	267,069	176,607	138,675
State of Michigan Section 147c UAAL rate stabilization state aid payments subsequent to the measurement date	-	1,488,374	-	-
School District contributions subsequent to the measurement date	3,197,322	-	750,827	-
Total	\$ 8,600,161	\$ 1,838,227	\$ 2,992,529	\$ 4,690,120

The School District contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions and OPEB, in the chart above, will be recognized as a reduction of the net pension liability and the net OPEB liability, respectively, in the year ended June 30, 2022. The State of Michigan Section 147c UAAL rate stabilization state aid payments subsequent to the measurement date reported as deferred inflows of resources will be recognized as revenue in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized in expense as follows:

Year ending June 30,	Pension	OPEB
2022	\$ 2,471,520	\$ (665,522)
2023	1,528,080	(594,640)
2024	791,510	(493,738)
2025	261,876	(397,871)
2026	-	(296,647)

West Shore Educational Service District
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE H—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Actuarial assumptions

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

Summary of Actuarial Assumptions

Valuation date –	September 30, 2019
Actuarial cost method –	Entry age, Normal
Investment rate of return –	6.8% a year for the MIP and Basic plans 6.8% a year for the Pension Plus plan 6% a year for the Pension Plus 2 plan 6.95% a year for OPEB
Salary increases –	2.75%-11.55%
Inflation –	2.75%
Cost-of-living pension adjustments –	3% annual non-compounded for MIP members
Healthcare cost trend rate –	7% Year 1 graded to 3.5% Year 15; 3% Year 120

Mortality Assumptions

The healthy life post-retirement mortality tables used in this valuation of the System were the RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82 percent for males and 78 percent for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Experience Study

The annual actuarial valuation report of the System used for these statements is dated September 30, 2019. Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2017 valuation.

Long-Term Expected Rate of Return on Investments

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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.

West Shore Educational Service District
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE H—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Actuarial assumptions—Continued

Long-Term Expected Rate of Return on Investments—Continued

Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of September 30, 2020 are summarized in the following table:

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

*Long term rates of return are net of administrative expenses and 2.3% inflation.

Rate of return

For the fiscal year ended September 30, 2020, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 5.37 percent and 5.24 percent on pension plan and OPEB plan investments, respectively.

Discount rate

In the current year, the discount rates used to measure the total pension and OPEB liabilities were 6.8 percent (6.8 percent for the Pension Plus plan and 6 percent for the Pension Plus 2 plan), and 6.95 percent, respectively. The discount rates used to measure the total pension and OPEB liabilities as of September 30, 2020 were 6.8 percent (6.8 percent for the Pension Plus Plan and 6 percent for the Pension Plus 2 plan), and 6.95 percent, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension and OPEB plans' 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 and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

West Shore Educational Service District
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE H—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Sensitivity of the net pension liability to changes in the discount rate

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 6.8 percent (6.8 percent for the Pension Plus plan and 6 percent for the Pension Plus 2 plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

<u>1% Lower</u> <u>(5.8% / 5.8% / 5%)</u>	<u>Discount Rate</u> <u>(6.8% / 6.8% / 6%)</u>	<u>1% Higher</u> <u>(7.8% / 7.8% / 7%)</u>
\$ 50,202,380	\$ 38,786,373	\$ 29,325,048

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 6.95 percent, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

<u>1% Lower</u> <u>(5.95%)</u>	<u>Discount Rate</u> <u>(6.95%)</u>	<u>1% Higher</u> <u>(7.95%)</u>
\$ 7,847,133	\$ 6,108,555	\$ 4,644,818

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate

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

<u>1% Lower</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Higher</u>
\$ 4,588,774	\$ 6,108,555	\$ 7,837,118

Pension and OPEB Plans Fiduciary Net Position

Detailed information about the pension and OPEB plans' fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System Comprehensive Annual Financial Report available at www.michigan.gov/orsschools.

Payable to the pension and OPEB plan

At year end the School District is current on all required pension and OPEB payments. Accruals for July and August deferred payroll and for July and August Section 147c amounts are not considered payables for this purpose.

