Elk Rapids Schools

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

June 30, 2023

Dennis, Gartland & Niergarth

C O N T E N T S

C O N T E N T S

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Elk Rapids Schools

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of ***Elk Rapids Schools*** (the "School District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2023 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.

Basis for Opinions

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

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Board of Education
Elk Rapids Schools

Responsibilities of Management 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; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, no such opinion is expressed.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 14, budgetary comparison information on page 48, pension schedules on page 49 and OPEB schedules on page 50 be presented to supplement the basic financial statements. Such information is the responsibility of management and although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Board of Education
Elk Rapids Schools

<u>Other Reporting Required by *Government Auditing Standards*</u>

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2024, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering the School District's internal control over financial reporting and compliance.

Dennis, Gartland & Niergarth

Certified Public Accountants
Traverse City, Michigan

January 19, 2024

Management's Discussion and Analysis

As management of Elk Rapids Schools, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023.

Financial Highlights

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by $7,409,302 resulting in a negative *net position.* Of this amount, *unrestricted net position* had a negative balance of ($14,088,688). This amount is primarily impacted by the District's $26,628,617 proportionate share of the MPSERS net pension and OPEB liabilities. This liability recognition is required by GASB 68 and 75 as explained in Notes I and J of the financial statements.

- The District's total net position increased by $3,371,878 from the June 30, 2022 net position.

- As of the close of the current fiscal year, the District's *governmental funds* reported combined ending fund balances of $38,816,001, an increase of $16,314,680 in comparison with the prior year. This net increase is mainly attributable to bond proceeds from the 2023 bond construction fund. Of the $38,816,001, approximately 6 percent, or $2,507,233 is *available for spending* at the District's discretion *(unassigned fund balance).*

- At the end of the current fiscal year, unassigned fund balance for the general fund was $2,507,233 or 16 percent of total general fund expenditures.

- Investments for the future were made by the spending of $13,545,271 on equipment and infrastructural improvements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets, deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between them reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows.* Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues *(governmental activities)*. The District has no business-type activities as of and for the year ended June 30, 2023.

The government-wide financial statements can be found on pages 15 - 16 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources,* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

The District maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, 2020 Bond Construction Fund, and the 2023 Bond Construction Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements have been provided for the General Fund herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 17 – 19 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 20 - 21 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 - 46 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental funds are presented following the notes to the financial statements. Combining fund statements can be found on pages 52 - 53 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows exceeded assets and deferred outflows by ($7,409,302) at the close of the most recent fiscal year.

The District's net position, apart from the net pension and OPEB obligations, is primarily comprised of its investment in capital assets (e.g., land, buildings, vehicles, and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to the students it serves; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

District's Net Position

	Governmental Activities	
	2023	2022
Assets and Deferred Outflows of Resources		
Current and other assets	$ 41,293,508	$ 25,270,217
Capital assets, net	26,016,491	13,548,646
Total assets	67,309,999	38,818,863
Deferred outflows of resources	7,422,037	3,494,942
Total assets and deferred outflows of resources	$ 74,732,036	$ 42,313,805
Liabilities and Deferred Inflows of Resources		
Current liabilities	$ 3,028,518	$ 4,190,345
Long-term outstanding	74,736,345	38,253,203
Total liabilities	77,764,863	42,443,548
Deferred inflows of resources	4,376,475	10,651,437
Total liabilities and deferred inflows of resources	82,141,338	53,094,985
Net position (deficit)		
Net investment in capital assets	12,957,414	7,668,535
Restricted	463,384	555,689
Unrestricted	(20,830,100)	(19,005,404)
Total net position (deficit)	$ (7,409,302)	$ (10,781,180)

Other components of the District's net position include $202,507 for debt service and $260,877 for food service. These represent resources that are subject to external restrictions on how they may be used. The component consisting of ($14,088,688) represents *unrestricted net position (deficit).*

The government's net position increased by $3,371,878 during the current fiscal year. See below for the major components of this increase.

Included in the current fiscal year was foundation allowance funding, set by the State of Michigan, of $9,150 per student.

Within the past decade, the District's enrollment has ranged between 1,208 and 1,362 students.

District's Changes in Net Position

	Governmental Activities	
	2023	2022
Revenue		
Program revenues		
Charges for services	$ 589,881	$ 407,410
Operating grants/contributions	5,193,470	2,079,092
General revenue		
Property taxes	12,030,935	11,300,171
State school aid	1,153,506	3,143,365
Unrestricted investment earnings and other	2,129,553	1,134,215
Total revenue	21,097,345	18,064,253
Expenses		
Instruction	8,670,639	7,660,562
Supporting services	5,414,204	4,335,524
Community services	19,250	17,116
Food services	620,482	674,227
Preschool and Kid's Club	428,131	409,216
Student activities	445,803	367,605
Other	151,422	43,661
Interest on long-term debt	941,177	761,878
Depreciation - unallocated	1,034,359	1,017,349
Total expenses	17,725,467	15,287,138
Increase in net position	3,371,878	2,777,115
Net deficit, beginning of year	(10,781,180)	(13,558,295)
Net deficit, end of year	$ (7,409,302)	$ (10,781,180)

Governmental activities. Net position increased by $3,371,878. The primary elements of this net increase were:

- The $13,545,271 increase in capital assets offset by $1,034,359 of depreciation expense incurred from capital assets, leaving a net increase of $12,467,845. This provided an increase in the equity attributable to the District's capital assets.

- Net position increased by $932,292 due to the overall net increase in the combination of deferred outflows of resources, deferred inflows of resources and net pension and OPEB liabilities.

- Net position increased by $27,432,739 for bond proceeds received from the 2023 Bond Construction Fund, and the related bond premium and amortization and bond principal payments.

Financial Analysis of the District's Funds

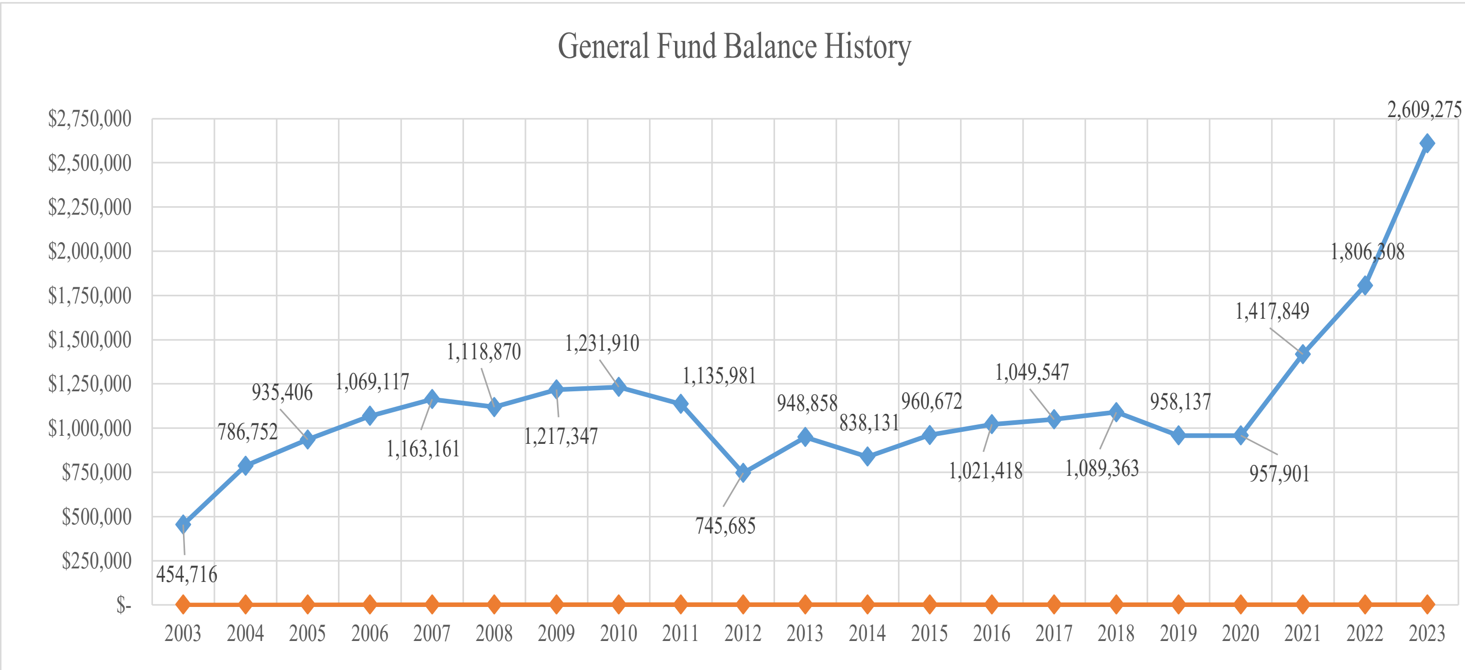
As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of $38,816,001, increase of $16,314,680 in comparison with the prior year. Approximately six percent of this total amount ($2,507,233) constitutes *unassigned fund balance,* which is available for spending at the District's discretion. The remainder of fund balance is *non-spendable, restricted, committed,* or *assigned* to indicate that it is not available for new spending because the underlying assets are not available for current expenditures. This is because they are included as capital projects, school-based services and debt service fund accounts.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was ($2,507,233). As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents approximately 16 percent of total general fund expenditures.

