

SWAN VALLEY SCHOOL DISTRICT
Saginaw, Michigan

FINANCIAL STATEMENTS
June 30, 2023



Gardner | Provenzano
Thomas & Luplow

CERTIFIED PUBLIC ACCOUNTANTS

SWAN VALLEY SCHOOL DISTRICT
SAGINAW, MICHIGAN
JUNE 30, 2023

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Frederick C. Gardner
Giacamo Provenzano
Heather A. Thomas
Brett A. Luplow

INDEPENDENT AUDITOR'S REPORT

October 16, 2023

To the Board of Education
Swan Valley School District
Saginaw, Michigan

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of Swan Valley School 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 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 remaining fund information of Swan Valley School district as of June 30, 2023 and the respective changes in financial position for the year then ended, in conformity 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 Swan Valley School District and to meet out 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.

Change in Accounting Principle

As discussed in Note 12 to the financial statements, in 2023 the District adopted GASB Statement No. 96, *Subscription-based IT Arrangements*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of 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 Swan Valley School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, 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 Swan Valley School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Swan Valley School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Swan Valley School 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 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.

To the Board of Education
Swan Valley School District
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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2023, on our consideration of Swan Valley School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Swan Valley School District's internal control over financial reporting and compliance.

Gardner, Prorogono, Thomas & Duplow, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSIONS AND ANALYSIS

SWAN VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section of Swan Valley School District's annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2023. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Swan Valley School District financially as a whole.

Government Wide Financial Statements

One of the most important questions asked about the School District is, "What is the School District's financial condition as a result of the year's activities?" The Government Wide financial statements provide a perspective of the School District as a whole. These statements are prepared using the full accrual basis of accounting, which is similar to the accounting used by private sector companies. There are two Government Wide statements: The Statement of Net Position and the Statement of Activities.

The Government Wide Statement of Net Position combines all of the governmental funds' current financial resources with capital assets and long-term obligations, regardless of whether or not they are currently available. Increases or decreases in the School District's net position are indicators of its financial health.

The relationship between revenues and expenses is accounted for in the Government Wide Statement of Activities. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The purpose of this statement is to summarize and simplify the user's analysis of the costs of district programs and services.

The two statements, when analyzed together help the reader determine whether the School District's financial position has improved or deteriorated compared to the previous year. However, the School District's goal is to provide services to our students, not to generate or accumulate profits. One must consider many other nonfinancial factors, such as quality of the education, and the safety of the schools, to assess the overall performance of the School District.

SWAN VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Fund Financial Statements

The District's operations are reported in more detail in the fund financial statements. Some funds are required to be established by State law and by bond covenants. The fund level statements are reported on a modified accrual basis, which means only those assets that are measurable and currently available are reported. Liabilities are recognized to the extent they will be paid with current resources. The School District's funds include the General Fund, the Debt Service Fund, the Food Service Fund, the Capital Projects Sinking Fund, the Capital Projects Building and Site Fund, and the Student Activity Fund.

The School District as a Whole

The table below provides a summary of the School District's net position as of June 30, 2023, and 2022:

Summary Statement of Net Position

	Governmental Activities	
	2023	2022
Assets		
Current Assets	\$ 26,903,355	\$ 24,693,872
Capital Assets Less Accumulated Depreciation	23,525,645	16,867,195
Total Assets	<u>50,429,000</u>	<u>41,561,067</u>
Deferred Outflows of Resources	<u>11,371,191</u>	<u>5,205,477</u>
Liabilities		
Current Liabilities	5,117,196	5,344,467
Long-Term Liabilities	69,678,144	48,219,580
Total Liabilities	<u>74,795,340</u>	<u>53,564,047</u>
Deferred Inflows of Resources	<u>4,654,301</u>	<u>13,178,401</u>
Net Position		
Invested in Capital Assets Net of Related Debt	(5,254,355)	(6,422,805)
Restricted for Debt Service	513,302	601,456
Restricted for Capital Projects	15,537,312	15,057,201
Unrestricted	(28,445,709)	(29,211,756)
Total Net Position	<u>\$ (17,649,450)</u>	<u>\$ (19,975,904)</u>

SWAN VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The School District as a Whole (continued)

Unrestricted net position is similar but not identical to fund balance. Reserves for debt payments, food service, and capital projects within the fund balance are treated as restricted because they are not available for general operations. The net position of the District increased by \$2,326,454 during the 2022-2023 year and increased by \$3,332,140 during the 2021-2022 year. The variance between the two years of \$1,005,686, is due to many factors. Revenue was \$3,203,230 higher than the previous year and expenses were \$4,208,916 higher than the previous year.