West Shore Educational Service District
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE I—COMMITMENTS AND CONTINGENCIES

Operating Leases

Additionally, the School District has lease agreements expiring at various dates through June 2027. Expense for the year ended June 30, 2021 was approximately \$100,000. The following is a schedule of future minimum rental payments required under operating leases for School District equipment and classroom space.

<u>Year ending</u> <u>June 30,</u>	<u>Amount</u>
2022	\$ 22,975
2023	22,975
2024	20,057
2025	20,057
2026	20,057
2027	20,057
	<u><u>\$ 126,178</u></u>

Grant Programs

The School District participates in grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

NOTE J—OTHER INFORMATION

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The School District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The School District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The School District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2021 or any of the prior three years.

West Shore Educational Service District
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE K—UPCOMING ACCOUNTING PRONOUNCEMENTS

GASB Statement 87—*Leases* was issued by the GASB in June 2017 and will be effective for the School District's 2022 fiscal year. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB Statement 96—*Subscription-Based Information Technology Arrangements* was issued by the GASB in May 2020 and will be effective for the School District's 2023 fiscal year. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

NOTE L—TAX ABATEMENTS

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

<u>Municipality</u>	<u>Abatement type</u>	<u>Total taxes abated</u>
City of Hart	IFT	\$ 668
City of Ludington	IFT	492
Colfax Township	IFT	923
Grant Township	IFT	392
Lake County	IFT	157
Pere Marquette Township	IFT	10,902
Riverton Township	IFT	1,258
Shelby Township	IFT	1,156
Summit Township	IFT	4,184
		<u><u>\$ 20,132</u></u>

West Shore Educational Service District
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE L—TAX ABATEMENTS—Continued

The tax abatements that reduce the general fund, special education and career and technical education operating tax levies are considered by the State of Michigan when calculating the School District's state aid—section 56 and 62 of the State School Aid Act.

There are no significant abatements made by the School District.

NOTE M—RISKS AND UNCERTAINTIES

The COVID-19 pandemic that the world is experiencing is unprecedented. It is nearly impossible to fully understand the impact that it will have on the economy and on the School District's operations. As of June 30, 2021, the School District continues to implement risk mitigation tactics including all aspects of the School District's activities related to public school education, relationships with local, state, and federal government funding sources, compliance with the requirements of these funding sources and with business transactions with customers, vendors and human interaction within and outside of the School District.

NOTE N—SUBSEQUENT EVENT

On July 1, 2021, the School District entered into an agreement to lease a building with annual payments of \$152,025, increasing 1% each year, for 25 years. All operating expenses will be paid by the lessor.

REQUIRED SUPPLEMENTARY INFORMATION

West Shore Educational Service District
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended June 30, 2021

	Budgeted amounts			Variance with
	Original	Final	Actual	final budget
REVENUES				
Local sources	\$ 1,421,078	\$ 1,455,506	\$ 1,454,151	\$ (1,355)
State sources	4,568,934	4,452,266	4,357,022	(95,244)
Federal sources	112,331	342,808	312,991	(29,817)
Total revenues	6,102,343	6,250,580	6,124,164	(126,416)
EXPENDITURES				
Instruction				
Basic programs	1,378,410	1,219,750	1,202,511	17,239
Support services				
Pupil	320,085	401,651	394,215	7,436
Instructional staff	1,895,659	1,427,374	1,376,017	51,357
General administration	286,774	306,492	275,652	30,840
School administration	115,878	131,883	129,447	2,436
Business	358,052	384,998	363,268	21,730
Operations and maintenance	42,000	64,032	63,837	195
Pupil transportation services	4,850	2,000	1,530	470
Central	353,309	368,703	318,487	50,216
Other	-	3,000	3,000	-
Community services	115,895	241,645	220,636	21,009
Outgoing transfers and other transactions	1,250,030	1,398,554	1,317,881	80,673
Total expenditures	6,120,942	5,950,082	5,666,481	283,601
Excess (deficiency) of revenues over (under) expenditures	\$ (18,599)	\$ 300,498	457,683	\$ 157,185
Fund balance at beginning of year			2,723,770	
Fund balance at end of year			\$ 3,181,453	

West Shore Educational Service District
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
Special Education Fund
For the year ended June 30, 2021