The fund balance of the District's General Fund increased by $802,967 during the current fiscal year.



The Food Service Fund has a total fund balance of $260,877, which decreased by $35,761.

The Preschool and Kid's Club Fund has a total fund balance of $121,151, which increased by $87,896.

The Student Activities Fund has a total fund balance of $445,260, which increased by $49,288.

The 2017 School Improvement Bond Fund has a total fund balance of $49,120, which decreased by $88,237.

The 2020 School Improvement Bond Fund has a total fund balance of $458,170, which increased by $230,207.

The 2023 School Improvement Bond Fund has a total fund balance of ($500) and is a new fund in the year.

The 2020 Bond Construction Fund has a total fund balance of $7,439,909, which decreased by $12,163,919. This fund was created to account for the voter-approved improvements to technology, the learning environment, and athletic facilities.

The 2023 Bond Construction Fund has a total fund balance of $27,432,739, which is a new fund in the year.

General Fund Budgetary Highlights

Significant differences between the original and final amended budgets were partially due to the School District receiving one-time funding sources as part of COVID-19 relief. The foundation allowance increased by $450 per pupil in the year, though the district was initially planning for a decrease.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2023, amounted to $26,016,491 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, equipment and construction in progress. The total increase in the District's investment in capital assets for the current fiscal year was 92 percent.

The major capital asset events during the current fiscal year were the following:

- $13,165,689 for building improvement upgrades. Funding was supported with bond proceeds from the 2020 Bond Construction Fund and 2023 Bond Construction Funds.

District's Capital Assets
(net of depreciation)
June 30, 2023

	Governmental Activities
Land	$ 94,249
Construction in progress	15,943,312
Buildings and building improvements	8,738,637
Machinery and equipment	233,396
Furniture and fixtures	374,359
Vehicles	632,538
Total capital assets, net	$ 26,016,491

Additional information on the District's capital assets can be found in Note E on page 31 of this report.

Long-term debt. At the end of the current fiscal year, the District had 2017 School Improvement debt outstanding of $100,000, and 2021 School Building and Site debt of $17,360,000 and 2023 School Building and Site Bonds of $26,435,000. These bond issues are general obligation-unlimited tax liabilities of the District. These bonds are payable as to principal and interest from the proceeds of an annual ad valorem tax, levied without limitation as to rate or amount, on all taxable property within the District.

The District's total general obligation bonds payable increased by $25,235,000 during the current fiscal year.

Additional information on the District's long-term debt can be found in Note F on page 31 - 32 of this report.

Factors Bearing on the District's Future

The following factors were considered in preparing the District's budget for the 2023-24 fiscal year:

- Uncertainties related to enrollment counts continue to present budgeting challenges for all Michigan school districts. The district monitors pupil counts periodically throughout the year and uses this information to project future enrollment for budgeting purposes.

- The current retirement rate is estimated to be 48.23%. Although the School District continues to see some cost containment in this area due to enacted reforms, we are concerned about State Aid funding stability since the legislature is using the State Aid Fund to essentially buy down the retirement rate.

- Elk Rapids Schools and districts in the region are beginning to experience a shortage of qualified educators. We expect this issue to expand in the near future.

- Elk Rapids Schools is in the process of going "out-of-formula" as a school district. This does not impact the current district financial statements. Out-of-formula relates to the Michigan Department of Education formula for distributing state aid to schools based on the number of students in the district on count day. In the 2023-24 school year, the district will receive partial reimbursement from the State of Michigan with the majority of funding coming from the local tax base paid by property owners.

- In the 2024-25 school year based on the current projections, Elk Rapids Schools will be totally out-of-formula. During the 2023-24 school year, the Elk Rapids School Board and the Superintendent will be working for ways to maintain and sustain the district programs and services to remain the educational choice for the Elk Rapids School and local community. The district administration team will be working with the Michigan Department of Education, Elk Rapids School Board, staff and community to continue our history of educational choice for this region. T he Elk Rapids School board is committed to keeping the community informed of the financial implications of this situation during the 2023-24 school year.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, 308 Megunzee Point Road, Elk Rapids, Michigan 49629.

Elk Rapids Schools

STATEMENT OF NET POSITION

June 30, 2023

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
ASSETS	
Current assets	
Cash and cash equivalents	$ 39,693,280
Due from other governments	1,529,058
Accounts receivable	14,053
Inventory	33,956
Prepaids	23,161
Total current assets	41,293,508
Non-current assets	
Capital assets, net of accumulated depreciation	26,016,491
Total assets	67,309,999
DEFERRED OUTFLOWS OF RESOURCES	
Pension liability	5,650,278
OPEB liability	1,771,759
Total deferred outflows of resources	7,422,037
Total assets and deferred outflows of resources	$ 74,732,036
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
LIABILITIES	
Current liabilities	
Accounts payable	$ 238,528
Salaries payable and related liabilities	1,562,458
Accrued expenses	670,853
Unearned revenue	305,237
Internal balances	4,714
Current portion of long-term liabilities	246,728
Total current liabilities	3,028,518
Non-current portion of long-term liabilities	48,107,728
Net pension liability	25,230,313
Net OPEB liability	1,398,304
Total liabilities	77,764,863
DEFERRED INFLOWS OF RESOURCES	
Pension liability	1,133,237
OPEB liability	3,243,238
Total deferred inflows of resources	4,376,475
NET POSITION	
Net investment in capital assets	12,957,414
Restricted for	
Debt retirement	202,507
Food service	260,877
Unrestricted (deficit)	(20,830,100)
Total net position (deficit)	(7,409,302)
Total liabilities, deferred inflows of resources and net position	$ 74,732,036

Elk Rapids Schools

STATEMENT OF ACTIVITIES

Year Ended June 30, 2023

Functions/Program	Expenses	Program Revenues: Charges For Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Total Governmental Activities
Governmental activities				
Instruction	$ 8,670,639	$ 2,850	$ 1,287,423	$ (7,380,366)
Supporting services	5,414,204	1,454	3,337,861	(2,074,889)
Community services	19,250	253,094	392,229	626,073
Food service	620,482	-	-	(620,482)
Preschool and Kid's Club	428,131	332,483	175,957	80,309
Student activities	445,803	-	-	(445,803)
Other	151,422	-	-	(151,422)
Interest on long-term debt	941,177	-	-	(941,177)
Depreciation - unallocated	1,034,359	-	-	(1,034,359)
Total governmental activities	$ 17,725,467	$ 589,881	$ 5,193,470	(11,942,116)
General purpose revenues				
Property taxes				
Levied for general purposes				9,982,815
Levied for debt service				2,048,120
State school aid - unrestricted				1,153,506
Investment and other				2,129,553
Total general purpose revenues				15,313,994
Change in net position				3,371,878
Net position (deficit), beginning of year				(10,781,180)
Net position (deficit), end of year				$ (7,409,302)

Elk Rapids Schools

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2023

	General Fund	2020 Bond Construction Fund	2023 Bond Construction Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ -	$ 10,483,777	$ 27,686,654	$ 1,522,849	$ 39,693,280
Due from other governments	1,479,928	-	-	49,130	1,529,058
Accounts receivable	14,053	-	-	-	14,053
Due from other funds	4,471,070	438,560	37,992	903,152	5,850,774
Inventory	-	-	-	33,956	33,956
Prepaid expenditures	23,161	-	-	-	23,161
Total assets	$ 5,988,212	$ 10,922,337	$ 27,724,646	$ 2,509,087	$ 47,144,282
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 196,695	$ -	$ 20,700	$ 21,133	$ 238,528
Salaries payable and related liabilities	1,539,989	-	-	22,469	1,562,458
Accrued expenses	-	366,570	-	-	366,570
Unearned revenue	258,944	-	-	46,293	305,237
Due to other funds	1,383,309	3,115,858	271,207	1,085,114	5,855,488
Total liabilities	3,378,937	3,482,428	291,907	1,175,009	8,328,281
FUND BALANCES					
Non-spendable for inventory and prepaids	23,161	-	-	33,956	57,117
Restricted for debt service	-	-	-	506,790	506,790
Restricted for capital projects	-	7,439,909	27,432,739	-	34,872,648
Restricted for food service	-	-	-	226,921	226,921
Committed for subsequent year's expenditures	78,881	-	-	-	78,881
Committed for student activities	-	-	-	445,260	445,260
Assigned - reported in special revenue funds	-	-	-	121,151	121,151
Unassigned	2,507,233	-	-	-	2,507,233
Total fund balances	2,609,275	7,439,909	27,432,739	1,334,078	38,816,001
Total liabilities and fund balances	$ 5,988,212	$ 10,922,337	$ 27,724,646	$ 2,509,087	