	Governmental Activities	
	2023	2022
Revenue		
Program Revenue		
Charges for Services	\$ 962,622	\$ 523,326
Grants and contributions	6,437,264	5,264,560
General revenue		
Property taxes	4,333,095	4,186,948
State aid	14,764,540	13,970,013
Other	1,334,837	684,281
Total Revenue	27,832,358	24,629,128
Functions/Programs		
Instruction	12,893,621	11,563,683
Support services	7,524,063	6,221,599
Pupil activities	453,348	413,548
Community services	640,985	579,517
Food services	928,069	-
Student/school activity	583,843	514,902
Interest on long-term debt	1,153,402	732,604
Depreciation (unallocated)	1,328,573	1,271,135
Total Expenses	25,505,904	21,296,988
Increase (Decrease) in Net Position	\$ 2,326,454	\$ 3,332,140

Summary of Fund Balance

In 2022-2023, the District's general fund, which is the primary operating fund, increased by \$1,824,638 as compared to an increase of \$888,527 in the prior year. The District attributes this savings to the continuation of Federal COVID funding, decrease in special education costs due to the passing of a countywide special education millage and cost control in many departments.

SWAN VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The debt service fund balance decreased by \$88,154 compared to a increase of \$210,997 in the prior year due to an increase in the principal payments for existing debt.

Summary of Fund Balance (continued)

The capital projects sinking fund balance increased by \$188,992 compared to a decrease of \$100,352 in the prior year, which the District does not consider significant since money will be carried over for future use.

The student/school activity fund ended the year with a fund balance of \$366,997 compared to \$351,838 in the prior year.

The building and site fund began in 2021-2022 as qualified electors of the District voted in favor of bonding. The building and site fund ended the fiscal year with \$15,162,637 in fund balance compared to \$14,871,518 due to receipt of the second series of bond proceeds during the 2022-23 fiscal year.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the general fund original budget were as follows:

Budgeted revenues from the original to final budget were increased by \$2,226,650. State revenue was increased by \$1,776,886 due to an increase in students over what was projected, and several state grants being awarded during the school year. Federal revenue budgets increased by \$426,393 which was due to the many COVID grants available to the District.

Budgeted expenditures were increased by \$1,298,653. Basic programs was increased by \$803,709 primarily due to the addition of grant funds used to purchase supplies, technology, textbooks, and a one-time increase in MPSERS retirement expense.

The added needs budget was decreased by \$485,242 due to existing programs be paid for by the Saginaw Intermediate school district from the recently passed countywide special education millage.

The operations and maintenance budget was also increased by \$480,675 due to increased cost of utilities, supplies, and a one-time increase in MPSERS retirement expense.

SWAN VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Actual revenues in all areas exceeded final budget amounts with a total variance of 1.84%. Expenditures across the board were under budget due to variances in many accounts with major savings in the areas of basic programs, added needs, and operations and maintenance.

Debt

At the end of this year, the School District had \$28,780,000 in general obligation bonds outstanding versus \$23,290,000 in the previous year. During the 2023 fiscal year, the District received proceeds of the 2022 School Building and Site Bonds in the amount of \$7,120,000. In addition, the 2013 bonds were refunded resulting in a new balance of \$6,980,000.

Other long-term obligations at June 30, 2023, include employee-compensated absences for \$653,276 which is an increase of \$87,388 from the prior year. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Capital Assets

As of June 30, 2023 and 2022, the District had \$23,525,645 and \$16,867,195 invested in a broad range of capital assets including land, buildings, vehicles and equipment.

	<u>2023</u>	<u>2022</u>
Land	\$ 10,000	\$ 10,000
Construction in progress	9,524,142	2,035,911
Buildings	46,492,138	46,514,568
Buses and other vehicles	1,648,133	1,330,559
Equipment and furniture	2,068,304	4,188,308
Subtotal	<u>59,742,717</u>	<u>54,079,346</u>
Less accumulated depreciation	<u>36,217,072</u>	<u>37,212,151</u>
Net Capital Assets	<u>\$23,525,645</u>	<u>\$16,867,195</u>

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's budgets. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended student count for state aid purposes will be based on a 90/10 split – 90% of the fall 2023 student count and 10% of the spring 2023 student count. State law requires the School District to amend the budget if actual revenues will vary significantly from those originally appropriated.

