# Cassopolis Public Schools

## Financial Report

## With Supplementary Information

June 30, 2023

KRUGGEL LAWTON CPA
St. Joseph, MI

**Cassopolis Public Schools**
**Cassopolis, Michigan**
**June 30, 2023**

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## Contents (Concluded)

KRUGGEL LAWTON CPA

# INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Cassopolis Public Schools
Cassopolis, Michigan

**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 Cassopolis Public Schools ("the District"), as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprises the 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 District as of June 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

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

***Responsibilities of Management for the Financial Statements***

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

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

***Supplementary Information***

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2023 on our consideration of the 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 the 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 District's internal control over financial reporting and compliance.

Respectfully submitted,

Kruggel, Lawton & Company, LLC

Certified Public Accountants

St. Joseph, Michigan

October 23, 2023

Cassopolis Public Schools is a K-12 school district located in Cass County, Michigan. The Management's Discussion and Analysis ("MD&A"), a requirement of the Governmental Accounting Standards Board ('GASB") Statement No. 34 ("GASB 34"), is intended to be discussion and analysis of the financial results for the fiscal year ended June 30, 2023 of the management of Cassopolis Public Schools (the "District").

Generally accepted accounting principals ("GAAP") and GASB 34 require the reporting of two types of financial statements: District-wide Financial Statements and Fund Financial Statements.

**District-Wide Financial Statements**

The District-wide financial statements are full accrual basis statements. They report all of the District's assets, deferred outflows, liabilities and deferred inflows, short-term and long-term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the debt service funds solely for the payment of long-term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the District are reported in the Statement of Net Position of the District-wide financial statements.

**Fund Financial Statements**

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual". In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Debt Service Fund – 2009 Energy Conservation Bond, 2010 Series A Bond, 2015 Bond Debt, and 2020 Refunding Debt (a debt service fund), Student Activity Fund, and Food Services Fund (special revenue funds), and Sinking Fund (a capital projects fund).

In the fund financial statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No capital asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future years' debt obligations are not recorded.

| | June 30, 2023 | June 30, 2022 |
|---|---|---|
| **Assets** | | |
| Current assets | $ 7,716,735 | $ 7,278,876 |
| Noncurrent assets: | | |
| Capital assets, net book value | $ 17,862,089 | $ 18,649,000 |
| Total Noncurrent assets | $ 17,862,089 | $ 18,649,000 |
| Total Assets | $ 25,578,824 | $ 25,927,876 |
| **Deferred Outflows of Resources** | | |
| Deferred outflows of resources from pensions | $ 6,401,232 | $ 2,863,613 |
| Deferred outflows of resources from OPEB | 1,599,149 | 1,150,830 |
| Total Deferred Outflows of Resources | $ 8,000,381 | $ 4,014,443 |
| Total Assets and Deferred Outflows of Resources | $ 33,579,205 | $ 29,942,319 |
| **Liabilities** | | |
| Current liabilities | $ 4,985,730 | $ 1,326,884 |
| Long-term liabilities | 25,429,743 | 22,364,054 |
| Total Liabilities | $ 30,415,473 | $ 23,690,938 |
| **Deferred Inflows of Resources** | | |
| Deferred inflows of resources from pensions | $ 1,509,310 | $ 4,761,240 |
| Deferred inflows of resources from OPEB | 2,268,330 | 2,948,026 |
| Total Deferred Inflows of Resources | $ 3,777,640 | $ 7,709,266 |
| Total Liabilities and Deferred Inflows of Resources | $ 34,193,113 | $ 31,400,204 |
| **Net Position (Deficit)** | | |
| Net investment in capital assets | $ 9,773,934 | $ 9,029,481 |
| Restricted | 3,438,200 | 3,191,211 |
| Unrestricted | (13,826,042) | (13,678,577) |
| Total Net Position (Deficit) | $ (613,908) | $ (1,457,885) |

This table presents a summary of the District's net position for the fiscal years ended June 30th. Net position can be separated into three categories: net investment in capital assets, restricted, and unrestricted net position.

Net investment in capital assets of $9,773,934 is a combination of capital assets at original cost plus deferred charges on refunding less accumulated depreciation and related debt.

Restricted net position of $3,438,200 represents the net position restricted for debt service and capital projects.

Unrestricted net position, totaling a deficit of $13,826,042 is the accumulation of prior years' operating results. The Unrestricted net position was put in a deficit position after the state allocated the unfunded retirement back to local education agencies.

| | June 30, 2023 | June 30, 2022 |
|---|---|---|
| **Revenues** | | |
| Program Revenue | | |
| Charges for services | $ 214,405 | $ 250,402 |
| Operating grants and contributions | 4,864,737 | 3,945,679 |
| Capital grants and contributions | 229,744 | 274,728 |
| General Revenues | | |
| Property taxes | 7,807,635 | 7,206,332 |
| State aid-unrestricted | 2,156,149 | 2,595,672 |
| Other | 53,398 | 65,321 |
| Total Revenues | $ 15,326,068 | $ 14,338,134 |
| **Expenses** | | |
| Instruction and instructional support | $ 6,541,435 | $ 5,327,367 |
| Support services | 5,216,402 | 4,757,584 |
| Athletics | 362,799 | 286,710 |
| Food services | 886,945 | 840,991 |
| Student activities | 209,424 | 133,557 |
| Community services | 75 | 125 |
| Interest on long-term debt | 321,559 | 401,509 |
| Depreciation (unallocated) | 943,452 | 994,854 |
| Total Expenses | $ 14,482,091 | $ 12,742,697 |
| Change in Net Position | $ 843,977 | $ 1,595,437 |
| Beginning Net Position | (1,457,885) | (3,053,322) |
| Ending Net Position | $ (613,908) | $ (1,457,885) |

The District's total revenues for the fiscal year ended June 30, 2023 were approximately $15.3 million. The total cost of all programs and services was approximately $14.5 million. The table presents a summary of the changes in net position for the fiscal years ended June 30th.

Revenue for the 2023 fiscal year increased by approximately $988,000. The biggest increase was seen in the operating grants and contributions due to an increase in federal funding.

Expenses for the 2023 fiscal year increased by approximately $1.7 million. The biggest increase was seen in instruction and instructional support and support services.

## General Fund

While the District's final fiscal 2023 budget for the General Fund projected an increase of $28,962, the actual results for the year was a deficit of $56,572. The ending General Fund balance of $2,213,202 represents approximately 18.24% of total General Fund expenditures.

**Food Service Fund**

The Food Service Fund is made up of school food activities.

During the 2022-23 fiscal year, the Food Service program had revenues of $777,630 and expenditures of $892,078 for an decrease in fund balance of $117,236. The Food Service fund balance is $163,536.

**Student Activity Fund**

The Student Activity Fund is made up of various student organization activities.

**Debt Activities**

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation are direct obligations and pledge the full faith and credit of the District. The activity for the year is summarized follows:

| | Balance June 30, 2022 | Principal Additions | Principal Payments | Balance June 30, 2023 |
|---|---|---|---|---|
| General obligation bonds | $ 9,490,000 | $ - | $ (1,500,000) | $ 7,990,000 |
| Bond premium | 118,121 | - | (19,966) | 98,155 |
| | $ 9,608,121 | $ - | $ (1,519,966) | $ 8,088,155 |

**Capital Assets**

By the end of the 2022-23 fiscal year, the District had $17,862,089 in capital. This includes a cost basis of $37,585,850 and accumulated depreciation of $19,723,761. The District has a capitalization policy that recognizes only assets that have a unit cost of $5,000 or more and a life in excess of one year. Assets include land, buildings, site improvements, furniture and equipment, school buses and other vehicles. A breakdown by major asset, net of accumulated depreciation, is detailed below as of June 30th:

| | 2023 | 2022 |
|---|---|---|
| Land | $ 135,970 | $ 135,970 |
| Buildings | 29,081,272 | 29,081,272 |
| Site improvements | 5,933,901 | 5,880,476 |
| Furniture and equipment | 1,310,340 | 1,219,208 |
| Buses and other vehicles | 1,124,367 | 1,124,367 |
| Total Assets | $ 37,585,850 | $ 37,441,293 |
| Less: accumulated depreciation | (19,723,761) | (18,792,293) |
| Net of Accumulated Depreciation Position | $ 17,862,089 | $ 18,649,000 |

**State of Michigan Unrestricted Aid (State Foundation Grant)**

The state of Michigan aid, unrestricted is determined with the following variables:

1. Annually, the State of Michigan set the per student foundation allowance. The District's net foundation allowance was $9,150 for 2022-2023.
2. The District's non-homestead levy for 2022-2023 was 18.0000 mills which the voters approved in May of 2018.