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

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is $46,803,707 and the accumulated depreciation is $(20,787,216).		26,016,491
Deferred outflows of resources for pension and OPEB liabilities are not a financial resource and, therefore, are not reported as an asset in governmental funds.		
Pension liability	$ 5,650,278	
OPEB liability	1,771,759	7,422,037
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds payable	(43,895,000)	
Unamortized bond premium	(4,036,725)	
Accumulated leave liability	(422,731)	
Accrued interest on bonds	(304,283)	
Net pension liability	(25,230,313)	
Net OPEB liability	(1,398,304)	(75,287,356)
Deferred inflows of resources for pension and OPEB liabilities are not claims against current financial resources and, therefore, are not reported as a liability in the governmental funds.		
Pension liability	(1,133,237)	
OPEB liability	(3,243,238)	(4,376,475)
Total net position (deficit) - governmental activities		$ (7,409,302)

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

Elk Rapids Schools

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

Year Ended June 30, 2023

	General Fund	2020 Bond Construction Fund	2023 Bond Construction Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	$ 9,982,815	$ -	$ -	$ 2,048,120	$ 12,030,935
Interest	179,720	583,349	322,333	48,835	1,134,237
State sources	4,490,920	-	-	54,212	4,545,132
Federal sources	1,144,961	-	-	513,974	1,658,935
Other	527,758	-	-	1,080,685	1,608,443
Total revenues	16,326,174	583,349	322,333	3,745,826	20,977,682
Expenditures					
Instruction	9,328,016	-	-	-	9,328,016
Supporting services	5,190,333	-	-	-	5,190,333
Community services	19,250	-	-	428,131	447,381
Food service	-	-	-	620,482	620,482
Student activities	-	-	-	445,803	445,803
Debt service					
Principal	3,621	-	-	1,200,000	1,203,621
Interest	63	-	-	743,100	743,163
Other fees	-	-	-	1,500	1,500
Capital outlay	976,163	12,746,796	239,345	63,917	14,026,221
Other	5,761	472	99,202	-	105,435
Total expenditures	15,523,207	12,747,268	338,547	3,502,933	32,111,955
REVENUES OVER (UNDER) EXPENDITURES	802,967	(12,163,919)	(16,214)	242,893	(11,134,273)
Other financing sources (uses)					
Proceeds from bond issuance	-	-	27,593,892	-	27,593,892
Bond issuance costs	-	-	(144,939)	-	(144,939)
Total other financing sources (uses)	-	-	27,448,953	-	27,448,953
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	802,967	(12,163,919)	27,432,739	242,893	16,314,680
Fund balances, beginning of year	1,806,308	19,603,828	-	1,091,185	22,501,321
Fund balances, end of year	$ 2,609,275	$ 7,439,909	$ 27,432,739	$ 1,334,078	$ 38,816,001

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

Elk Rapids Schools

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

Year Ended June 30, 2023

Total Net Change in Fund Balances - Governmental Funds			$ 16,314,680
Amounts reported for governmental activities in the statement of activities are different because:			
Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, costs that meet the capitalization policy are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capitalized outlays exceed depreciation expense in the period.			
	Capitalized outlays	$ 13,545,271	
	Depreciation expense	(1,034,359)	
	Asset disposals	(43,067)	12,467,845
Change in deferred outflows of resources for:			
	Pension liability	3,423,593	
	OPEB liability	503,502	3,927,095
Repayment of bond and lease principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.			1,204,539
Bond proceeds from long-term debt were received during the year. The amount of proceeds is reported in the governmental funds as a source of financing, however, the proceeds are not revenues in the statement of activities, but are long-term liabilities in the statement of net position. Proceeds consisted of $26,435,000 in general obligation bonds and $1,058,439 of bond premiums.			(27,493,439)
Amortization of bond premium.			119,663
In the statement of activities, certain operating expenses (unused accumulated leave) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, accumulated leave earned was less than the amounts used by $24,312.			24,312
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The higher interest reported in the statement of activities is the net result of the increase in accrued interest on bonds and notes payable.			(198,014)
Change in net pension liability.			(8,894,830)
Change in net OPEB liability.			(374,935)
Change in deferred inflows of resources for:			
	Pension liability	5,212,099	
	OPEB liability	1,062,863	6,274,962
Changes in Net Position of Governmental Activities			$ 3,371,878

Elk Rapids Schools

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2023

	Private Purpose Trust Funds
ASSETS	
Due from other funds	$ 4,714
NET POSITION	
Restricted for alumni activities	$ 4,714

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

Elk Rapids Schools

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2023

	Private Purpose Trust Funds
Additions	
Interest income	$ -
Deductions	
Alumni fund	-
Change in net position	-
Net position, beginning of year	4,714
Net position, end of year	$ 4,714

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

Elk Rapids Schools (the "School District") is a Michigan public school district consisting of two elementary buildings, one middle school, one high school building and one alternative high school building. The School District primarily serves the Elk Rapids community. As of June 30, 2023, the School District employed 73 professional staff and 73 non-professional staff and had 1,219 students enrolled within its School District.

The accounting policies of the School District conform to generally accepted accounting principles as applicable to governments. The School District is considered to be a local government unit.

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

Financial Reporting Entity

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

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the School District as a whole, except for its fiduciary activities. Individual funds are not displayed.

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

Fund Financial Statements

The balance sheet and statement of revenues, expenditures and changes in fund balances (i.e., fund financial statements) for the School District's governmental funds are presented after the government-wide statements. These statements display information about major funds individually and non-major funds in the aggregate for governmental funds. Major funds are generally those that represent 10% or more of governmental fund assets, liabilities, revenues or expenditures.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

Major revenue sources susceptible to accrual include property taxes, intergovernmental revenues and investment income. In general, other revenues are recognized when cash is received.

Fund Types and Major Funds

Activities in Major Funds

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

The 2020 Bond Construction Fund is used to account for activity related to construction, equipping and furnishing additions to and remodeling, re-equipping and refurnishing School District buildings, including educational technology improvements. For this capital project, the School District has complied with the applicable provisions of Section 1351a of the Revised School Code.

The 2023 Bond Construction Fund is used to account for activity related to construction, equipping and furnishing additions to and remodeling, re-equipping and refurnishing School District buildings, playgrounds and athletic facilities. For this capital project, the School District has complied with the applicable provisions of section 1351a of the Revised School Code.

Other Governmental Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted, committed, or assigned to expenditures for specified purposes. The Special Revenue Funds maintained by the School District are the Food Service Fund, the Preschool and Kid's Club Fund and the Student Activities Fund.

The School District has three non-major Debt Service Funds, which are used to account for the accumulation of resources for, and the payment of, bond principal, interest and related costs. The debt service funds are 2017 School Improvement Bond Fund, 2020 School Improvement Bond Fund, and 2023 School Improvement Bond Fund.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. Fiduciary Fund net position and results of operations are not included in the government-wide statements. Custodial Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Private Purpose Trust Funds account for contributions earmarked for alumni activities.

Cash and Cash Equivalents

The School District's reporting entity considers highly liquid investments (including restricted assets) with an original maturity of three months or less, when purchased, to be cash equivalents.

Investments

Investments are stated at market value.

Inventories

Inventories consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost, which is recorded as an expenditure at the time individual inventory items are used.

Capital Assets

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

Estimated useful lives for depreciable assets are as follows:

Buildings	5-50 years
Vehicles	5-12 years
Furniture and equipment	5-25 years

Long-term Debt and Bond Discounts/Premiums

In the government-wide financial statements, outstanding debt is reported as a liability. Bond discounts and premiums are deferred and amortized over the life of the bonds. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the period in which the bonds were issued. 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 are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors or contributors, or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the School District Board through approval of resolutions. Assigned fund balances is a limitation imposed by a designee of the School District Board. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed or assigned to those purposes.

Spending Policy

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

Program Revenues

Program revenues derive directly from the program itself or from outside parties for the restricted use in a particular program. On the statement of activities, program revenues reduce the net cost of the various functions to reflect the amount which is financed from the School District's general revenues.