	Budgeted amounts			Variance with
	Original	Final	Actual	final budget
REVENUES				
Local sources	\$ 9,308,320	\$ 9,223,471	\$ 9,137,090	\$ (86,381)
State sources	5,203,812	5,387,498	5,486,422	98,924
Federal sources	2,646,858	2,759,254	2,733,805	(25,449)
Total revenues	17,158,990	17,370,223	17,357,317	(12,906)
EXPENDITURES				
Instruction				
Added needs	4,067,155	3,786,095	3,612,542	173,553
Support services				
Pupil	6,162,556	6,306,222	6,179,259	126,963
Instructional staff	1,444,880	1,417,884	1,372,595	45,289
General administration	163,621	342,227	280,330	61,897
Business	371,648	385,919	374,972	10,947
Operations and maintenance	504,234	522,829	439,515	83,314
Pupil transportation	1,813,416	1,683,661	1,600,643	83,018
Central	581,153	527,386	482,799	44,587
Community services	51,167	52,408	60,231	(7,823)
Outgoing transfers and other transactions	2,054,275	2,348,236	2,273,015	75,221
Total expenditures	17,214,105	17,372,867	16,675,901	696,966
Excess (deficiency) of revenues over (under) expenditures	\$ (55,115)	\$ (2,644)	681,416	\$ 684,060
Fund balance at beginning of year			7,614,225	
Fund balance at end of year			\$ 8,295,641	

West Shore Educational Service District
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
Career and Technical Education Fund
For the year ended June 30, 2021

	Budgeted amounts			Variance with
	Original	Final	Actual	final budget
REVENUES				
Local sources	\$ 3,447,198	\$ 3,458,908	\$ 3,475,800	\$ 16,892
State sources	533,328	622,957	641,698	18,741
Federal sources	114,878	130,418	130,419	1
Total revenues	4,095,404	4,212,283	4,247,917	35,634
EXPENDITURES				
Instruction				
Added needs	2,950,535	2,892,356	2,828,613	63,743
Support services				
Pupil	338,860	320,462	289,165	31,297
Instructional staff	254,629	231,829	216,553	15,276
General administration	69,547	70,052	67,555	2,497
Business	121,084	89,153	78,442	10,711
Operations and maintenance	226,275	203,390	185,777	17,613
Pupil transportation	5,000	-	-	-
Central	131,263	124,922	100,427	24,495
Other	60,542	20,542	18,127	2,415
Outgoing transfers and other transactions	105,000	118,000	118,000	-
Total expenditures	4,262,735	4,070,706	3,902,659	168,047
Excess (deficiency) of revenues over (under) expenditures	\$ (167,331)	\$ 141,577	345,258	\$ 203,681
Fund balance at beginning of year			3,539,555	
Fund balance at end of year			\$ 3,884,813	

West Shore Educational Service District
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of the School District's Proportionate Share of the Net Pension Liability
Michigan Public School Employee Retirement System
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
School District's proportion of the net pension liability (%)	0.11291%	0.11288%	0.11458%	0.11326%	0.10468%	0.10032%	0.09931%	-	-	-
School District's proportionate share of the net pension liability	\$ 38,786,373	\$ 37,382,975	\$ 34,445,000	\$ 29,351,100	\$ 26,117,901	\$ 24,502,110	\$ 21,875,377	\$ -	\$ -	\$ -
School District's covered payroll	\$ 10,152,145	\$ 9,923,271	\$ 9,860,319	\$ 9,792,143	\$ 9,081,686	\$ 8,994,394	\$ 9,081,528	\$ -	\$ -	\$ -
School District's proportionate share of the net pension liability as a percentage of its covered payroll	382.05%	376.72%	349.33%	299.74%	287.59%	272.42%	240.88%	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%	-	-	-

Note: For years prior to 2015 the information is not available. Until a full 10-year trend is compiled, information will only be presented for those years for which information is available.