**Student Enrollment**

The District's enrollment for the fall count of 2022-2023 was 859 students. This is a decrease of 31 students or 3.5% from the prior fall. Historical data is provided below. The District has budgeted for a slight decrease in pupil enrollment in 2023-2024.

| Fiscal Year | Enrollment | Change from Prior Year |
|---|---|---|
| 2022 - 2023 | 859 | (31) |
| 2021 - 2022 | 890 | 23 |
| 2020 - 2021 | 867 | (46) |
| 2019 - 2020 | 913 | (26) |
| 2018 - 2019 | 939 | 19 |

**Property Taxes Levied for General Operations (General Fund Non-Homestead Taxes)**

The District levies approximately 18 mills of property taxes for operations (General Fund) on Non-Homestead properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property levy for the 2022-2023 fiscal year was $5,759,927. The non-homestead tax levy has increased by 10% percent over the prior year.

The increase in the District's non-homestead levy over the past five years is due to the make-up of the housing market.

The following summarizes the District's non-homestead levy over the past five years:

| Fiscal Year | Non-Homestead Tax Levy | % Change from Prior Year |
|---|---|---|
| 2022 - 2023 | $ 5,759,927 | 10% |
| 2021 - 2022 | 5,236,646 | 5% |
| 2020 - 2021 | 4,991,417 | 5% |
| 2019 - 2020 | 4,773,321 | 5% |
| 2018 - 2019 | 4,542,414 | 12% |

The State of Michigan per pupil formula for revenue is partially paid as State Aid and partially paid in the form of non-Principal Residence Exemption (non-homestead) property taxes. Approximately 70% of the per pupil revenue comes from non-homestead property taxes within the District with the remaining 30% funded through the State of Michigan.

**Factors Bearing on the District's Future**

At the time that these financial statements were prepared and audited, the School District was aware of the following items that could significantly affect its health in the future:

- The current Governor and legislature of the State of Michigan have adopted a budget for 2023-2024 that will provide a funding increase of approximately 5% to the School District. These funds are needed to help pay for significant increases in costs due to inflation and a tight labor market.

- The remaining one-time federal ESSER funding will expire in September 2024. The District will need to structurally balance its budget in future years as several major pandemic-related funding sources are no longer available.

- In the past several fiscal years, available K-12 funding has been used to reduce the pension long-term liability and subsidize the current rate charged to the School District. Nonetheless, the rate has continued to increase. It is impossible to know how the pension system liabilities might change or whether the legislature might increase or decrease its retirement system subsidy going forward.

- Continued focus on containing costs to match the size of enrollment will be key in maintaining a positive fund balance going forward.

- The District has an aging infrastructure that will require funding so that needed improvements can be made in the coming years. This is particularly true at the transportation, middle school, and high school facilities. The School District will need to replace boilers and mechanical systems, improve building security, buy buses, improve parking lots and asphalt drives, replace roofs, improve its athletic and playground sites, and purchase technology.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Superintendent or Director of Finance at Cassopolis Public Schools, Cassopolis, Michigan at (269)-445-0500.

## STATEMENT OF NET POSITION
## AS OF JUNE 30, 2023

| | | Governmental Activities |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ | 6,464,641 |
| Receivables | | 17,670 |
| Due from other governmental units | | 1,222,713 |
| Inventory | | 11,711 |
| Capital assets, not being depreciated | | 135,970 |
| Capital assets, net of accumulated depreciation | | 17,726,119 |
| Total Assets | $ | 25,578,824 |
| **Deferred Outflows of Resources** | | |
| Related to pensions | $ | 6,401,232 |
| Related to OPEB | | 1,599,149 |
| Total Deferred Outflows of Resources | $ | 8,000,381 |
| **Liabilities** | | |
| Accounts payable | $ | 93,643 |
| Salaries and benefits payable | | 1,228,678 |
| Note payable | | 187,646 |
| Unearned revenue | | 213,347 |
| Interest payable | | 13,809 |
| Noncurrent Liabilities: | | |
| Bonds payable - due within one year | | 3,224,966 |
| Compensated absences and severance pay - due within one year | | 23,641 |
| Bonds payable - due in more than one year | | 4,863,189 |
| Compensated absences and severance pay - due in more than one year | | 212,773 |
| Net pension liability | | 19,253,855 |
| Net OPEB liability | | 1,099,926 |
| Total Liabilities | $ | 30,415,473 |
| **Deferred Inflows of Resources** | | |
| Related to pensions | $ | 1,509,310 |
| Related to OPEB | | 2,268,330 |
| Total Deferred Inflows of Resources | $ | 3,777,640 |
| **Net Position** | | |
| Net investment in capital assets | $ | 9,773,934 |
| Restricted: | | |
| Debt service | | 2,022,513 |
| Capital projects | | 1,415,687 |
| Unrestricted | | (13,826,042) |
| Total Net Position | $ | (613,908) |

*The Notes to the Financial Statements are an integral part of this statement.*

# STATEMENT OF ACTIVITIES
## YEAR ENDED JUNE 30, 2023

| | | Program Revenues | | | Governmental Activities |
|---|---|---|---|---|---|
| | Expenses | Charges for Services | Operating Grants/ Contributions | Capital Grants/ Contributions | Net (Expense) Revenue and Changes in Net Position |
| **Functions/Programs** | | | | | |
| Governmental activities: | | | | | |
| Instruction and instructional support | $ 6,541,435 | $ 37,426 | $ 3,927,776 | $ - | $ (2,576,233) |
| Support services | 5,216,402 | 158,637 | - | - | (5,057,765) |
| Athletics | 362,799 | - | - | - | (362,799) |
| Food services | 886,945 | 18,342 | 759,289 | - | (109,314) |
| Student activities | 209,424 | - | 177,672 | - | (31,752) |
| Community services | 75 | - | - | - | (75) |
| Interest on long-term debt, net | 321,559 | - | - | 229,744 | (91,815) |
| Depreciation/amortization (unallocated) | 943,452 | - | - | - | (943,452) |
| | $ 14,482,091 | $ 214,405 | $ 4,864,737 | $ 229,744 | $ (9,173,205) |

| | |
|---|---|
| General Revenues: | |
| Taxes: | |
| Property taxes, levied for general purposes | $ 5,759,927 |
| Property taxes, levied for debt services | 1,541,957 |
| Property taxes, levied for capital projects (sinking fund) | 505,751 |
| Unrestricted state aid | 2,156,149 |
| Other | 53,398 |
| Total general revenues | $ 10,017,182 |
| **Change in Net Position** | $ 843,977 |
| **Net Position - beginning of year** | (1,457,885) |
| **Net Position - end of year** | $ (613,908) |

*The Notes to the Financial Statements are an integral part of this statement.*

BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2023

| | | Debt Service | | Capital Projects | | |
|---|---|---|---|---|---|---|
| | General Fund | 2009 Energy Conservation Bond | 2010 Series A Bond | Sinking Fund | Nonmajor Governmental Funds | Total Governmental Funds |
| **Assets** | | | | | | |
| Cash and cash equivalents | $ 2,633,255 | $ 1,633,956 | $ 293,771 | $ 1,415,687 | $ 487,972 | $ 6,464,641 |
| Receivables | 17,670 | - | - | - | - | 17,670 |
| Inventory | - | - | - | - | 11,711 | 11,711 |
| Due from other funds | 49,373 | - | - | - | 4,057 | 53,430 |
| Due from other governmental units | 1,216,588 | - | - | - | 6,125 | 1,222,713 |
| Total Assets | $ 3,916,886 | $ 1,633,956 | $ 293,771 | $ 1,415,687 | $ 509,865 | $ 7,770,165 |
| **Liabilities** | | | | | | |
| Accounts payable | $ 87,581 | $ - | $ - | $ - | $ 6,062 | $ 93,643 |
| Salaries and benefits payable | 1,217,644 | - | - | - | 11,034 | 1,228,678 |
| Due to other funds | - | - | - | - | 53,430 | 53,430 |
| Note payable | 187,646 | - | - | - | - | 187,646 |
| Unearned revenue | 210,813 | - | - | - | 2,534 | 213,347 |
| Total Liabilities | $ 1,703,684 | $ - | $ - | $ - | $ 73,060 | $ 1,776,744 |
| **Fund Balances** | | | | | | |
| Non-spendable - inventory | $ - | $ - | $ - | $ - | $ 11,711 | $ 11,711 |
| Restricted for debt retirement | - | 1,633,956 | 293,771 | - | 94,786 | 2,022,513 |
| Restricted for food service | - | - | - | - | 151,825 | 151,825 |
| Restricted for capital projects | - | - | - | 1,415,687 | - | 1,415,687 |
| Committed for student activities | - | - | - | - | 178,483 | 178,483 |
| Assigned for 2023-24 budgeted deficit | 487,519 | - | - | - | - | 487,519 |
| Unassigned | 1,725,683 | - | - | - | - | 1,725,683 |
| Total Fund Balances | $ 2,213,202 | $ 1,633,956 | $ 293,771 | $ 1,415,687 | $ 436,805 | $ 5,993,421 |
| Total Liabilities and Fund Balance | $ 3,916,886 | $ 1,633,956 | $ 293,771 | $ 1,415,687 | $ 509,865 | $ 7,770,165 |