SWAN VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. For the 2023-24 school year, the District budgeted a \$458 per pupil increase in foundation allowance. In July 2023, the Governor signed the school aid budget increasing the per pupil foundation allowance to \$9,608 or a \$458 increase per pupil for the District. The District will amend the budget after the October student count has taken place.

Requests for Information

This financial report is designed to provide the School District's citizens, taxpayers, parents, students, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. Questions concerning this report should be addressed to Director of Finance, Swan Valley Schools, 8380 O'Hern Road, Saginaw, Michigan 48609.

BASIC FINANCIAL STATEMENTS

SWAN VALLEY SCHOOL DISTRICT
District Wide
Statement of Net Position
June 30, 2023

	Governmental Activities
ASSETS	
Cash	\$ 22,779,313
Due from other governments	3,902,226
Receivables	37,344
Prepaid expenses	184,472
Capital assets less accumulated depreciation	23,525,645
Total Assets	<u>50,429,000</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pension	8,676,097
Deferred outflows - OPEB	2,695,094
Total Deferred Outflows of Resources	<u>11,371,191</u>
LIABILITIES	
Accounts payable	1,688,293
Accrued liabilities	383,367
Salaries payable	1,062,746
Revenue anticipation note	218,132
Unearned revenue	559,658
Long-term liabilities	
Bonds payable, due within one year	1,205,000
Bonds payable, due in more than one year	27,575,000
Premium on long-term debt	3,611,828
Compensated absences, due in more than one year	653,276
Net pension liability	35,824,464
Net OPEB liability	2,013,576
Total Liabilities	<u>74,795,340</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pension	378,587
Deferred inflows - OPEB	4,275,714
Total Deferred Inflows of Resources	<u>4,654,301</u>
NET POSITION	
Invested in capital assets net of related debt	(5,254,355)
Restricted for debt service	513,302
Restricted for capital projects	15,537,312
Unrestricted	(28,445,709)
Total Net Position	<u>\$ (17,649,450)</u>

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

SWAN VALLEY SCHOOL DISTRICT
District Wide
Statement of Activities
For the Year Ended June 30, 2023

	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs				
Instruction	\$ 12,893,621	\$ 8,150	\$ 4,470,761	\$ (8,414,710)
Support services	7,524,063	-	1,245,092	(6,278,971)
Pupil activities	453,348	100,122	-	(353,226)
Community services	640,985	492,346	244,981	96,342
Food services	928,069	362,004	476,430	(89,635)
Student/school activity	583,843	-	-	(583,843)
Interest & misc. expense on long-term debt	1,153,402	-	-	(1,153,402)
Depreciation (unallocated)	1,328,573	-	-	(1,328,573)
Totals	<u>\$ 25,505,904</u>	<u>\$ 962,622</u>	<u>\$ 6,437,264</u>	<u>(18,106,018)</u>
General revenues:				
Taxes:				
Property taxes levied for general purposes				1,510,983
Property taxes levied for debt service				2,325,915
Property taxes levied for capital projects				496,197
State aid - unrestricted				14,764,540
Interest				567,568
Other				767,269
Total General Revenues				<u>20,432,472</u>
Change in Net Position				2,326,454
Net Position - Beginning of Year				(19,975,904)
Net Position - End of Year				<u>\$ (17,649,450)</u>