West Shore Educational Service District
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of the School District's Pension Contributions
Michigan Public School Employee Retirement System
Last 10 Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Statutorily required contributions	\$ 1,924,567	\$ 1,869,208	\$ 1,723,438	\$ 1,727,531	\$ 1,830,163	\$ 2,022,630	\$ 2,062,275	\$ -	\$ -	\$ -
Contributions in relation to the statutorily required contributions	1,924,567	1,869,208	1,723,438	1,727,531	1,830,163	2,022,630	2,062,275	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$ 10,384,851	\$ 10,064,408	\$ 9,970,354	\$ 9,919,850	\$ 10,072,916	\$ 9,401,872	\$ 9,091,283	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	18.53%	18.57%	17.29%	17.41%	18.17%	21.51%	22.68%	-	-	-

Note: For years prior to 2015 the information is not available. Until a full 10-year trend is compiled, information will only be presented for those years for which information is available.

West Shore Educational Service District
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of the School District's Proportionate Share of the Net OPEB Liability
Michigan Public School Employee Retirement System
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
School District's proportion of the net OPEB liability (%)	0.11402%	0.11254%	0.11480%	0.11335%	-	-	-	-	-	-
School District's proportionate share of the net OPEB liability	\$ 6,108,555	\$ 8,077,983	\$ 9,125,512	\$ 10,037,387	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$ 10,152,145	\$ 9,923,271	\$ 9,860,319	\$ 9,792,143	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	60.17%	81.40%	92.55%	102.50%	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total OPEB liability	59.44%	48.46%	42.95%	36.39%	-	-	-	-	-	-

Note: For years prior to 2018 the information is not available. Until a full 10-year trend is compiled, information will only be presented for those years for which information is available.

West Shore Educational Service District
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of the School District's OPEB Contributions
Michigan Public School Employee Retirement System
Last 10 Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Statutorily required contributions	\$ 842,890	\$ 717,372	\$ 649,727	\$ 654,546	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the statutorily required contributions	842,890	717,372	649,727	654,546	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$ 10,384,851	\$ 10,064,408	\$ 9,970,354	\$ 9,919,850	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	8.12%	7.13%	6.52%	6.60%	-	-	-	-	-	-

Note: For years prior to 2018 the information is not available. Until a full 10-year trend is compiled, information will only be presented for those years for which information is available.

West Shore Educational Service District
REQUIRED SUPPLEMENTARY INFORMATION
Notes to Required Supplementary Information
For the year ended June 30, 2021

Pension Information

Benefit changes – there were no changes of benefit terms in 2020.

Changes of assumptions – there were no changes of assumptions in 2020.

OPEB Information

Benefit changes – there were no changes of benefit terms in 2020.

Changes of assumptions – there were no changes of assumptions in 2020.

OTHER SUPPLEMENTAL INFORMATION

West Shore Educational Service District
COMBINING BALANCE SHEET
 Other Governmental Funds
 June 30, 2021

	Total other governmental funds	Food Service	Debt Service Fund	Permanent Funds
ASSETS				
Cash and cash equivalents	\$ 8,044	\$ -	\$ -	\$ 8,044
Due from other funds	101,385	-	101,385	-
Total assets	\$ 109,429	\$ -	\$ 101,385	\$ 8,044
LIABILITIES				
Due to other governmental units	\$ -	\$ -	\$ -	\$ -
FUND BALANCES				
Nonspendable				
Permanent funds	8,044	-	-	8,044
Restricted for debt service	101,385	-	101,385	-
Total fund balances	109,429	-	101,385	8,044
Total liabilities and fund balances	\$ 109,429	\$ -	\$ 101,385	\$ 8,044

West Shore Educational Service District
**COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES**
Other Governmental Funds
For the year ended June 30, 2021

	Total other governmental funds	Food Service	Debt Service Fund	Permanent Funds
REVENUES				
Local sources	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Current				
Food services	13,000	13,000	-	-
Debt service				
Principal	161,630	-	161,630	-
Interest and other charges	4,575	-	4,575	-
Total expenditures	179,205	13,000	166,205	-
Deficiency of revenues under expenditures	(179,205)	(13,000)	(166,205)	-
OTHER FINANCING SOURCES (USES)				
Transfers in	213,000	13,000	200,000	-
Net change in fund balances	33,795	-	33,795	-
Fund balances at beginning of year	75,634	-	67,590	8,044
Fund balances at end of year	\$ 109,429	\$ -	\$ 101,385	\$ 8,044

West Shore Educational Service District
**SINGLE AUDIT OF FEDERAL
FINANCIAL ASSISTANCE PROGRAMS**
Financial Report and
Independent Auditor's Reports
June 30, 2021



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FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education
West Shore Educational Service District
Ludington, Michigan

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 the *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 West Shore Educational Service District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise West Shore Educational Service District's basic financial statements, and have issued our report thereon dated October 6, 2021.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 may exist that have not been identified.