*The Notes to the Financial Statements are an integral part of this statement.*

# RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
## AS OF JUNE 30, 2023

| | |
|---|---|
| **Total Governmental Fund Balances** | $ 5,993,421 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Deferred outflows of resources related to | |
| Pensions | 6,401,232 |
| OPEB | 1,599,149 |
| Capital assets used in governmental activities are not financial resources, and are not reported in the funds. | |
| The cost of the capital assets | 37,585,850 |
| Accumulated depreciation/depreciation | (19,723,761) |
| Long-term liabilities are not due and payable in the current period and are not reported in the funds: | |
| Bonds payable | (7,990,000) |
| Bond premium | (98,155) |
| Compensated absences | (236,414) |
| Net pension liability | (19,253,855) |
| Net OPEB liability | (1,099,926) |
| Deferred inflows of resources related to pension changes in assumptions and changes in differences actual earnings on plan investments | |
| Pensions | (1,509,310) |
| OPEB | (2,268,330) |
| Accrued interest is not included as a liability in governmental funds. | (13,809) |
| **Net Position of Governmental Activities** | $ (613,908) |

*The Notes to the Financial Statements are an integral part of this statement.*

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
## YEAR ENDED JUNE 30, 2023

| | | Debt Service | | Capital Projects | | |
|---|---|---|---|---|---|---|
| | General Fund | 2009 Energy Conservation Bond | 2010 Series A Bond | Sinking Fund | Nonmajor Governmental Funds | Total Governmental Funds |
| **Revenues** | | | | | | |
| Local sources | $ 5,955,841 | $ - | $ 891,181 | $ 505,751 | $ 846,789 | $ 8,199,562 |
| State sources | 4,698,028 | - | 7,891 | 4,822 | 31,449 | 4,742,190 |
| Federal sources | 1,420,944 | - | 229,744 | - | 733,628 | 2,384,316 |
| Total Revenues | $ 12,074,813 | $ - | $ 1,128,816 | $ 510,573 | $ 1,611,866 | $ 15,326,068 |
| **Expenditures** | | | | | | |
| Instruction | $ 6,483,467 | $ - | $ - | $ - | $ - | $ 6,483,467 |
| Supporting services | 5,281,733 | - | - | - | - | 5,281,733 |
| Food services | - | - | - | - | 892,078 | 892,078 |
| Athletics | 368,898 | - | - | - | - | 368,898 |
| Community services | 75 | - | - | - | - | 75 |
| Student activities | - | - | - | - | 209,424 | 209,424 |
| Capital outlay | - | - | - | 221,248 | - | 221,248 |
| Debt retirement: | | | | | | |
| Principal on long-term debt | - | - | 895,000 | - | 605,000 | 1,500,000 |
| Interest on long-term debt | - | - | 276,463 | - | 67,991 | 344,454 |
| Total Expenditures | $ 12,134,173 | $ - | $ 1,171,463 | $ 221,248 | $ 1,774,493 | $ 15,301,377 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | $ (59,360) | $ - | $ (42,647) | $ 289,325 | $ (162,627) | $ 24,691 |
| **Other Financing Sources (Uses)** | | | | | | |
| Operating transfers in | $ 2,788 | $ 109,333 | $ - | $ - | $ - | $ 112,121 |
| Operating transfers out | - | - | - | (109,333) | (2,788) | (112,121) |
| Total Other Financing Sources (Uses) | $ 2,788 | $ 109,333 | $ - | $ (109,333) | $ (2,788) | $ - |
| Net Change in Fund Balances | $ (56,572) | $ 109,333 | $ (42,647) | $ 179,992 | $ (165,415) | $ 24,691 |
| Fund Balances - Beginning of year | 2,269,774 | 1,524,623 | 336,418 | 1,235,695 | 602,220 | 5,968,730 |
| Fund Balances - End of year | $ 2,213,202 | $ 1,633,956 | $ 293,771 | $ 1,415,687 | $ 436,805 | $ 5,993,421 |

*The Notes to the Financial Statements are an integral part of this statement.*

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

| | | |
|---|---|---|
| **Net Change in Fund Balances - Total Governmental Funds** | | $ 24,691 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | |
| Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation. | | |
| Depreciation/amortization expense | $ (943,452) | |
| Capital outlay | 156,541 | |
| Total | | (786,911) |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items. | | |
| Bond/lease payments | | 1,511,398 |
| Bond premium | | 19,966 |
| Change in accured interest | | 2,929 |
| Change in benefit expense related to pension. | | (627,767) |
| Change in benefit expense related to OPEB. | | 803,208 |
| Decrease in the liability for compensated absences is not reported in the governmental funds. | | (103,537) |
| **Change in Net Position of Governmental Activities** | | $ 843,977 |

*The Notes to the Financial Statements are an integral part of this statement.*

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Cassopolis Public Schools (the "District") conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units and with the rules prescribed in the accounting manual by the Michigan Department of Education. The following is a summary of the significant accounting policies used by the District.

### REPORTING ENTITY

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

### DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

District-wide Statements – The District's financial statements include both district-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). The district-wide financial statements categorize primary activities as either governmental or business-type. All of the District's activities are classified as governmental activities.

In the District-wide Statement of Net Position, both the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets, receivables, deferred outflows of resources, as well as deferred inflows of resources and long-term debt and obligations. The District's net position is reported in three parts: invested in capital assets, restricted net position, and unrestricted net position.

The District first utilizes restricted resources to finance qualifying activities.

The District-wide Statement of Activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.)

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The District does not allocate indirect costs. In creating the District-wide financial statements, the District had eliminated interfund transactions.

This District-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

**Fund Statements** – The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenue, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories as follows:

**Governmental Funds:**

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

**Special Revenue Funds** are used to account for the specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. As of June 30, 2023, the special revenue funds maintained by the District are the Food Service and the Student Activity Fund.

**Debt Service Funds** are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest. As of June 30, 2023, the debt service funds maintained by the District are the 2009 Energy Conservation bond, 2010 Series A bond, 2015 Building & Site bond, and 2020 Refunding bond.

**Sinking Fund** is the capital projects fund of the District. It is account for restricted resources related to the District's sinking fund millage.

**Basis of Accounting –** Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

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

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, expect for the recognition of certain liabilities to the beneficiaries of a fiduciary activity. Liabilities to beneficiaries are recognized when an event has occurred that compels the District to disburse fiduciary resources.

**Modified Accrual** – The governmental funds financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recorded when they become measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Revenues are generally considered available when they are received in cash (unless legally restricted for some future period), or when expected to be collected soon enough after year-end to pay liabilities of the current period.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, provided the liability normally would be liquidated with expendable available financial resources.

**Cash and Cash Equivalents –** Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired.

**Inventory –** The inventory is valued at cost on a first-in, first-out (FIFO) basis. Inventory in the Food Service Fund consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time inventory items are purchased. The inventory in the Food Service Fund includes USDA commodities.

**Capital Assets –** Capital assets are defined by the District as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining lives of the related fixed assets. The District does not have infrastructure type assets.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

| | |
|---|---|
| Building and additions | 20-50 years |
| Site improvements | 5-20 years |
| Buses and other vehicles | 8-10 years |
| Furniture and other equipment | 5-20 years |

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

Property tax and other trade receivables are shown for the District. An allowance for uncollectible amounts is determined annually and is recorded as a liability on the statement of net position. For the District, taxpayers in the various municipalities, properties are assessed as of December 31 and the related property taxes are levied and become a lien on July 1 for 100 percent of the taxes, which are due September 15. The final collection date is February 28, after which uncollected taxes are added to the Berrien County delinquent tax rolls.

The State of Michigan (the "State") utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a statewide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with State law and GAAP.

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the State of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

**Deferred Outflows of Resources –** In addition to assets, the District will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. The District's deferred outflows of resources are amounts related to the pension plan and OPEB.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Compensated Absences –** Employees are allowed to accrue varying amounts of sick leave each year depending on employee classification. However, no liability for unused sick leave is accrued, as such amounts cannot be reasonably estimated as compensation for future absences are contingent upon absences being caused by future illness. Vacation accruals have been recorded in the financial statements for those employees who earn and are allowed to accrue and be paid for unused vacation upon termination.

**Leases/Software-based Information Technology Arrangements –** As of June 30, 2023, the District had no right-of-use assets. The District recognizes right-of-use assets with an initial value of $25,000 or more.

**Unearned Revenue –** The District receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the State of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year is recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

**Deferred Inflows of Resources –** In addition to liabilities, the District will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of sources (revenue) until that time. The governmental funds report unavailable revenues, which arise only under a modified accrual basis of accounting, for long-term receivables. These amounts are deferred and recognized as an inflow of resources in the period that amounts become available. The District only has two items that qualifies for reporting in this category. It is the deferred inflows related to the pension plan and the deferred inflows related to OPEB.