The School District's most significant program revenues are Title I, At-Risk, ESSER funding and School Lunch Program, which are reported as operating grants and contributions.

Encumbrance Accounting

The School District formally records encumbrances in the accounting records during the year as a normal practice. In accordance with generally accepted accounting principles, outstanding encumbrances at year-end for which goods or services are received are reclassified as expenditures and accounts payable. All other encumbrances in the annual budgeted funds are reversed at year-end and are either canceled or are included as reappropriations of fund balance for the subsequent year.

Allocation of Expenses

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

The School District has elected to not allocate indirect expenses.

Pension Plan

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

Post-Employment Benefits Other than Pensions ("OPEB")

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

Use of Estimates in the Preparation of Financial Statements

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

NOTE B - BUDGETARY POLICY AND PRACTICE

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

1. As early as possible in the preceding fiscal year (generally in the spring), the Superintendent formulates preliminary budgets for the coming year, which he submits to the Board of Education for their review.

2. A public hearing is held prior to June 30 on the proposed budgets to obtain taxpayer comments.

3. The Board of Education reviews the proposed budget and then in June adopts a formal resolution approving the needed appropriations for the coming operating year.

4. All transfers of budget amounts and any amendments to the formal Appropriation Act are approved by the Board of Education.

5. It is the Superintendent's responsibility to supervise and monitor the budget process. He does this by reviewing the monthly financial data and reporting and recommending any needed amendments to the Board of Education.

6. The budget is adopted on a basis consistent with generally accepted accounting principles.

7. The budgets presented in these financial statements are as originally adopted and as formally amended by the Board of Education.

8. All annual appropriations lapse at fiscal year-end.

Excess of Expenditures over Appropriations in Budgeted Funds

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

	Budget	Actual	Variance	%
General Fund				
Instruction				
Basic programs	$ 7,362,277	$ 7,580,699	$ (218,422)	(3.0)%
Added needs	1,727,908	1,747,318	(19,410)	(1.1)
Supporting services				
Pupil	414,017	601,455	(187,438)	(45.3)
School administration	1,194,701	1,255,166	(60,465)	(5.1)
Business services	292,489	300,807	(8,318)	(2.8)
Transportation	1,194,031	1,266,668	(72,637)	(6.1)
Athletics	270,828	274,146	(3,318)	(1.2)
Other	250,000	288,225	(38,225)	(15.3)

NOTE C - CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

	Cash and Cash Equivalents
Bank deposits	$ 1,231,763
Investments	38,461,517
	$39,693,280

Bank Deposits

	Carrying Value	Uncollateralized Bank Balances Insured	Uninsured	Total
Bank deposits	$ 1,231,763	$ 250,000	$ 981,763	$ 1,231,763

Custodial Credit Risk - Deposits

In the event of a bank failure, the School District's uninsured bank deposits may not be returned to it. As of June 30, 2023, $250,000 of the School District's deposits were FDIC insured.

Investments

The School District's investment policy permits investments in the following vehicles:

1. Bonds, bills or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States or the State of Michigan.

2. Certificates of deposit issued by financial institutions organized and authorized to operate in Michigan.

3. Commercial paper rated prime 1 or prime 2 at the time of purchase and maturing not more than 270 days after the date of purchase.

4. Securities issued or guaranteed by agencies or instrumentalities of the United States government or Federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the Federal deposit insurance corporation.

5. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.

6. Michigan Investment Liquid Asset Fund Plus ("MILAF").

Investments at June 30, 2023 consisted of the following:

		Investment Maturities (in years)			
Investment Type	Fair Value	Current	1-5	6-10	More than 10
MILAF+ MAX	$38,461,517	$38,461,517	$ -	$ -	$ -

Interest Rate Risk

In accordance with the School District's investment policy, the School District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by: structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in short-term securities or MILAF and limiting the average maturity in accordance with the School District's cash requirements. MILAF investments are carried at amortized cost and are not subject to any withdrawal restrictions.

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized rating organizations. The School District's investment policy further limits its investment choices as described above. The School District's investment in the MILAF investment pool was rated AAAm by Standard & Poor's.

NOTE D - RECEIVABLES, UNCOLLECTIBLE ACCOUNTS AND UNEARNED REVENUE

Property Taxes Receivable, Unearned Revenue and Property Tax Calendar

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

During the fiscal year, $18 per $1,000 of equalized non-principal residence property value of $554.0 million, and $6 per $1,000 of equalized commercial personal property value of $3.0 million was levied for general operating purposes. For debt service purposes, $1.68 per $1,000 of equalized principal, non-principal residence property and commercial property value of $1.2 billion was levied for bonded debt repayments by the Debt Service Funds.

Intergovernmental Receivables and Unearned Revenue

Intergovernmental receivables are primarily comprised of amounts due from the State and Federal governments. Revenue is recorded as earned when eligibility requirements are met. Grant revenues are deferred in the governmental fund financial statements and are included in unearned revenue.

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

Due from the Federal Government	
Federal revenue	$ 711,336
Due from the State of Michigan	
State Aid	817,722
	$ 1,529,058

Unearned revenue for the year ended June 30, 2023 is comprised of the following:

Student safety	$ 113,060
Wraparound services	135,647
Supply chain assistance	25,896
Food service deposits	20,397
Other	10,237
	$ 305,237

NOTE E - INVESTMENTS IN CAPITAL ASSETS

Investments in capital assets consisted of the following:

	Beginning Balance	Additions	Retirements	Ending Balance
Buildings	$ 6,040,755	$ -	$ -	$ 6,040,755
Building improvements	18,247,936	-	-	18,247,936
Machinery and equipment	3,491,263	-	-	3,491,263
Software	17,882	-	-	17,882
Furniture and fixtures	1,513,350	-	-	1,513,350
Vehicles	1,169,391	379,582	(94,013)	1,454,960
Total depreciable assets	30,480,577	379,582	(94,013)	30,766,146
Less accumulated depreciation	(19,803,803)	(1,034,359)	50,946	(20,787,216)
Land	94,249	-	-	94,249
Construction-in-process	2,777,623	13,165,689	-	15,943,312
Total capital assets, net	$ 13,548,646	$12,510,912	$ (43,067)	$ 26,016,491

Depreciation expense was charged to the function in the statement of activities, as follows:

Unallocated	$ 1,034,359

NOTE F - LONG-TERM LIABILITIES

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

	Beginning Balance	New Debt	Payments	Ending Balance	Current Portion
General obligation bonds	$18,660,000	$26,435,000	$ (1,200,000)	$43,895,000	$ 100,000
Lease agreement liability	4,539	-	(4,539)	-	-
Unamortized bond premium	3,097,949	1,058,439	(119,663)	4,036,725	146,728
Accumulated leave liability	447,043	-	(24,312)	422,731	-
Total long-term debt	$22,209,531	$27,493,439	$ (1,348,514)	$48,354,456	$ 246,728

Payments on the general obligation bonds are made by the Debt Service Funds. Payments on the plow truck lease are made by the General Fund. The plow truck's gross cost and accumulated depreciation recorded under the lease is $30,466 and $24,373 at June 30, 2023, respectively. The accumulated leave liability will be liquidated primarily by the General Fund.

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

2017 School Improvement Bonds; due in annual installments of $100,000 through May 2024; interest rate of 2.1%-2.45%.	$ 100,000
2021 School Building and Site Bonds; due in annual installments of $220,000 to $1,100,000 through May 2050; interest rate of 4.00%.	17,360,000
2023 School Building and Site Bonds; due in monthly installments of $180,000 to $2,065,000 through October 2052; including interest at a rate between 4.00% and 5.00%	26,435,000
Unamortized bond premium	4,036,725
Accumulated leave liability	422,731
Total long-term debt	$48,354,456

Total annual requirements to amortize the general obligation bonds and as of June 30, 2023, are as follows:

Years Ending June 30,	Principal	Interest
2024	$ 100,000	$ 2,042,211
2025	400,000	1,952,400
2026	485,000	1,936,400
2027	545,000	1,917,000
2028	555,000	1,895,200
2029-2033	3,910,000	9,073,700
2034-2038	6,300,000	7,997,600
2039-2043	9,430,000	6,315,000
2044-2048	12,665,000	3,840,900
2049-2052	9,505,000	993,752
	$43,895,000	$37,964,163

Interest expense for the year ended June 30, 2023 was $941,177, and interest paid for the year ended June 30, 2023 was $743,163.