Board of Education
West Shore Educational Service District
Page 2

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Brickley DeLong, P.C." The signature is written in a cursive, flowing style.

Hart, Michigan
October 6, 2021

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

Board of Education
West Shore Educational Service District
Ludington, Michigan

Report on Compliance for Each Major Federal Program

We have audited West Shore Educational Service District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of West Shore Educational Service District's major federal programs for the year ended June 30, 2021. West Shore Educational Service District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of West Shore Educational Service District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about West Shore Educational Service District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Board of Education
West Shore Educational Service District
Page 2

Opinion on Each Major Federal Program

In our opinion, West Shore Educational Service District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of West Shore Educational Service District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered West Shore Educational Service District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of West Shore Educational Service District's internal control over compliance.

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

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

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

Board of Education
West Shore Educational Service District
Page 3

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Shore Educational Service District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise West Shore Educational Service District's basic financial statements. We issued our report thereon dated October 6, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 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 Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Hart, Michigan
October 6, 2021

West Shore Educational Service District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2021

Federal grantor/pass-through grantor/ program or cluster title/identifying number	CFDA/ Assistance Listing Number	Entitlement program or award amount	Accrued (unearned) revenue July 1, 2020	Adjustments and transfers	Cash or payments in kind received (cash basis)	Expenditures (accrual basis)		Accrued (unearned) revenue June 30, 2021	Passed through to subrecipients
						Prior year (s)	Current year		
U.S. Department of Education									
Direct program									
Rural Education	84.358A								
S358A203660		\$ 29,319	\$ -	\$ -	\$ 8,500	\$ -	\$ 8,500	\$ -	\$ -
Passed through Michigan Department of Education									
Title I Grants to Local Educational Agencies	84.010A								
201570 1920		291,858	138,706	-	196,757	138,706	58,051	-	52,212
211570 2021		355,101	-	-	103,031	-	143,969	40,938	132,050
		646,959	138,706	-	299,788	138,706	202,020	40,938	184,262
Special Education Cluster									
Special Education—Grants to States	84.027A								
200450 1920		2,220,495	495,668	-	519,549	2,194,600	25,896	2,015	-
200493 GSG		110,000	10,006	-	10,006	110,000	-	-	-
210450 2021		2,321,655	-	-	1,863,243	-	2,306,077	442,834	-
210493 GSSG		132,000	-	-	105,160	-	132,000	26,840	-
		4,784,150	505,674	-	2,497,958	2,304,600	2,463,973	471,689	-
Special Education—Preschool Grants	84.173A								
200460 1920		58,492	12,949	-	12,949	58,492	-	-	-
210460 2021		59,366	-	-	47,486	-	59,366	11,880	-
		117,858	12,949	-	60,435	58,492	59,366	11,880	-
Total Special Education Cluster		4,902,008	518,623	-	2,558,393	2,363,092	2,523,339	483,569	-
Special Education—Grants for Infants and Families									
	84.181A								
201340 1920		84,631	5,759	-	5,759	84,631	-	-	-
211340 2021		83,837	-	-	83,837	-	83,837	-	-
		168,468	5,759	-	89,596	84,631	83,837	-	-
Education Stabilization Fund									
Governor's Emergency Education Relief Fund	84.425C								
201200 2021 COVID-19		11,417	-	-	11,417	-	11,417	-	-
201230 2021 COVID-19		8,326	-	-	6,448	-	7,861	1,413	-
		19,743	-	-	17,865	-	19,278	1,413	-
Total passed through Michigan Department of Education		5,737,178	663,088	-	2,965,642	2,586,429	2,828,474	525,920	184,262

West Shore Educational Service District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—Continued
For the year ended June 30, 2021