**Use of Estimates –** The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amount of expenditures during the reported period. Actual results may differ from those estimates.

**Fund Equity –** In accordance with the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District report fund balance, using the following classifications: non spendable, restricted, committed, assigned and unassigned.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The following are the District's fund balance classifications:

**Non-spendable Fund Balance -** includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

**Restricted Fund Balance –** includes amounts that can be spent only for specific purposes stipulated by what the external resource provides (for example grant providers, constitutionally, or through enabling legislation). Effectively, restrictions may be changed or lifted only with the consent of resource providers.

**Committed Fund Balance –** includes amounts that can be used only for specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.

**Assigned Fund Balance –** includes amounts that are constrained by the government's intent to be used for a specific purpose, but are neither restricted nor committed.

**Unassigned Fund Balance –** is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds that has not been restricted, committed, or assigned to specific purposes within the General Fund.

**Comparative Data** – Comparative data is not included in the District's basic financial statements.

**Pension and Other Postemployment Benefit ("OPEB") Plans –** For the purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to each plan, and pension 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 position have been determined on the same basis as they are reported by MPSERS. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. For this purpose, benefit payments (including refunds of the employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Budgetary Information** – Annual budgets are adopted on a basis consistent with GAAP and State law for the General Fund and major special revenue funds. All annual appropriations lapse at fiscal year-end. The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e. the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the District to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of State Law. State law permits districts to amend its budgets during the year.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)**

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year-end; the commitments will be re-appropriated and honored during the subsequent year. There were no encumbrances at year end.

**Fund Deficit** – Under State Law, school districts are required to maintain positive fund balance in each fund. As of the year ended, the District had no fund balances that were in deficit.

**Net Position Deficit** – As of June 30, 2023, the District-wide Statement of Net Position had a cumulative net deficit of $613,908.

**NOTE 2. CASH AND INVESTMENTS**

As of June 30, 2023, the District's deposits and investments were as followed:

| | Cash | Investments | Total |
|---|---|---|---|
| Bank deposits | $ 6,464,641 | $ - | $ 6,464,641 |
| | $ 6,464,641 | $ - | $ 6,464,641 |

State statue and the District's investment policy authorize the District to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loans associations that have offices in Michigan. The District is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated with the two highest classifications, which matures not more than 270 days after the date of purchases; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by school districts in Michigan.

The District has multiple institutions for the deposits of its funds and are subjected to the following risk:

**Custodial Credit Risk –Deposits** – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2023, $6,480,138 of the District's bank balance of $5,980,138 was exposed to custodial credit risk.

## NOTE 2. CASH AND INVESTMENTS (CONCLUDED)

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

**Custodial Credit Risk – Investments** – For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2023, no investments were subject to custodial credit risk.

**Concentration of Credit Risk** – The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. As of June 30, 2023, the District had no investments.

## NOTE 3. CAPITAL ASSETS

A summary of changes in governmental capital assets follows:

| | Beginning Balance | Additions | Disposals and Adjustments | Ending Balance |
|---|---|---|---|---|
| Assets not being depreciated | | | | |
| Land | $ 135,970 | $ - | $ - | $ 135,970 |
| Subtotal | $ 135,970 | $ - | $ - | $ 135,970 |
| Assets being depreciated | | | | |
| Building and building improvements | $ 29,081,272 | $ - | $ - | $ 29,081,272 |
| Site improvements | 5,880,476 | 53,425 | - | 5,933,901 |
| Furniture and equipment | 1,219,208 | 103,116 | (11,984) | 1,310,340 |
| Buses and other vehicles | 1,124,367 | - | - | 1,124,367 |
| Subtotal | $ 37,305,323 | $ 156,541 | $ (11,984) | $ 37,449,880 |
| Accumulated depreciation | | | | |
| Building and building improvements | $ (13,609,784) | $ (564,285) | $ - | $ (14,174,069) |
| Site improvements | (3,199,219) | (271,250) | - | (3,470,469) |
| Furniture and equipment | (985,848) | (40,957) | 11,984 | (1,014,821) |
| Buses and other vehicles | (997,442) | (66,960) | - | (1,064,402) |
| Subtotal | $ (18,792,293) | $ (943,452) | $ 11,984 | $ (19,723,761) |
| Net capital assets being depreciated | $ 18,513,030 | | | $ 17,726,119 |
| Net capital assets | $ 18,649,000 | | | $ 17,862,089 |

**NOTE 3. CAPITAL ASSETS (CONCLUDED)**

Depreciation for the fiscal year ended June 30, 2023 amounted to $943,452. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**NOTE 4. NOTES PAYABLE – STATE SCHOOL AID ANTICIPATION NOTE**

On August 20, 2022, the District issued a short-term State School Aid Anticipation Note in the amount of $1,300,000, with an interest rate of 1.970%, for the purpose of funding operating expenditures during periods of low cash flows. The note matures July 20, 2023. This short-term note, including accrued interest through yearend, have a net outstanding balance of $187,646 at June 30, 2023, and are reported in the financial statements under the caption notes payable. In the event of a default on the note, the State may impose a penalty interest rate and, at the State's discretion, accelerate the repayment terms. The outstanding balance was paid in July 2023.

The State Aid note is secured by the full faith and credit of the District as well as pledged state aid. The note required payments to an irrevocable set-aside account of $1,295,167. At year end, the balance of these payments are considered defeased debt and are not included in the year-end balance. Activity for the year ended June 30, 2023, is as follows:

| Beginning Balance | Additions | Reductions | Ending Balance |
|---|---|---|---|
| $ 193,052 | $ 1,300,000 | $ (1,305,406) | $ 187,646 |

**NOTE 5. LONG-TERM DEBT**

The District issues bonds to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith of the District. Long-term debt obligation activity can be summarized as follows:

| Governmental Activities | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| General obligations bonds | $ 9,490,000 | $ - | $ (1,500,000) | $ 7,990,000 | $ 3,205,000 |
| Bond premium | 118,121 | - | (19,966) | 98,155 | 19,966 |
| Total bonds and notes | $ 9,608,121 | $ - | $ (1,519,966) | $ 8,088,155 | $ 3,224,966 |
| Compensated absences | $ 132,877 | $ 103,537 | $ - | $ 236,414 | $ 23,641 |
| Total governmental activities long-term debt | $ 9,740,998 | $ 103,537 | $ (1,519,966) | $ 8,324,569 | $ 3,248,607 |

**NOTE 5. LONG-TERM DEBT (CONCLUDED)**

| | |
|---|---|
| **Governmental Activities** | |
| General Obligation Bonds | |
| $1,640,000 2009 Energy Conservation Improvement Bonds dated October 9, 2009, due in one installment of $1,640,000 on October 22, 2024, with interest of 0%. | $ 1,640,000 |
| $13,360,000 2010 Building and Site Bonds Series A dated June 29, 2010, due in annual installments ranging from $895,000 to $905,000 through May 1, 2027, with interest ranging from 6.00% to 6.25%, payable semi-annually. The District receives a subsidy of 85% to 95% of the interest cost from Qualified School Construction Bonds reducing the effective interest rate to 3.15%. | 3,600,000 |
| $3,330,000 2015 Building and Site Bonds dated November 12, 2015, due in annual installments ranging from $360,000 to $375,000 through May 1, 2025, with interest ranging from 2.00% to 3.00%, payable semi-annually. | 745,000 |
| $2,545,000 2020 Refunding Bonds dated September 1, 2020, due in annual installments ranging from $245,000 to $380,000 through May 1, 2030, with interest ranging from 1.00% to 2.00%, payable semi-annually. | 2,005,000 |
| Plus issuance premium | 98,155 |
| Total general obligation bonds | $ 8,088,155 |

Long-term debt excluding compensated absences at year end is comprised of the following individual issues:

| | General Obligation Bonds | | |
|---|---|---|---|
| Year Ending June 30 | Principal | Interest | Total |
| 2024 | $ 3,205,000 | $ 82,852 | $ 3,287,852 |
| 2025 | 1,625,000 | 60,472 | 1,685,472 |
| 2026 | 1,005,000 | 34,662 | 1,039,662 |
| 2027 | 1,015,000 | 25,002 | 1,040,002 |
| 2028 | 380,000 | 15,200 | 395,200 |
| 2029-2030 | 760,000 | 11,400 | 771,400 |
| | $ 7,990,000 | $ 229,588 | $ 8,219,588 |

Interest expense of $321,559, net of amortization, was not charged to activities as the District considers its debt and related assets to impact multiple activities and allocation was not practical.

The District has defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2023, $2,640,000 of bonds outstanding are considered defeased.