Accumulated Leave Liability

Employees of the School District accumulate earned but unused compensated sick leave days, as specified by the bargaining units' contract. 50% of sick leave is accrued when incurred for non-teachers and 40% for teachers. Upon either resignation or retirement, the employees are compensated at daily rates specified in the bargaining units' contracts.

NOTE G - RISK MANAGEMENT

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

The School District pays unemployment claims on a reimbursement basis through the Bureau of Workers and Unemployment Compensation ("BWUC"). As BWUC pays eligible recipient benefits, this amount is billed to the School District. At June 30, 2023 there were no significant claims known to exist.

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

The School District makes annual contributions to SET-SEG based on actuarial studies using historical data and insurance industry statistics. These contributions are paid from the General Fund. Such contributions as received by SET-SEG are allocated between its General and Member Retention Funds. Economic resources in SET-SEG's General Fund are expended for reinsurance coverage, claim payments and certain general and administrative costs, whereas resources in the Member Retention Fund are used for loss payments and defense costs up to the member's self-insurance retention limits along with certain other member-specific costs. Any refunds from SET-SEG are deposited in the School District's General Fund.

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

Receivables and Payables

Outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for services or goods, subsidy commitments outstanding at year-end and other miscellaneous receivables/payables between funds.

Fund	Interfund Receivable	Interfund Payable
Major Governmental Funds		
General Fund	$ 4,471,070	$ 1,383,309
2020 Bond Construction Fund	438,560	3,115,858
2023 Bond Construction Fund	37,992	271,207
Other Non-Major Governmental Funds		
Food Service Fund	708,886	660,080
Preschool and Kid's Club Fund	36,234	210,186
Student Activities Fund	13,621	213,348
2017 School Improvement Bond Fund	1,481	1,500
2020 Debt Service Fund	142,930	-
Private Purpose Trust Fund	4,714	-
	$ 5,855,488	$ 5,855,488

Transfers and Payments

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs. There were no transfers during the year ended June 30, 2023.

NOTE I - PENSION PLAN

Plan Description

The Michigan Public School Employees' Retirement System ("MPSERS") is a cost-sharing, multiple employer, State-wide, defined benefit public employee retirement plan and a fiduciary component unit of 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).

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

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

Benefits Provided

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

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

Contributions

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

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

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

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

Required contributions to the pension plan from the School District were $2,283,342 for the year ended September 30, 2022. Total contributions include state pension funding the School District remitted to ORS as non-statutorily required contributions.

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

At June 30, 2023, the School District reported a liability of $25,230,313 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2021. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the systems employers during the measurement period by the percent of pension contributions required from all applicable employees during the measurement period. At September 30, 2022, the School District's proportion was 0.06708634%, which was a decrease of 0.00191133% from its proportion measured as of September 30, 2021.

For the year ended June 30, 2023, the School District recognized pension expense of $2,599,140. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 252,391	$ 56,412
Changes of assumptions	4,335,472	-
Net difference between projected and actual earnings on pension plan investments	59,165	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	3,758	1,076,825
School District contributions subsequent to the measurement date	999,492	-
Total	$ 5,650,278	$ 1,133,237

Contributions subsequent to the measurement date of $999,492 are reported as deferred outflows of resources related to pensions and will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30,	Amount
2023	$ 908,009
2024	601,867
2025	608,915
2026	1,398,758
Total	$ 3,517,549

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

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

Notes:

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

Long-Term Expected Rate of Return on Plan Assets

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

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

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

Rate of Return

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

Discount Rate

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

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

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

1% Decrease (5.00%)	Current Single Discount Rate Assumption (6.00%)	1% Increase (7.00%)
$ 33,294,640	$ 25,230,313	$ 18,584,945

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

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

Payables to the Michigan Public School Employees' Retirement System ("MPSERS")

The School District reported $63,458 and $7,881 payable to the plan at June 30, 2023 for legally required defined benefit and defined contribution plan contributions, respectively.

NOTE J - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (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 and a fiduciary component unit of the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

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

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

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

Benefits Provided

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

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

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

Contributions

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

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

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

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.00%	8.09%
Personal Healthcare Fund (PHF)	0.00%	7.23%

Required contributions to the OPEB plan from the School District were $502,882 for the year ended September 30, 2022.

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

At June 30, 2023, the School District reported a liability of $1,398,304 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 30, 2021. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the systems during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2022, the School District's proportion was 0.06601807%, which was a decrease of 0.00102749% from its proportion measured as of September 30, 2021.

For the year ended June 30, 2023, the School District recognized OPEB income of $668,135. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 2,738,742
Changes of assumptions	1,246,353	101,485
Net difference between projected and actual earnings on OPEB plan investments	109,288	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	37,672	403,011
School District contributions subsequent to the measurement date	378,446	-
Total	$ 1,771,759	$ 3,243,238

Contributions subsequent to the measurement date of $378,446 are reported as deferred outflows of resources related to OPEB and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30,	Amount
2023	$ (633,710)
2024	(553,705)
2025	(518,585)
2026	(99,441)
2027	(42,552)
Thereafter	(1,932)
Total	$ (1,849,925)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

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

Other Assumptions

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

Notes:

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

Long-Term Expected Rate of Return on Plan Assets

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

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

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

Rate of Return

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

Discount Rate

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

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

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

1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
$ 2,345,521	$ 1,398,304	$ 600,630

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

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
$ 585,543	$ 1,398,304	$ 2,310,645

OPEB Plan Fiduciary Net Position

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

Payables to the OPEB Plan

The School District reported $136,124 payable to the Plan at June 30, 2023 for the OPEB liability.

NOTE K - COMMITMENTS, RISKS AND CONTINGENCIES

School Improvement Commitment

The School District began work on a 2020 school improvement capital project during the year ended June 30, 2021. The School District has committed to a total project cost of approximately $22,380,000. Of this amount, the School District issued bonds in the amount of $19,260,000, plus a bond premium of approximately $3,310,000. As of June 30, 2023, $15,759,314 has been expended to date, leaving a remaining capital acquisition commitment of approximately $6,620,686. The 2020 Bond Construction Fund balance was $7,439,909 at June 30, 2023.

The School District began work on a 2023 school improvement capital project during the year ended June 30, 2023. The School District has committed to a total project cost of approximately $27,593,892. Of this amount, the School District issued bonds in the amount of $26,435,000, plus a bond premium of approximately $1,160,000. As of June 30, 2023, $338,547 has been expended to date, leaving a remaining capital acquisition commitment of approximately $27,244,895. The 2023 Bond Construction Fund balance was $27,432,739 at June 30, 2023.

Federal and State Grants

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

Collectively Bargained Employment Agreements

The teachers of the School District are organized under the Elk Rapids Education Association. The Board of Education and the Elk Rapids Education Association have a contract for the period August 23, 2023 through August 22, 2026.

The support personnel at the School District are organized under the Elk Rapids Educational Support Personnel Association. The Board of Education and the Elk Rapids Educational Support Personnel Association have a contract for the period September 1, 2023 through August 31, 2025.

The transportation personnel at the School District are organized under the Elk Rapids School District Transportation Association. The Board of Education and the Elk Rapids School District Transportation Association have a contract for August 30, 2023 through August 31, 2025.

REQUIRED SUPPLEMENTARY INFORMATION

Elk Rapids Schools

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND

Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variances - Favorable (Unfavorable)	
	Original	Final	(GAAP Basis)	Original to Final Budget	Final Budget To Actual
Revenues					
Local and intermediate sources	$ 9,474,338	$ 10,316,766	$ 10,189,681	$ 842,428	$ (127,085)
State revenues	3,448,111	3,198,835	4,490,920	(249,276)	1,292,085
Federal revenues	917,199	896,010	1,144,961	(21,189)	248,951
Other	355,000	318,019	500,612	(36,981)	182,593
Total revenues	14,194,648	14,729,630	16,326,174	534,982	1,596,544
Expenditures					
Current					
Instruction					
Basic programs	7,164,874	7,362,277	7,580,699	(197,403)	(218,422)
Added needs	1,590,103	1,727,908	1,747,318	(137,805)	(19,410)
Supporting services					
Pupil	488,744	414,017	601,455	74,727	(187,438)
Instructional	148,691	128,411	114,996	20,280	13,415
General administration	362,248	452,073	386,806	(89,825)	65,267
School administration	1,183,202	1,194,701	1,255,166	(11,499)	(60,465)
Business services	223,983	292,489	300,807	(68,506)	(8,318)
Maintenance and operations	1,127,793	1,285,621	1,215,593	(157,828)	70,028
Transportation	867,283	1,194,031	1,266,668	(326,748)	(72,637)
Central support	390,866	500,601	472,078	(109,735)	28,523
Athletics	296,260	270,828	274,146	25,432	(3,318)
Community services	18,915	24,915	19,250	(6,000)	5,665
Other	257,500	250,000	288,225	7,500	(38,225)
Total expenditures	14,120,462	15,097,872	15,523,207	(977,410)	(425,335)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	74,186	(368,242)	802,967	(442,428)	1,171,209
Fund balance, beginning of year	1,806,308	1,806,308	1,806,308	-	-
Fund balance, end of year	$ 1,880,494	$ 1,438,066	$ 2,609,275	$ (442,428)	$ 1,171,209