Federal grantor/pass-through grantor/ program or cluster title/identifying number	CFDA/ Assistance Listing Number	Entitlement program or award amount	Accrued (unearned) revenue July 1, 2020	Adjustments and transfers	Cash or payments in kind received (cash basis)	Expenditures (accrual basis)		Accrued (unearned) revenue June 30, 2021	Passed through to subrecipients
						Prior year (s)	Current year		
<i>U.S. Department of Education—continued</i>									
Passed through Mecosta-Osceola Intermediate School District Career and Technical Education—Basic Grants to States 213520 21127	84.048A	\$ 107,623	\$ -	\$ -	\$ 107,623	\$ -	\$ 107,623	\$ -	\$ -
Passed through Western Michigan University Supporting Effective Educator Development Program U423A1700777-18	84.423A	217,823	28,183	-	28,183	151,150	-	-	-
Total U.S. Department of Education		6,091,943	691,271	-	3,109,948	2,737,579	2,944,597	525,920	184,262
<i>U.S. Department of Treasury</i>									
Passed through Copper County Intermediate School District Coronavirus Relief Fund	21.019								
Device Purchasing Program/ Distance Learning CRF Grant COVID-19		64,880	-	-	64,880	-	64,880	-	-
<i>U.S. Department of Health and Human Services</i>									
Passed through Michigan Department of Education Every Student Succeeds Act/Preschool Development Grants	93.434								
203910 1920-1		20,000	-	-	20,000	-	20,000	-	-
203910 1920-2		20,000	-	-	20,000	-	20,000	-	-
203910 1920-3		20,000	-	-	20,000	-	20,000	-	-
213910 3.621-1		25,000	-	-	7,062	-	19,381	12,319	-
213910 3.621-2		25,000	-	-	6,983	-	11,372	4,389	-
213910 3.621-3		25,000	-	-	7,205	-	11,594	4,389	-
		135,000	-	-	81,250	-	102,347	21,097	-
Passed through Michigan Department of Community Health Medicaid Cluster									
Medical Assistance Program	93.778								
Medicaid Outreach Program 19-20		111,337	16,358	-	16,358	111,337	-	-	-
Medicaid Outreach Program 20-21		65,391	-	-	28,438	-	65,391	36,953	-
		176,728	16,358	-	44,796	111,337	65,391	36,953	-
Total U.S. Department of Health and Human Services		311,728	16,358	-	126,046	111,337	167,738	58,050	-
TOTAL FEDERAL ASSISTANCE		\$ 6,468,551	\$ 707,629	\$ -	\$ 3,300,874	\$ 2,848,916	\$ 3,177,215	\$ 583,970	\$ 184,262

The accompanying notes are an integral part of this schedule.

West Shore Educational Service District
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2021

1. The accompanying Schedule of Expenditures of Federal Awards (the “schedule”) includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or change in net position of the School District.
2. Please see the financial statement footnotes for the significant accounting policies used in preparing this schedule. 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 shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The School District is not using the ten-percent de minimis indirect cost rate as allowed under the Uniform Guidance.
3. Management has utilized the Michigan Department of Education Cash Management System Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.
4. Reconciliation of revenues from federal sources per governmental funds financial statements and expenditures per single audit report Schedule of Expenditures of Federal Awards.

Revenues from federal sources per June 30, 2021
financial statements

General Fund	\$ 312,991
Special Education Fund	2,733,805
Career and Technical Education Fund	<u>130,419</u>

Expenditures per single audit report

Schedule of Expenditures of Federal Awards	<u><u>\$ 3,177,215</u></u>
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West Shore Educational Service District
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2021

SECTION I—SUMMARY OF AUDITOR’S RESULTS

A. Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**
2. Internal control over financial reporting:
 - Material weakness(es) identified? _____ yes **X** no
 - Significant deficiency(ies) identified? _____ yes **X** none reported
3. Noncompliance material to financial statements noted? _____ yes **X** no

B. Federal Awards

1. Internal control over major federal programs:
 - Material weakness(es) identified? _____ yes **X** no
 - Significant deficiency(ies) identified? _____ yes **X** none reported
2. Type of auditor’s report issued on compliance for major federal programs: **Unmodified**
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes **X** no
4. Identification of major programs:

<u>CFDA/Assistance Listing Number(s)</u>	<u>Name of Federal Program/Cluster</u>
84.027A and 84.173A	U.S. Department of Education
	• Special Education Cluster
5. Dollar threshold used to distinguish between type A and type B programs: **\$750,000**
6. Auditee qualified as low-risk auditee? **X** yes _____ no

SECTION II – FINANCIAL STATEMENT FINDINGS

NONE

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

SUPPLEMENTAL INFORMATION

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

Board of Education
West Shore Educational Service District
Ludington, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Shore Educational Service District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise West Shore Educational Service District's basic financial statements. We issued our report thereon dated October 6, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards Provided to Subrecipients is presented for purposes of additional analysis and is not a required part of the basic financial statements or the accompanying Schedule of Expenditures of Federal Awards. 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 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 Schedule of Expenditures of Federal Awards Provided to Subrecipients is fairly stated in all material respects in relation to the basic financial statements as a whole.



Hart, Michigan
October 6, 2021

West Shore Educational Service District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS PROVIDED TO SUBRECIPIENTS
For the year ended June 30, 2021

West Shore Educational Service District acts as a fiscal agent and passes through federal funds to the following local districts:

Federal program / pass-through grantee	CFDA/ Assistance Listing Number	Pass-through grantor's number	Amount of subrecipient award	Due to (from) subrecipients July 1, 2020	Cash or payments in kind (cash basis)	Expenditures (accrual basis)		Due to (from) subrecipients June 30, 2021
						Prior year	Current year	
<i>Title I Grants to Local Educational Agencies</i>								
Gateway to Success Academy	84.010A	201570 1920	\$ 145,646	\$ 95,643	\$ 101,786	\$ 95,643	\$ 6,143	\$ -
Baldwin Community Schools			125,448	29,122	75,191	29,122	46,069	-
Total subrecipient amounts			\$ 271,094	\$ 124,765	\$ 176,977	\$ 124,765	52,212	\$ -
West Shore Educational Service District							5,839	
Total expenditures appearing on Schedule of Expenditures of Federal Awards							\$ 58,051	
Gateway to Success Academy	84.010A	211570 2021	\$ 177,621	\$ -	\$ 36,379	\$ -	\$ 70,138	\$ 33,759
Baldwin Community Schools			157,480	-	55,958	-	61,912	5,954
Total subrecipient amounts			\$ 335,101	\$ -	\$ 92,337	\$ -	132,050	\$ 39,713
West Shore Educational Service District							11,919	
Total expenditures appearing on Schedule of Expenditures of Federal Awards							\$ 143,969	

CLIENT DOCUMENTS



West Shore Educational Service District

2130 W. U.S. 10 • Ludington, MI 49431 • (231) 757-3716

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

October 6, 2021

Michigan Department of Education
Lansing, Michigan

West Shore Educational Service District respectfully advises you that there were ***no*** audit findings reported in our single audit report, dated October 12, 2020, for the year ended June 30, 2020.

Sincerely,

A handwritten signature in black ink that reads "Kerri Harrie". The signature is written in a cursive style.

Kerri Harrie
Assistant Superintendent of Business Services



West Shore Educational Service District

2130 W. U.S. 10 • Ludington, MI 49431 • (231) 757-3716

CORRECTIVE ACTION PLAN

October 6, 2021

Michigan Department of Education
Lansing, Michigan

West Shore Educational Service District respectfully submits the following Corrective Action Plan for the year ended June 30, 2021.

Name and address of independent public accounting firm:

Brickley DeLong, P.C.
907 S. State Street
Hart, Michigan 49420

Audit period: June 30, 2021

The findings from the Schedule of Findings and Questioned Costs for the year ended June 30, 2021 provided **no** findings in either Section II or Section III. Accordingly, there are **no** matters requiring corrective action as shown below.

SECTION II – FINANCIAL STATEMENT FINDINGS

There were **no** findings in relation to the financial statement audit.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were **no** findings in relation to the major federal award programs.

If the Michigan Department of Education has questions regarding this plan, please call Kerri Harrie at (231) 898-1562.

Sincerely,

Kerri Harrie
Assistant Superintendent of Business Services