## NOTE 6. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances is as follows:

**Due To/From Other Funds**

| Receivable Fund | Payable Fund | | Amount |
|---|---|---|---|
| General Fund | Food Service Fund | $ | 53,430 |
| Student Activity Fund | General Fund | | 4,057 |
| Total | | $ | 57,487 |

The Food Service owes General Fund $53,430 for wages and benefits.

The amount due from Student Activity to General Fund $4,057 to reimburse for expenditures that occurred.

The following are interfund transfers that occurred during the year:

**Interfund Transfers**

| Transfer In | Transfer Out | | Amount |
|---|---|---|---|
| General Fund | Food Service Fund | $ | 2,788 |
| 2009 Energy Conservation Bond | Sinking Fund | | 109,333 |
| Total | | $ | 112,121 |

$2,788 was transferred from the Food Service Fund to General Fund to reimburse for the indirect costs.

$109,333 was transferred from Sinking Fund to 2009 Energy Conservation Bond for reimbursement of capital expenditures.

## NOTE 7. CONTINGENT LIABILITIES

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

## NOTE 8. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

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

**NOTE 8. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**

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

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

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

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

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

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

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

**NOTE 8. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**

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

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

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

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

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

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

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

**NOTE 8. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**

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

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

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

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

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

**NOTE 8. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**

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

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

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

**Regular Retirement (no reduction factor for age) - Eligibility** - A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan ("MIP") members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan ("PPP") members, age 60 with 10 years of credited service.

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

**NOTE 8. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**

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

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

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

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

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

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

The District's pension contributions for the year ended June 30, 2023 were equal to the required contribution total. Total defined benefit and defined contribution pension contributions were approximately $1,742,000.

The District's OPEB contributions for the year ended June 30, 2023 were equal to the required contribution total. Total defined benefit and defined contribution OPEB contributions were approximately $395,000.

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

**NOTE 8. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**

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

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

| MPSERS (Plan) Non-university employers | September 30, 2022 | September 30, 2021 |
|---|---|---|
| Total pension liability | $ 95,876,795,620 | $ 86,392,473,395 |
| Plan fiduciary net position | 58,268,076,344 | 62,717,060,920 |
| Net pension liability | 37,608,719,276 | 23,675,412,475 |
| Proportionate share | 0.05120% | 0.05000% |
| Net pension liability for the District | 19,253,855 | 11,836,539 |

For the year ended June 30, 2023, the District recognized pension expense of $2,518,764.

At June 30, 2023, the 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 | $ 192,606 | $ 43,050 |
| Changes of assumptions | 3,308,502 | - |
| Net difference between projected and actual earnings on pension plan investments | 45,150 | - |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 529,996 | 28,379 |
| District contributions subsequent to the measurement date* | 2,324,978 | - |
| Revenues in support of contributions subsequent to the measurement date | - | 1,437,881 |
| **Total** | $ 6,401,232 | $ 1,509,310 |

*The contributions subsequent to the measure date as a reduction of the net pension liability in the following year.

Deferred inflows of resources of $1,437,881 resulting from the pension portion of the State Aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2023.

**NOTE 8. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**

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

| Year Ending | Amount: |
|---|---|
| 2023 | $ 1,181,992 |
| 2024 | 927,265 |
| 2025 | 758,248 |
| 2026 | 1,137,320 |
| | $ 4,004,825 |

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

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

| MPSERS (Plan) Non-university employers | September 30, 2022 | September 30, 2021 |
|---|---|---|
| Total other post employment benefits liability | $ 12,522,713,324 | $ 12,046,393,511 |
| Plan fiduciary net position | 10,404,650,683 | 10,520,015,621 |
| Net other post employment benefits liability | 2,118,062,641 | 1,526,377,890 |
| Proportionate share | 0.05193% | 0.05078% |
| Net other postemployment benefits liability for the District | 1,099,926 | 775,119 |

For the year ended June 30, 2022, the District recognized OPEB benefit of $383,113. At June 30, 2023, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**NOTE 8. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ - | $ 2,154,333 |
| Change of assumptions | 980,399 | 79,830 |
| Net difference between projected and actual earnings on pension plan investments | 85,968 | - |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 177,620 | 34,167 |
| District contributions subsequent to the measurement date* | 355,162 | - |
| **Total** | $ 1,599,149 | $ 2,268,330 |

* The contributions subsequent to the measure date as a reduction of the net OPEB liability in the following year.

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

| Years Ending | Amount: |
|---|---|
| 2023 | $ (377,317) |
| 2024 | (338,184) |
| 2025 | (290,157) |
| 2026 | (12,473) |
| 2027 | (8,838) |
| Thereafter | 2,626 |
| | $ (1,024,343) |

**Actuarial Assumptions**

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

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

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

**Inflation** – 3.0%.

**NOTE 8. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**

**Mortality Assumptions:**

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

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

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

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

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

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

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

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

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

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

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

**NOTE 8. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**

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

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

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

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

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

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

**NOTE 8. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**

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

| 1% Decrease | Current Single Discount Rate Assumption | 1% Increase |
|---|---|---|
| $ 25,407,936 | $ 19,253,855 | $ 14,182,616 |

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

| 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|
| $ 1,845,020 | $ 1,099,926 | $ 472,464 |

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

| 1% Decrease | Current Healthcare Cost Trend Rate | 1% Increase |
|---|---|---|
| $ 460,596 | $ 1,099,926 | $ 1,817,586 |

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

**NOTE 8. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONCLUDED)**

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

**NOTE 9. UNEARNED REVENUE**

Governmental funds report unearned revenue in connection with resources received but not earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

| Description of Unearned Revenue | |
|---|---|
| Section 31a - At Risk | $ 90,058 |
| Section 97 | 119,679 |
| Section 41 | 1,076 |
| Other | 2,534 |
| Total Unearned Revenue | $ 213,347 |

**NOTE 10. TAX ABATEMENTS**

Municipalities within the District's boundaries have entered into property tax abatement agreements with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended. The IFT on a new plant and non-industrial property, such as some high-tech personal property, is computed at 50% of the property tax bill for new property. For rehabilitation properties, the taxable values can be frozen. The properties that have abatements are located in the City of Cassopolis, Penn Township, and Volinia Township. There are no significant abatements made by the District for the year ended June 30, 2023.

**NOTE 11. SINKING FUND EXPENDITURES**

The Sinking Fund records capital project activities funded with Sinking Fund millage. For this fund, the District has complied with the applicable provisions of Section 1212 of the Revised School Code.

**NOTE 12. RISK MANAGEMENT**

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The District has purchased commercial insurance for health claims, workers' compensation and property/casualty claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**NOTE 13. UPCOMING PRONOUNCEMENTS**

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

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

**NOTE 14. CHANGE IN ACCOUNTING PRINCIPLE**

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

**Summary:**

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

There was no material impact on the District's financial statement after the adoption of GASB Statement 96.

**NOTE 15. CALCULATION OF NET INVESTMENT IN CAPITAL ASSETS**

As of June 30, 2023, the calculation of the District's net investment in capital assets in the Statement of Net Position consists of:

| | |
|---|---|
| Capital Assets - nondepreciable | $ 135,970 |
| Capital Assets - depreciable, net | 17,726,119 |
| Less: Long-term debt related to capital assets | (8,088,155) |
| Net investment in capital assets | $ 9,773,934 |

**NOTE 16. SUBSEQUENT EVENTS**

The District has evaluated subsequent events through October 23, 2023, the date the financial statements were available to be issued. No events or transactions, except noted below, occurred during this period which require recognition or disclosure in the financial statements.

The District has approved borrowing $1,773,000 for fiscal year 2024 to replace the note payable as described in Note 4.

# REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE — GENERAL FUND
YEAR ENDED JUNE 30, 2023

| | Budgeted Amounts | | | |
|---|---|---|---|---|
| | Original Budget | Final Amended Budget | Actual Amounts | Variance Financial Budget Positive (Negative) |
| **Revenues** | | | | |
| Local sources | $ 5,499,811 | $ 5,982,301 | $ 5,955,841 | $ (26,460) |
| State sources | 4,436,995 | 4,860,018 | 4,698,028 | (161,990) |
| Federal sources | 1,498,772 | 1,430,890 | 1,420,944 | (9,946) |
| Other sources | 64,480 | 13,791 | - | (13,791) |
| Total Revenues | $ 11,500,058 | $ 12,287,000 | $ 12,074,813 | $ (212,187) |
| **Expenditures** | | | | |
| Instruction | | | | |
| Basic programs | $ 4,675,701 | $ 5,139,132 | $ 5,025,065 | $ 114,067 |
| Added needs | 947,355 | 1,228,787 | 1,313,940 | (85,153) |
| Adult/continuing | 133,295 | 158,929 | 144,462 | 14,467 |
| Supporting services | | | | |
| Pupil | 396,688 | 366,883 | 360,742 | 6,141 |
| Instructional staff | 680,465 | 525,551 | 533,886 | (8,335) |
| General administration | 344,061 | 491,613 | 444,279 | 47,334 |
| School administration | 835,729 | 753,398 | 764,703 | (11,305) |
| Operations and maintenance | 1,559,078 | 1,678,768 | 1,603,436 | 75,332 |
| Transportation | 736,871 | 747,074 | 740,230 | 6,844 |
| Business services | 374,628 | 395,928 | 357,316 | 38,612 |
| Central services | 568,684 | 453,661 | 477,141 | (23,480) |
| Athletics | 334,073 | 347,214 | 368,898 | (21,684) |
| Community services | 400 | 100 | 75 | 25 |
| Debt service | 75,000 | 1,000 | - | 1,000 |
| Total Expenditures | $ 11,662,028 | $ 12,288,038 | $ 12,134,173 | $ 153,865 |
| Excess of Expenditures Over Revenues | $ (161,970) | $ (1,038) | $ (59,360) | $ (58,322) |
| **Other Financing Sources (Uses)** | | | | |
| Operating transfers in | $ 30,000 | $ 30,000 | $ 2,788 | $ (27,212) |
| Total Other Financing Sources (Uses) | $ 30,000 | $ 30,000 | $ 2,788 | $ (27,212) |
| Net Change in Fund Balances | $ (131,970) | $ 28,962 | $ (56,572) | $ (85,534) |
| Fund Balances - Beginning of year | 2,269,774 | 2,269,774 | 2,269,774 | |
| Fund Balances - End of year | $ 2,137,804 | $ 2,298,736 | $ 2,213,202 | |

*The Notes to Required Supplementary Information are an integral part of this statement.*

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
AMOUNTS WERE DETERMINED AS OF THE PLAN YEAR ENDED SEPTEMBER 30TH

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|---|
| District's proportion of net pension liability | 0.05120% | 0.05000% | 0.04865% | 0.04828% | 0.04890% | 0.04838% | 0.04607% | 0.04168% | 0.04902% |
| District's proportionate share of net pension liability | $ 19,253,855 | $ 11,836,539 | $ 16,710,605 | $ 15,987,915 | $ 14,702,159 | $ 12,538,058 | $ 11,492,985 | $ 11,278,762 | $ 10,798,449 |
| District's covered-employee payroll | $ 5,143,647 | $ 4,677,919 | $ 4,506,067 | $ 4,248,883 | $ 4,227,557 | $ 4,153,096 | $ 3,900,665 | $ 3,991,667 | $ 4,180,894 |
| District's proportionate share of net pension liability as a percentage of its covered-employee payroll | 374.32% | 253.03% | 370.85% | 376.29% | 347.77% | 301.90% | 294.64% | 283.56% | 258.28% |
| 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% |

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
AMOUNTS WERE DETERMINED AS OF THE YEAR ENDED JUNE 30TH

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|
| Statutorily required contributions | $ 1,742,473 | $ 1,641,526 | $ 1,479,171 | $ 1,333,772 | $ 1,235,447 | $ 1,363,560 | $ 1,137,263 | $ 1,157,813 | $ 957,025 |
| Contributions in relation to statutorily required contributions | 1,742,473 | 1,641,526 | 1,479,171 | 1,333,772 | 1,235,447 | 1,363,560 | 1,137,263 | 1,157,813 | 957,025 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| District's covered-employee payroll | $ 5,130,068 | $ 4,947,398 | $ 4,634,113 | $ 4,485,135 | $ 4,181,739 | $ 4,255,853 | $ 4,217,970 | $ 3,882,154 | $ 3,953,683 |
| Contributions as a percentage of covered-employee payroll | 33.97% | 33.18% | 31.92% | 29.74% | 29.54% | 32.04% | 26.96% | 29.82% | 24.21% |

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

*The Notes to Required Supplementary Information are an integral part of this statement.*

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
AMOUNTS WERE DETERMINED AS OF THE PLAN YEAR ENDED SEPTEMBER 30TH

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|
| District's proportion of net OPEB liability | 0.05193% | 0.05078% | 0.05036% | 0.04839% | 0.04959% | 0.04838% |
| District's proportionate share of net OPEB liability | $ 1,099,926 | $ 775,119 | $ 2,698,008 | $ 3,473,032 | $ 3,942,050 | $ 4,284,166 |
| District's covered-employee payroll | $ 5,143,647 | $ 4,677,919 | $ 4,506,067 | $ 4,248,883 | $ 4,227,557 | $ 4,153,096 |
| District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll | 21.38% | 16.57% | 59.88% | 81.74% | 93.25% | 103.16% |
| Plan fiduciary net position as a percentage of total OPEB liability | 83.09% | 87.33% | 59.44% | 48.46% | 42.95% | 36.39% |

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

*The Notes to Required Supplementary Information are an integral part of this statement.*

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
AMOUNTS WERE DETERMINED AS OF THE YEAR ENDED JUNE 30TH

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|
| Statutorily required contributions | $ 395,574 | $ 368,160 | $ 388,621 | $ 377,127 | $ 327,734 | $ 295,238 |
| Contributions in relation to statutorily required contributions | 395,574 | 368,160 | 388,621 | 377,127 | 327,734 | 295,238 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - |
| District's covered-employee payroll | $ 5,130,068 | $ 4,947,398 | $ 4,634,113 | $ 4,485,135 | $ 4,181,739 | $ 4,255,853 |
| Contributions as a percentage of covered-employee payroll | 7.71% | 7.44% | 8.39% | 8.41% | 7.84% | 6.94% |

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**NOTE 1- PENSION INFORMATION**

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

Changes of assumptions – the assumption change for 2022 were:

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

**NOTE 2 – OPEB INFORMATION**

Benefit changes – there were no changes of benefit terms in 2022.

Changes of assumptions – the assumption changes for 2022 were:

Discount rate decreased to 6.00% from 6.95%.

**NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Excess of Expenditures Over Appropriations in Budgeted Funds — See previous Budgetary Comparison Schedule for budget variances as they apply to the District.

# OTHER SUPPLEMENTARY

# INFORMATION

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2023

| | Special Revenue Funds | | Debt Service Funds | | |
|---|---|---|---|---|---|
| | Food Service Fund | Student Activity Fund | 2020 Refunding Bond | 2015 Bond | Total Nonmajor Governmental Funds |
| **Assets** | | | | | |
| Cash and cash equivalents | $ 214,039 | $ 179,147 | $ 33,025 | $ 61,761 | $ 487,972 |
| Inventory | 11,711 | - | - | - | 11,711 |
| Due from other funds | - | 4,057 | - | - | 4,057 |
| Due from other governments | 6,125 | - | - | - | 6,125 |
| Total Assets | $ 231,875 | $ 183,204 | $ 33,025 | $ 61,761 | $ 509,865 |
| **Liabilities** | | | | | |
| Accounts payable | $ 1,341 | $ 4,721 | $ - | $ - | $ 6,062 |
| Salaries and benefits payable | 11,034 | - | - | - | 11,034 |
| Due to other funds | 53,430 | - | - | - | 53,430 |
| Unearned revenue | 2,534 | - | - | - | 2,534 |
| Total Liabilities | $ 68,339 | $ 4,721 | $ - | $ - | $ 73,060 |
| **Fund Balances** | | | | | |
| Non-spendable - inventory | $ 11,711 | $ - | $ - | $ - | $ 11,711 |
| Restricted for debt service | - | - | 33,025 | 61,761 | 94,786 |
| Restricted for food service | 151,825 | - | - | - | 151,825 |
| Committed for student activities | - | 178,483 | - | - | 178,483 |
| Total Fund Balances | $ 163,536 | $ 178,483 | $ 33,025 | $ 61,761 | $ 436,805 |
| Total Liabilities and Fund Balances | $ 231,875 | $ 183,204 | $ 33,025 | $ 61,761 | $ 509,865 |

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

| | Special Revenue Funds | | Debt Service Funds | | |
|---|---|---|---|---|---|
| | Food Service Fund | Student Activity Fund | 2020 Refunding Bond | 2015 Bond | Total Nonmajor Governmental Funds |
| **Revenues** | | | | | |
| Local sources | $ 18,341 | $ 177,672 | $ 265,592 | $ 385,184 | $ 846,789 |
| State sources | 25,661 | - | 2,368 | 3,420 | 31,449 |
| Federal sources | 733,628 | - | - | - | 733,628 |
| Total Revenues | $ 777,630 | $ 177,672 | $ 267,960 | $ 388,604 | $ 1,611,866 |
| **Expenditures** | | | | | |
| Food services | $ 892,078 | $ - | $ - | $ - | $ 892,078 |
| Student activities | - | 209,424 | - | - | 209,424 |
| Debt service | | | | | |
| Principal on long-term debt | - | - | 245,000 | 360,000 | 605,000 |
| Interest on long-term debt | - | - | 37,940 | 30,051 | 67,991 |
| Total Expenditures | $ 892,078 | $ 209,424 | $ 282,940 | $ 390,051 | $ 1,774,493 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | $ (114,448) | $ (31,752) | $ (14,980) | $ (1,447) | $ (162,627) |
| **Other Financing Sources (Uses)** | | | | | |
| Operating transfers out | $ (2,788) | $ - | $ - | $ - | $ (2,788) |
| Total Other Financing Sources (Uses) | $ (2,788) | $ - | $ - | $ - | $ (2,788) |
| Net Change in Fund Balances | $ (117,236) | $ (31,752) | $ (14,980) | $ (1,447) | $ (165,415) |
| Fund Balances - Beginning of year | 280,772 | 210,235 | 48,005 | 63,208 | 602,220 |
| Fund Balances - End of year | $ 163,536 | $ 178,483 | $ 33,025 | $ 61,761 | $ 436,805 |