Elk Rapids Schools

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

Michigan Public School Employees Retirement Plan

	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
School District's proportion of collective net pension liability	0.06708634 %	0.06899767 %	0.07236615 %	0.07298479 %	0.07337153 %	0.07490101 %	0.07556707 %	0.07459000 %	0.07586000 %
School District's proportionate share of net pension liability	$ 25,230,313	$ 16,335,483	$ 24,858,560	$ 24,170,109	$ 22,056,806	$ 19,410,062	$ 18,853,366	$ 18,219,260	$ 16,709,766
School District's covered payroll	$ 6,399,733	$ 6,054,427	$ 6,319,802	$ 6,434,855	$ 6,172,141	$ 6,229,831	$ 6,407,985	$ 6,397,542	$ 6,464,270
School District's proportionate share of net pension liability as a percentage of covered payroll	394.24 %	269.81 %	393.34 %	375.61 %	357.36 %	311.57 %	294.22 %	284.79 %	258.49 %
Plan fiduciary net position as a percentage of total pension liability	60.77 %	72.60 %	59.72 %	60.31 %	62.36 %	64.21 %	63.27 %	63.17 %	66.20 %

SCHEDULE OF SCHOOL DISTRICT'S PENSION CONTRIBUTIONS

Michigan Public School Employees Retirement Plan

	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Statutorily required contributions	$ 1,306,046	$ 1,218,141	$ 1,153,462	$ 1,213,860	$ 1,149,076	$ 1,100,573	$ 1,169,000	$ 1,211,419	$ 1,377,283
School District contributions made to the Plan	1,306,046	1,218,141	1,153,462	1,213,860	1,149,076	1,100,573	1,169,000	1,211,419	1,377,283
Contributions deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School District's covered payroll	$ 6,661,677	$ 6,241,844	$ 5,993,431	$ 6,457,466	$ 6,377,083	$ 6,200,615	$ 6,223,732	$ 6,185,204	$ 6,286,625
Contributions as a percentage of covered-employee payroll	19.61 %	19.52 %	19.25 %	18.80 %	18.02 %	17.75 %	18.78 %	19.59 %	21.91 %

Elk Rapids Schools

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

Michigan Public School Employees Retirement Plan

	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017
School District's proportion of net OPEB liability	0.06601807 %	0.06704556 %	0.07142565 %	0.07369822 %	0.07259794 %	0.07504520 %
School District's proportionate share of net OPEB liability	$ 1,398,304	$ 1,023,369	$ 3,826,463	$ 5,289,873	$ 5,770,775	$ 6,645,606
School District's covered payroll (OPEB)	$ 6,399,733	$ 6,054,427	$ 6,319,802	$ 6,434,855	$ 6,172,141	$ 6,229,831
School District's proportionate share of net OPEB liability as a percentage of covered payroll	21.85 %	16.90 %	60.55 %	82.21 %	93.50 %	106.67 %
Plan fiduciary net position as a percentage of total OPEB liability	83.09 %	87.33 %	59.44 %	48.46 %	42.95 %	36.39 %

SCHEDULE OF SCHOOL DISTRICT'S OPEB CONTRIBUTIONS

Michigan Public School Employees Retirement Plan

	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Statutorily required OPEB contributions	$ 494,939	$ 469,513	$ 465,910	$ 495,297	$ 474,915	$ 448,756
OPEB contributions in relation to statutorily required contributions	494,939	469,513	465,910	495,297	474,915	448,756
Contributions deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
School District's covered payroll (OPEB)	$ 6,661,677	$ 6,241,844	$ 5,993,431	$ 6,457,466	$ 6,377,083	$ 6,200,615
OPEB contributions as a percentage of covered payroll	7.43 %	7.52 %	7.77 %	7.67 %	7.45 %	7.24 %

COMBINING FINANCIAL STATEMENTS OF NON-MAJOR GOVERNMENTAL FUNDS

Elk Rapids Schools

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2023

	Special Revenue			Debt Service			
	Food Service Fund	Preschool and Kid's Club Fund	Student Activities Fund	2017 School Improvement Bond Fund	2020 School Improvement Bond Fund	2023 School Improvement Bond Fund	Total Non-Major Governmental Funds
ASSETS							
Cash and cash equivalents	$ 239,492	$ 272,483	$ 646,495	$ 49,139	$ 315,240	$ -	$ 1,522,849
Due from other governments	3,338	45,792	-	-	-	-	49,130
Due from other funds	708,886	36,234	13,621	1,481	142,930	-	903,152
Inventory	33,956	-	-	-	-	-	33,956
Total assets	$ 985,672	$ 354,509	$ 660,116	$ 50,620	$ 458,170	$ -	$ 2,509,087
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	$ 18,422	$ 703	$ 1,508	$ -	$ -	$ 500	$ 21,133
Salaries payable and related liabilities	-	22,469	-	-	-	-	22,469
Unearned revenue	46,293	-	-	-	-	-	46,293
Due to other funds	660,080	210,186	213,348	1,500	-	-	1,085,114
Total liabilities	724,795	233,358	214,856	1,500	-	500	1,175,009
FUND BALANCES							
Nonspendable for inventory	33,956	-	-	-	-	-	33,956
Restricted for debt service	-	-	-	49,120	458,170	(500)	506,790
Restricted for food service	226,921	-	-	-	-	-	226,921
Committed for student activities	-	-	445,260	-	-	-	445,260
Assigned for fund use	-	121,151	-	-	-	-	121,151
Total fund balances	260,877	121,151	445,260	49,120	458,170	(500)	1,334,078
Total liabilities and fund balances	$ 985,672	$ 354,509	$ 660,116	$ 50,620	$ 458,170	$ -	$ 2,509,087

Elk Rapids Schools

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

Year Ended June 30, 2023

	Special Revenue			Debt Service			Total
	Food Service Fund	Preschool and Kid's Club Fund	Student Activities Fund	2017 School Improvement Bond Fund	2020 School Improvement Bond Fund	2023 School Improvement Bond Fund	Non-Major Governmental Funds
Revenues							
Property taxes	$ -	$ -	$ -	$ 12,759	$ 2,035,361	$ -	$ 2,048,120
Interest	3,315	7,587	-	4,687	33,246	-	48,835
State sources	54,212	-	-	-	-	-	54,212
Federal sources	338,017	175,957	-	-	-	-	513,974
Other	253,094	332,483	495,091	17	-	-	1,080,685
Total revenues	648,638	516,027	495,091	17,463	2,068,607	-	3,745,826
Expenditures							
Support services							
Food service	620,482	-	-	-	-	-	620,482
Preschool and Kid's Club	-	428,131	-	-	-	-	428,131
Student activities	-	-	445,803	-	-	-	445,803
Debt service							
Principal	-	-	-	100,000	1,100,000	-	1,200,000
Interest	-	-	-	4,700	738,400	-	743,100
Other fees	-	-	-	1,000	-	500	1,500
Capital outlay	63,917	-	-	-	-	-	63,917
Total expenditures	684,399	428,131	445,803	105,700	1,838,400	500	3,502,933
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(35,761)	87,896	49,288	(88,237)	230,207	(500)	242,893
Fund balance, beginning of year	296,638	33,255	395,972	137,357	227,963	-	1,091,185
Fund balance, end of year	$ 260,877	$ 121,151	$ 445,260	$ 49,120	$ 458,170	$ (500)	$ 1,334,078

FEDERAL PROGRAMS

Elk Rapids Schools

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2023

Federal Grantor/ Pass-Through Grantor Program Title	Pass-through Agency	Project Number	Assistance Listing Number	Original Approved Award/Grant Amount	Accrued Revenue July 1, 2022	Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Accrued Revenue June 30, 2023
United States Department of Agriculture									
Local Food for Schools	MDE	230985	10.185	$ 5,277	$ -	$ -	$ 3,680	$ 3,680	$ -
Child Nutrition Cluster									
National School Breakfast Program			10.553						
	MDE	221970		3,039	-	-	3,039	3,039	-
	MDE	231970		40,498	-	-	40,498	40,498	-
	MDE	221971		9,714	9,714	9,714	9,714	-	-
Total National School Breakfast Program				53,251	9,714	9,714	53,251	43,537	-
National School Lunch Program			10.555						
	MDE	221961		220,780	22,776	22,776	22,776	-	-
	MDE	221960		17,714	-	-	17,714	17,714	-
	MDE	231960		180,289	-	-	180,289	180,289	-
	MDE	220910		26,295	-	-	26,295	26,295	-
	MDE	230910		15,393	-	-	15,393	15,393	-
	MDE	220910		25,896	(25,896)	-	-	-	(25,896)
Non-cash assistance (commodities)									
Entitlement commodities	MDE	n/a		33,695	-	-	33,695	33,695	-
Entitlement bonus	MDE	n/a		2,757	-	-	2,757	2,757	-
Total National School Lunch Program				522,819	(3,120)	22,776	298,919	276,143	(25,896)
Summer Food Service Program for Children (SFSP)			10.559						
	MDE	220900		7,996	-	-	7,996	7,996	-
	MDE	220904		6,032	-	-	6,032	6,032	-
Total Summer Food Service Program for Children (SFSP)				14,028	-	-	14,028	14,028	-
Total Child Nutrition Cluster				590,098	6,594	32,490	366,198	333,708	(25,896)
State Pandemic Electronic Benefit Transfer (P-EBT)									
Administrative Costs Grant	MDE	220980	10.649	628	-	-	628	628	-
Total United States Department of Agriculture				596,003	6,594	32,490	370,506	338,016	(25,896)
United States Department of Treasury									
Coronavirus State and Local Fiscal Recovery Funds			21.027						
	NES	22S439/2122		18,865	5,659	16,524	5,659	-	-
	NES	22S439/2122		45,163	-	-	18,741	18,741	-
	NES	23S439/2223		58,926	-	-	-	45,792	45,792
Total United States Department of Treasury				122,954	5,659	16,524	24,400	64,533	45,792

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

Elk Rapids Schools

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2023

Federal Grantor/ Pass-Through Grantor Program Title	Pass-through Agency	Project Number	Assistance Listing Number	Original Approved Award/Grant Amount	Accrued Revenue July 1, 2022	Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Accrued Revenue June 30, 2023
United States Department of Education									
Title I Grants To Local Education Agencies			84.010						
	MDE	211530		$ 152,675	$ 7,879	$ 21,804	$ 7,879	$ -	$ -
	MDE	221530		139,365	108,857	108,857	108,857	-	-
	MDE	231530		138,233	-	-	14,826	137,483	122,657
Total Title I Grants to Local Education Agencies				430,273	116,736	130,661	131,562	137,483	122,657
Special Education Cluster									
Special Education - Preschool Grants (IDEA Preschool)			84.173A						
	NES	220460-2122		24,892	24,892	24,892	24,892	-	-
	NES	221285-2122		14,364	14,364	14,364	14,364	869	869
	NES	230460-2223		19,276	-	-	-	19,276	19,276
Total Special Education Cluster and Special Education - Preschool Grants (IDEA Preschool)				58,532	39,256	39,256	39,256	20,145	20,145
Supporting Effective Instruction State Grants			84.367						
	MDE	230520		52,794	-	-	-	23,800	23,800
	MDE	210520		26,900	19,272	29,143	19,272	-	-
Total Supporting Effective Instruction State Grants				79,694	19,272	29,143	19,272	23,800	23,800
Student Support and Academic Enrichment Program			84.424						
	MDE	220750		10,152	-	-	2,950	2,950	-
Education Stabilization Fund									
ESSER II	MDE	213712	84.425D	438,833	430,921	430,921	430,921	7,912	7,912
ESSER III Formula	MDE	213713	84.425U	986,256	-	-	457,000	786,828	329,828
ESSER III Stabilization (11T)	MDE	213723	84.425U	383,852	-	-	-	161,202	161,202
Total Education Stabilization Fund				1,808,941	430,921	430,921	887,921	955,942	498,942
Total United States Department of Education				2,387,592	606,185	629,981	1,080,961	1,140,320	665,544
United States Department of Health and Human Services									
Medicaid Cluster									
Medical Assistance Program	NES	n/a	93.778	4,640	-	-	4,640	4,640	-
Total Federal Financial Assistance				**$ 3,111,189**	**$ 618,438**	**$ 678,995**	**$ 1,480,507**	**$ 1,547,509**	**$ 685,440**

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

Elk Rapids Schools

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2023

Note 1 The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the School District, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 Management has reported that expenditures in this Schedule of Expenditures of Federal Awards are equal to those amounts reported in the annual or final cost reports. Unallowed differences, if any, have been disclosed to the auditor.

Note 3 The financial reports, including claims for advances and reimbursements and amounts claimed or used for matching are timely, complete, accurate and contain information that is supported by the books and records from which the basic financial statements have been prepared. Grant receipts reported on the Schedule of Expenditures of Federal Awards, as passed through the Michigan Department of Education, reconcile to the Grant Auditor's Report (R7120). Unreconciled differences have been disclosed to the auditor.

Note 4 The School District did not use the 10% de-minimus cost rate under the Uniform Administrative Requirements.

Note 5 A reconciliation of expenditures on the Schedule of Expenditures of Federal Awards with Federal sources reported on the financial statements are as follows:

Federal expenditures per schedule of expenditures of federal awards	$ 1,547,509
Child Care Stabilization Funds	111,426
Total federal sources per financial statements	$ 1,658,935

Note 6 Pass-through entities, where applicable, have been identified in the schedule with an abbreviation, defined as follows:

Pass-Through Agency Abbreviation	Pass-Through Agency Name
MDE	Michigan Department of Education
NES	Northwest Education Services

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

Board of Education
Elk Rapids Schools

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of ***Elk Rapids Schools*** (the "School District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated January 19, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2023-001, 2023-002, and 2023-003 that we consider to be material weaknesses.

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Board of Education
Elk Rapids Schools

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2023-004 and 2023-005.

School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School District's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Dennis, Gartland & Niergarth

Certified Public Accountants
Traverse City, Michigan

January 19, 2024

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

Board of Education
Elk Rapids Schools

Report on Compliance for Each Major Federal Program

Qualified Opinion

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

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of the report, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Qualified Opinion

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

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

Matter Giving Rise to Qualified Opinion on Education Stabilization Fund

As described in the accompanying schedule of findings and questioned costs, the School District did not comply with requirements regarding Education Stabilization Fund, as described in finding 2023-006 for allowable activities and allowable costs.

Compliance with such requirements is necessary, in our opinion, for the Elk Rapids Schools to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

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

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

Other Matters

Government Auditing Standards requires the auditor to perform limited procedures on the School District's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The School District’s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-006 to be a material weakness.

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

Board of Education
Elk Rapids Schools

Government Auditing Standards requires the auditor to perform limited procedures on the School District's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The School District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Dennis, Gartland & Niergarth

Certified Public Accountants
Traverse City, Michigan

January 19, 2024

CURRENT YEAR

Section 1 - Summary of Auditors' Results

1. The auditor's report expresses an unmodified opinion on the financial statements of Elk Rapids Schools (the "School District").

2. There are three material weaknesses in internal control over financial reporting as a result of the audit of the financial statements. See Section 2 - Findings in Accordance with *Government Auditing Standards*.

3. There was one instance of noncompliance material to the financial statements and one instance of noncompliance immaterial to the financial statements, which are required to be reported in accordance with *Government Auditing Standards*, that was disclosed during the audit. See Section 2 - Findings in Accordance with *Government Auditing Standards*.

4. The auditor's report discloses a material weakness in internal control over major federal award programs.

5. The auditor's report on compliance for major federal award programs for the School District expresses a modified opinion on the major federal award program.

6. Audit findings that are required to be reported in accordance with 2 CFR 200.516(a) are reported in this schedule.

7. The School District's major federal program was:
   - ALN #84.425, Education Stabilization Fund

8. The dollar threshold for distinguishing between Type A and Type B programs was $750,000.

9. The School District did not qualify as a low-risk auditee.

Section 2 - Findings in Accordance with Government Auditing Standards

Finding Number 2023-001 (repeat)
Material Weakness in Internal Control over Financial Reporting
Lack of Segregation of Duties

Criteria: Adequate segregation of duties for the School District is necessary to minimize the likelihood that fraud or errors could occur and not be detected.

Condition: The School District has not achieved a complete segregation of duties among employees who have both access to assets and accounting responsibilities.

Cause: The small size of the business office staff creates an inherent lack of segregation of duties.

Effect: As a result of this condition, the School District lacks proper segregation of duties and is exposed to an increased risk of misstatement of its financial statements.

Recommendation: The School District should separate staff performing record keeping from those with the ability to access the assets. This may require hiring additional staff or transferring duties across existing staff.