# SINGLE AUDIT INFORMATION

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
## YEAR ENDED JUNE 30, 2023

| Federal Grantor Pass Through Grantor Program Title Grant Number | Grant/Project Number | Federal Assistance Listing Number | Approved Grant Award Amount | (Memo Only) Prior Year Expenditures | Accrued (Deferred) Revenue July 1, 2022 | Federal Funds/ In-Kind Payments | Federal Expenditures | Accrued (Deferred) Revenue June 30, 2023 |
|---|---|---|---|---|---|---|---|---|
| U.S Department of Agriculture | | | | | | | | |
| Passed through the Michigan Department of Education: | | | | | | | | |
| Child Nutrition Cluster | | | | | | | | |
| National School Lunch Program: | | | | | | | | |
| Non-Cash Assistance (Donated Foods) - Entitlement Commodities - 2022/2023 | N/A | 10.555 | $ 43,062 | $ - | $ - | $ 43,062 | $ 43,062 | $ - |
| Non-Cash Assistance (Donated Foods) - Bonus - 2022/2023 | N/A | 10.555 | 4,713 | - | - | 4,713 | 4,713 | - |
| Total Non-Cash Assistance - National School Lunch Program | | | $ 47,775 | $ - | $ - | $ 47,775 | $ 47,775 | $ - |
| Cash Assistance: | | | | | | | | |
| National School Lunch Program | 220910 | 10.555 | $ 40,936 | $ 20,322 | $ - | $ 20,615 | $ 20,615 | $ - |
| National School Lunch Program | 230910 | 10.555 | 12,479 | - | - | 12,479 | 12,479 | - |
| National School Lunch Program | 221960 | 10.555 | 45,518 | - | - | 45,518 | 45,518 | - |
| National School Lunch Program | 231960 | 10.555 | 315,994 | - | - | 315,994 | 315,994 | - |
| Total Cash Assistance - National School Lunch Program | | | $ 414,927 | $ 20,322 | $ - | $ 394,606 | $ 394,606 | $ - |
| Total National Lunch Program | | | $ 462,702 | $ 20,322 | $ - | $ 442,381 | $ 442,381 | $ - |
| School Breakfast Program: | | | | | | | | |
| School Breakfast Program | 221970 | 10.553 | $ 18,876 | $ - | $ - | $ 18,876 | $ 18,876 | $ - |
| School Breakfast Program | 231970 | 10.553 | 136,920 | - | - | 136,920 | 136,920 | - |
| Total School Breakfast Program | | | $ 155,796 | $ - | $ - | $ 155,796 | $ 155,796 | $ - |
| Summer Food Service Program for Children: | | | | | | | | |
| SFSP Operating | 220900 | 10.559 | $ 135,098 | $ 1,889 | $ 1,889 | $ 135,098 | $ 133,209 | $ - |
| SFSP Operating | 230900 | 10.559 | 1,614 | - | - | - | 1,614 | 1,614 |
| Total Summer Food Service Program for Children | | | $ 136,712 | $ 1,889 | $ 1,889 | $ 135,098 | $ 134,823 | $ 1,614 |
| Total Cash Assistance | | | $ 707,435 | $ 22,211 | $ 1,889 | $ 685,500 | $ 685,225 | $ 1,614 |
| Total Child Nutrition Cluster | | | $ 755,210 | $ 22,211 | $ 1,889 | $ 733,275 | $ 733,000 | $ 1,614 |
| Pandemic EBT Local Level Costs | | | | | | | | |
| Pandemic EBT Local Level Costs | 220980 | 10.649 | $ 628 | $ - | $ - | $ 628 | $ 628 | $ - |
| Total Pandemic EBT Local Level Costs | | | $ 628 | $ - | $ - | $ 628 | $ 628 | $ - |
| **Total U.S. Department of Agriculture** | | | **$ 755,838** | **$ 22,211** | **$ 1,889** | **$ 733,903** | **$ 733,628** | **$ 1,614** |

*See accompanying notes to Schedule of Expenditures of Federal Awards.*

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
## YEAR ENDED JUNE 30, 2023

| Federal Grantor Pass Through Grantor Program Title Grant Number | Grant/Project Number | Federal Assistance Listing Number | Approved Grant Award Amount | (Memo Only) Prior Year Expenditures | Accrued (Deferred) Revenue July 1, 2022 | Federal Funds/ In-Kind Payments | Federal Expenditures | Accrued (Deferred) Revenue June 30, 2023 |
|---|---|---|---|---|---|---|---|---|
| U.S. Department of Education | | | | | | | | |
| Passed through Michigan Department of Education | | | | | | | | |
| Adult Education - Basic Grants to States | | | | | | | | |
| Adult Education - Basic Grants to States | 221130 | 84.002 | $ 48,742 | $ 48,742 | $ 48,742 | $ 48,742 | $ - | $ - |
| Adult Education - Basic Grants to States | 221190 | 84.002 | 16,016 | 16,016 | 16,016 | 16,016 | - | - |
| Adult Education - Basic Grants to States | 231130 | 84.002 | 49,785 | - | - | - | 49,785 | 49,785 |
| Adult Education - Basic Grants to States | 231190 | 84.002 | 16,364 | - | - | - | 16,364 | 16,364 |
| Total Adult Education - Basic Grants to States | | | $ 130,907 | $ 64,758 | $ 64,758 | $ 64,758 | $ 66,149 | $ 66,149 |
| Title I, Part A - Grants to Local Educational Agencies | | | | | | | | |
| Title I, Part A 2022 | 221530 | 84.010 | $ 266,394 | $ 255,144 | $ 20,983 | $ 20,983 | $ - | $ - |
| Title I, Part A 2023 | 231530 | 84.010 | 300,170 | - | - | 150,170 | 251,784 | 101,614 |
| Total Title I, Part A | | | $ 566,564 | $ 255,144 | $ 20,983 | $ 171,153 | $ 251,784 | $ 101,614 |
| Title II, Part A - Improving Teacher Quality | | | | | | | | |
| Title II, Part A 2022 | 220520 | 84.367 | $ 89,653 | $ 89,599 | $ 39,689 | $ 39,689 | $ - | $ - |
| Title II, Part A 2023 | 230520 | 84.367 | 42,628 | - | - | 26,024 | 26,333 | 309 |
| Total Title II, Part A | | | $ 132,281 | $ 89,599 | $ 39,689 | $ 65,713 | $ 26,333 | $ 309 |
| Title IV, Part A - Student Support and Academic Enrichment Grant | | | | | | | | |
| Title IV, Part A 2022 | 220750 | 84.424 | $ 18,713 | $ 18,592 | $ 18,592 | $ 18,592 | $ - | $ - |
| Title IV, Part A 2022 | 230750 | 84.424 | 18,985 | - | - | 4,501 | 5,687 | 1,186 |
| Total Title IV, Part A | | | $ 37,698 | $ 18,592 | $ 18,592 | $ 23,093 | $ 5,687 | $ 1,186 |
| Education Stabilization Fund | | | | | | | | |
| COVID -19 - Governor's Emergency Education Relief Fund | | | | | | | | |
| COVID -19 - Governor's Emergency Education Relief Fund (GEER II) 2021 - 2022 | 211202 | 84.425C | $ 7,513 | $ 7,513 | $ 7,513 | $ 7,513 | $ - | $ - |
| Total COVID -19 - Governor's Emergency Education Relief Fund | | | $ 7,513 | $ 7,513 | $ 7,513 | $ 7,513 | $ - | $ - |