Management's Response: The School District has evaluated the manner in which they segregate duties and has implemented certain measures. However, the cost associated with adding additional staff to achieve a complete segregation is not justified by the expected benefits.

Finding Number 2023-002
Material Weakness in Internal Control Over Financial Reporting
Preparation of Financial Statements and Schedule of Expenditure of Federal Awards

Criteria: All Michigan governments are required to prepare financial statements and the Schedule of Expenditures of Federal Awards in accordance with generally accepted accounting principles ("GAAP"). This is a responsibility of the School District's management. The preparation of financial statements and Schedule of Expenditures of Federal Awards in accordance with GAAP requires internal controls over both (1) recording, processing and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting) and the Schedule of Expenditures of Federal Awards.

Condition: As is the case with many smaller and medium-sized entities, the School District has historically relied on its independent external auditors to assist in the preparation of the financial statements, footnotes and Schedule of Expenditures of Federal Awards as part of its external financial reporting process. Accordingly, the School District's ability to prepare financial statements and Schedule of Expenditures of Federal Awards in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the School District's *internal* controls.

Cause: This condition was caused by the School District's decision that it is more cost effective to outsource the preparation of its annual financial statements and Schedule of Expenditures of Federal Awards to auditors than to incur the time and expense of obtaining the necessary training and expertise required for the School District to perform this task internally.

Effect: As a result of this condition, the School District lacks internal controls over the preparation of financial statements and Schedule of Expenditures of Federal Awards in accordance with GAAP and instead relies, in part, on its external auditors for assistance with this task.

Recommendation: Once a draft of the financial statements is available, the School District should perform a detailed review of the draft to address any questions or discrepancies from their internal books and records. Upon completion, the School District should approve the financial statements and notes to accept responsibility for their content. Additionally, management should be proactive to enhance their training and expertise in accounting and external financial reporting by attending relevant training to demonstrate their ability to accept responsibility for the financial statements and notes.

Management's Response: The School District has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements and Schedule of Expenditures of Federal Awards in accordance with GAAP, and determined that it is in the best interests of the School District to outsource this task to its external auditors and to carefully review the draft financial statements, footnotes and Schedule of Expenditures of Federal Awards prior to approving them and accepting responsibility for their content and presentation.

Finding Number 2023-003
Material Weakness in Internal Control Over Financial Reporting
Accounting Transactions Not Recorded Timely

Criteria: Properly designed control procedures include recording accounting transactions and preparation of account balance reconciliations for comparison of assets and liabilities with underlying accounting records. The recording of transactions and should be completed in a timely manner.

Condition: The School District did not record accounting transactions or reconcile accounts in a timely manner.

Cause: Turnover in the accounting department lead to accounting transactions not being recorded timely and account reconciliations not being performed timely throughout the year.

Effect: As a result of this condition, accounting transactions and account reconciliations were not recorded on a timely basis throughout the year, which significantly delayed completion of the annual financial audit. Consequently, the audit was filed late with the Michigan Department of Education.

Recommendation: Implement and adhere to procedures whereby accounting transactions are recorded timely and accounts are reconciled throughout the year.

Management's Response: Management agrees that accounting transactions and account reconciliations were not recorded during the 2022-23 fiscal year on a timely basis. We are in the process of catching up the accounting transactions and reconciliations. In the current year, the accounting transactions for expenses are up to date. We are working on the revenues, updating grants, and balancing out accounts. The Central Office is upgrading processes and procedures.

Finding Number 2023-004
Material Noncompliance in Internal Control Over Financial Reporting
Late Submission of Audit Package to the Michigan Department of Education

Criteria: The State of Michigan requires public school districts to file a copy of their audit reporting package annually with the Michigan Department of Education by November 1.

Condition: The School District did not file the audit package with the Michigan Department of Education by November 1, 2023.

Cause: The audit was not complete and available for submission by November 1 because the School District was working on recording accounting transactions and account reconciliations after year-end, and was not ready for the audit to commence in a timely manner.

Effect: As a result of this condition, 100% of state aid funding will be withheld until the audit package is filed with the Michigan Department of Education.

Recommendation: Implement and adhere to procedures whereby accounting transactions are recorded timely and accounts are reconciled throughout the year, to allow for timely completion of the audit for submission by the November 1 deadline.

Management's Response: Management agrees that the delay is unacceptable. At this time the 2023-24 reports to the Michigan Department of Education and Northwest Education Services agency are current. We are working on the 2023-24 fiscal year to get financial information entered and balanced. The Director of Finance and Superintendent have implemented a monthly financial statement for the Board of Education.

Finding Number 2023-005
Immaterial Noncompliance in Internal Control Over Financial Reporting
Excess Fund Balance - Food Service Fund

Criteria: Child Nutrition Programs must operate a restricted Non-profit Food Service Account (NFSA) or Food Service Fund, and the School District is required to limit its fund balance and invest the proceeds back into the food service program to benefit students. Three-months average expenditures are allowed in what is called the Net Cash Resources, or a school district's Allowable Fund Balance. The United States Department of Agriculture (USDA) requires Michigan Department of Education (MDE) to assess Net Cash Resources per 7 CFR Part 210.19(a)(1).

Condition: As of June 30, 2023, the School District's Food Service Fund had fund balance that exceeds the three-months average.

Cause: This condition was caused by the School District receiving Federal source revenues at a set meal reimbursement rate to feed all students for free while the costs to provide the meals was less than the reimbursement claims. The School District was unable to spend down the excess funds by year-end due to timing of equipment or capital outlay delivery and/or lack of need for equipment replacement.

Effect: As a result of this condition, the School District is not in compliance with the Net Cash Resources per 7 CFR Part 210.19(a)(1).

Recommendation: The School District should implement a plan throughout the school year to ensure that an excess fund balance will not occur in the future by monitoring fund balance (Net Cash Resources) and proactively investing profit in the food service program to avoid an excess fund balance and findings.

Management's Response: The "excess funds" in the food service program is difficult to predict based on the Michigan Department of Education changing the type of funding and the numbers of district students taking Free and Reduced breakfasts and lunches. In 2023-24, they are changing food service programs in the district with free breakfast and lunch for all students. Elk Rapids Schools had an MDE waiver for the "excess funds" for the 2022-23 fiscal year. In 2023-24, Elk Rapids Schools purchased a dishwasher for Cherryland Middle School with a grant and food service "excess" funding. The food service wages were increased to be competitive. In 2023-24, we requested a waiver for the the three-month "excess cash" requirement with MDE. It is our intent to update equipment with these funds; however, based on the expense of the equipment we may need another year to have funds available for the purchase. We need to keep the three-month fund balance in food service to handle costs of annual startup and the delay in receiving state aid funding. Elk Rapids Schools food service program is in the process of funding equipment upgrades with "excess" funds.

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

Finding Number 2023-006
Assistance Listing Number 84.425 - Education Stabilization Fund
Allowable Costs/Cost Principles - Documentation of Employee Time and Effort
Material Weakness in Internal Control over Compliance
Material Noncompliance

Criteria: Per Federal regulations CFR Title 2, Part 200 Section 200.430 (i)(1), charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed.

Condition: The School District did not maintain time and effort distribution records for two employees whose salaries, wages and benefits were charged to the federal award program.

Cause: Accounting department turnover lead to incomplete record keeping and lack of knowledge on the federal requirement requiring accounting records to support salary, wage and benefit allocations.

Effect: As a result of this condition, salaries, wages and benefits may be charged to the federal award program that are not supported by time and effort distributions.

Questioned Costs: Known questioned costs are $77,244, and likely questioned costs are $130,610.

Context: This finding relates to two employees whose salary, wages and benefits are charged 100% to this federal award program, however, the School District did not obtain an after-the-fact determination of their time and effort in accordance with the federal requirements.

Recommendation: Salaries, wages and benefits allocations must be supported by time and effort documentation. This can be accomplished by obtaining semi-annual certifications, personal activity reports or weekly timecards from employees. We recommend management review employee allocations to ensure an after-the-fact determination of actual time spent is obtained from all employees charged to federal award programs.

Management's Response: In 2022-23, all staff salary, wages and benefits were updated to the work completed and charged to the appropriate grants. The funding for the district changed during the year, and PARS were not updated. When MDE finalized the allocations, the Director of Finance updated the sources staff were paid from based on the work performed. In 2023-24, the district will have staff paid with federal funds sign a PAR each semester they were paid with federal dollars.

Person Responsible: Laurie McCann, Director of Finance

Anticipated Completion Date: January, 2024

PRIOR YEAR

Finding Number 2022-001 is repeated as Finding Number 2023-001, and there is no change in its status.