*See accompanying notes to Schedule of Expenditures of Federal Awards.*

| Federal Grantor Pass Through Grantor Program Title Grant Number | Grant/Project Number | Federal Assistance Listing Number | Approved Grant Award Amount | (Memo Only) Prior Year Expenditures | Accrued (Deferred) Revenue July 1, 2022 | Federal Funds/ In-Kind Payments | Federal Expenditures | Accrued (Deferred) Revenue June 30, 2023 |
|---|---|---|---|---|---|---|---|---|
| COVID-19 - Elementary and Secondary School Emergency Relief | | | | | | | | |
| COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER II) 2021-2022 | 213712 | 84.425D | $ 808,941 | $ 431,446 | $ 266,239 | $ 603,734 | $ 377,495 | $ 40,000 |
| COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER II) 2022-2023 | 213782 | 84.425D | 45,993 | - | - | 190 | 9,174 | 8,984 |
| Total COVID 19 - Elementary and Secondary School Emergency Relief Fund (ESSER II) | | | $ 854,934 | $ 431,446 | $ 266,239 | $ 603,924 | $ 386,669 | $ 48,984 |
| Passed through Michigan Department of Education | | | | | | | | |
| COVID-19 - Elementary and Secondary School Emergency Relief Funds (ESSER III Formula Funds) | 213713 | 84.425U | $ 1,818,060 | $ 218,723 | $ 114,755 | $ 696,092 | $ 628,095 | $ 46,758 |
| Total Education Stabilization Fund | | | $ 2,680,507 | $ 657,682 | $ 388,507 | $ 1,307,529 | $ 1,014,764 | $ 95,742 |
| **Total U.S. Department of Education** | | | **$ 3,547,957** | **$ 1,085,775** | **$ 532,529** | **$ 1,632,246** | **$ 1,364,717** | **$ 265,000** |
| U.S. Department of Health and Human Services | | | | | | | | |
| Passed through the Hertiage Southwest Intermediate School District | | | | | | | | |
| Medicaid Cluster | | | | | | | | |
| Medicaid Outreach - 2022-2023 | N/A | 93.778 | $ 4,715 | $ - | $ - | $ 2,516 | $ 4,715 | $ 2,199 |
| Total Medicaid Cluster | | | $ 4,715 | $ - | $ - | $ 2,516 | $ 4,715 | $ - |
| COVID -19 Epidemiology and Laboratory Capacity for Infectious Diseases | | | | | | | | |
| COVID -19 Epidemiology and Laboratory Capacity for Infectious Diseases | N/A | 93.323 | $ 18,312 | $ - | $ - | $ 18,312 | $ 18,312 | $ - |
| Total COVID -19 Epidemiology and Laboratory Capacity for Infectious Diseases | | | $ 18,312 | $ - | $ - | $ 18,312 | $ 18,312 | $ - |
| **Total U.S. Department of Health and Human Services** | | | **$ 23,027** | **$ -** | **$ -** | **$ 20,828** | **$ 23,027** | **$ -** |
| Federal Communications Commission | | | | | | | | |
| Passed through the Hertiage Southwest Intermediate School District/Copper County ISD | | | | | | | | |
| COVID-19 Emergency Connectivity Funding | N/A | 93.778 | $ 33,200 | $ - | $ - | $ 33,200 | $ 33,200 | $ - |
| **Total Federal Financial Assistance** | | | **$ 4,360,022** | **$ 1,107,986** | **$ 534,418** | **$ 2,420,177** | **$ 2,154,572** | **$ 266,614** |

*See accompanying notes to Schedule of Expenditures of Federal Awards.*

**SECTION I –SUMMARY OF AUDITORS RESULTS**

| | | |
|---|---|---|
| Type of auditors report issued based on financial statements prepared in accordance with generally accepted accounting principles: | *Unmodified* | |
| Internal control over financial reporting: | | |
| Material weakness(es) identified? | [ ] Yes | [X] No |
| Significant deficiency(ies) identified that are not considered to be material weakness(es)? | [ ] Yes | [X] None reported |
| Noncompliance material to financial statements noted? | [ ] Yes | [X] No |
| ***Federal Awards*** | | |
| Internal control over major programs: | | |
| Material weakness(es) identified? | [ ] Yes | [X] No |
| Significant deficiency(ies) identified that are not considered to be material weakness(es)? | [ ] Yes | [X] None reported |
| Type of auditors report issued on compliance for major programs: | *Unmodified* | |
| Any audit findings disclosed that are required to be reported in accordance with Section 2 CRF 200.516 (a)? | [ ] Yes | [X] No |

Identification of major programs:

| Federal Assistance Listing Number(s) | Name of Federal Program or Cluster |
|---|---|
| 84.425D & 84.425U | Education Stablization Fund - Elementary and Secondary School Emergency Relief Fund (ESSER II) and (ESSER III) |

| | | |
|---|---|---|
| Dollar threshold used to distinguish between type A and type B programs: | $750,000 | |
| Auditee qualified as low-risk auditee? | [ ] Yes | [X] No |

## SECTION II – STATUS OF PRIOR YEAR FINDINGS

**Finding 2022-001 – Material Journal Entries Proposed by Auditors**

**Finding Type** – Material weakness in internal controls (*Uniform Guidance*).

**Criteria** – Auditing standards emphasize that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position and results of operations, including the notes to the financial statements, in conformity with U.S. generally accepted accounting principles.

**Condition** – Material journal entries for the proper recognition of cash, accounts receivable, due from other governmental units, notes payable, grant revenues and related expenditures were proposed by the auditors. These misstatements were not detected by the District's internal control over financial reporting. These entries were brought to the attention of management and were subsequently recorded in the District's general ledger.

**Cause and Effect** – Management did not properly identify the misstatements and record the necessary adjustments. The District's financial reports contained material misstatements that were not otherwise identified by management.

**Recommendation** – We recommend that the District take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

**Views of the Responsible Officials and Planned Corrective Actions** – The District concurs with the facts of this finding and is implementing procedures to prevent this in the future.

**Status of Comment** – As of June 30, 2023, the District implemented procedures to ensure material journal entries did not occur again.

## SECTION III – FINANCIAL STATEMENT FINDINGS

There are no current year financial statement findings.

## SECTION IV – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no current year federal award findings and questioned costs.

**NOTE 1. BASIS OF PRESENTATION**

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

The District did not qualify for low-risk status for the year ended June 30, 2023. Management has utilized the NexSys, Cash Management System and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principals contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein *certain* types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Passthrough entity identifying numbers are presented where available.

**NOTE 3. FOOD DISTRIBUTION**

The amounts reported on the Recipient Entitlement Balance Report ("PAL report"), agree with this schedule for USDA donated food commodities and are reported in the Federal Funds/In-Kind Payments column. Spoilage or pilferage, if any, is included in expenditures.

**NOTE 4. SCHEDULE OF RECONCILIATION OF EXPENDITURES WITH EXPENDITURES FOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

The actual Federal source expenditures amounted to $2,154,572 per the audit of the financial statements. The related expenditures are composed of the following:

| | Amount |
|---|---|
| Actual cash expenditures | $ 2,106,797 |
| Entitlement commodities used | 43,062 |
| Entitlement bonus commodities used | 4,713 |
| | $ 2,154,572 |

**NOTE 4. SCHEDULE OF RECONCILIATION OF EXPENDITURES WITH EXPENDITURES FOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS (CONCLUDED)**

The actual Federal source revenues amounts to $2,384,316 per the audit of the financial statements. The related revenues are composed of the following:

| | |
|---|---|
| Financial Statement Reporting Units: | |
| General Fund | $ 1,420,944 |
| 2010 Series A Bond | 229,744 |
| Nonmajor governmental funds | 733,628 |
| Total Federal Revenues | $ 2,384,316 |
| Less Federal subsidies which are not subject to the Single Audit Act | (229,744) |
| Total Uniform Guidance regulated Federal Expenditures | $ 2,154,572 |

**NOTE 5. INDIRECT COSTS**

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

**NOTE 6. PASS-THROUGH SUBRECIPIENTS**

The District did not pass-through any federal award dollars to any subrecipients.

# MANAGEMENT COMPLIANCE LETTERS

KRUGGEL LAWTON CPA

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Education of
Cassopolis Public Schools
Cassopolis, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 Cassopolis Public Schools, (the "District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 23, 2023.

**<u>Report on Internal Control Over Financial Reporting</u>**

In planning and performing our audit of the financial statements, we considered the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

**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,* Concluded**

**Report on Compliance and Other Matters**

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

**Purpose of This Report**

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

Respectfully submitted,

Kruggel, Lawton & Company, LLC

Certified Public Accountants

St. Joseph, Michigan
October 23, 2023

KRUGGEL LAWTON CPA

**Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance**

To the Board of Education of
Cassopolis Public Schools
Cassopolis, Michigan

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Cassopolis Public Schools' (the "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 District's major federal programs for the year ended June 30, 2023. The 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, the District's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program***

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

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

***Responsibilities of Management for Compliance***

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

**Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance, Continued**

***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 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 District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain 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 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 District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the 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.

## Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance, Concluded

**Report on Internal Control Over Compliance**

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

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

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

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

Respectfully submitted,

Kruggel, Lawton & Company, LLC

Certified Public Accountants

St. Joseph, Michigan
October 23, 2023