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

SWAN VALLEY SCHOOL DISTRICT
Governmental Funds Balance Sheet
June 30, 2023

	General	Debt Service	Non-Major Food Service	Non-Major Student/ School Activity	Non-Major Sinking Fund Capital Projects	Building and Site Capital Projects	Totals
<u>Assets</u>							
Cash	\$ 5,344,001	\$ 513,302	\$ 227,720	\$ 366,997	\$ 374,675	\$ 15,952,618	\$ 22,779,313
Due from other governments	3,902,226	-	-	-	-	-	3,902,226
Accounts receivable	37,344	-	-	-	-	-	37,344
Due from other funds	172,504	-	-	-	-	-	172,504
Prepaid expenditures	184,472	-	-	-	-	-	184,472
Total Assets	<u>\$ 9,640,547</u>	<u>\$ 513,302</u>	<u>\$ 227,720</u>	<u>\$ 366,997</u>	<u>\$ 374,675</u>	<u>\$ 15,952,618</u>	<u>\$ 27,075,859</u>
<u>Liabilities</u>							
Accounts payable	\$ 860,003	\$ -	\$ 38,309	\$ -	\$ -	\$ 789,981	\$ 1,688,293
Revenue anticipation note	218,132	-	-	-	-	-	218,132
Salaries payable	1,061,746	-	1,000	-	-	-	1,062,746
Unearned revenue	543,843	-	15,815	-	-	-	559,658
Accrued expenditures	383,275	-	92	-	-	-	383,367
Due to other funds	-	-	172,504	-	-	-	172,504
Total Liabilities	<u>3,066,999</u>	<u>-</u>	<u>227,720</u>	<u>-</u>	<u>-</u>	<u>789,981</u>	<u>4,084,700</u>
<u>Fund Balances</u>							
Restricted for debt retirement	-	513,302	-	-	-	-	513,302
Restricted for capital projects	-	-	-	-	374,675	15,162,637	15,537,312
Non-spendable for prepaids	184,472	-	-	-	-	-	184,472
Committed	-	-	-	366,997	-	-	366,997
Assigned	47,682	-	-	-	-	-	47,682
Unassigned	6,341,394	-	-	-	-	-	6,341,394
Total Fund Balance	<u>6,573,548</u>	<u>513,302</u>	<u>-</u>	<u>366,997</u>	<u>374,675</u>	<u>15,162,637</u>	<u>22,991,159</u>
Total Liabilities and Fund Balances	<u>\$ 9,640,547</u>	<u>\$ 513,302</u>	<u>\$ 227,720</u>	<u>\$ 366,997</u>	<u>\$ 374,675</u>	<u>\$ 15,952,618</u>	<u>\$ 27,075,859</u>

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

SWAN VALLEY SCHOOL DISTRICT
Reconciliation of Balance Sheet of Governmental Funds To Statement of Net Position
June 30, 2023

Total Fund Balances - Governmental Funds	\$ 22,991,159
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Amounts reported for governmental activities in the statement
of net position are different because:

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

The cost of the capital assets is	59,742,717
Accumulated depreciation is	(36,217,072)

Deferred outflows, inflows related to the pension plan are not
financial uses (resources) and are not reported in the funds:

Deferred outflows - pension	8,676,097
Deferred outflows - OPEB	2,695,094
Deferred inflows - pension	(378,587)
Deferred inflows - OPEB	(4,275,714)

Long-term liabilities are not due and payable in the current period
and are not reported in the funds:

Bonds payable	(28,780,000)
Premium on long-term debt	(3,611,828)
Compensated absences	(653,276)
Net pension liability	(35,824,464)
Net OPEB liability	(2,013,576)

Total Net Position - Governmental Activities (District Wide)	<u>\$ (17,649,450)</u>
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The accompanying notes are an integral part of these financial statements.

SWAN VALLEY SCHOOL DISTRICT
Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2023

	General	Debt Service	Non-Major Food Service	Non-Major Student/ School Activity	Non-Major Sinking Fund Capital Projects	Building and Site Capital Projects	Totals
Revenue							
Local	\$ 2,187,614	\$ 2,329,888	\$ 372,390	\$ 599,002	\$ 498,767	\$ 556,647	\$ 6,544,308
State	19,000,610	443	-	-	-	-	19,001,053
Federal	1,529,400	-	510,117	-	-	-	2,039,517
Interdistrict and other sources	247,480	-	-	-	-	-	247,480
Total Revenue	<u>22,965,104</u>	<u>2,330,331</u>	<u>882,507</u>	<u>599,002</u>	<u>498,767</u>	<u>556,647</u>	<u>27,832,358</u>
Expenditures							
Current:							
Instruction							
Basic programs	10,662,280	-	-	-	-	-	10,662,280
Added needs	2,279,155	-	-	-	-	-	2,279,155
Adult and continuing	38,667	-	-	-	-	-	38,667
Support services							
Pupil	793,589	-	-	-	-	-	793,589
Instructional staff	574,555	-	-	-	-	-	574,555
General administration	391,851	-	-	-	-	-	391,851
School administration	1,295,137	-	-	-	-	-	1,295,137
Business	429,848	-	-	-	-	-	429,848
Operation and maintenance	2,311,120	-	-	-	-	-	2,311,120
Pupil transportation services	813,167	-	-	-	-	-	813,167
Central services	396,174	-	-	-	-	-	396,174
Pupil activities	455,623	-	-	-	-	-	455,623
Food Service	-	-	937,485	-	-	-	937,485
Community services	644,322	-	-	-	-	-	644,322
Debt Service							
Principal	-	8,610,000	-	-	-	-	8,610,000
Interest	-	1,005,885	-	-	-	-	1,005,885
Student/school activities	-	-	-	583,843	-	-	583,843
Facilities Acquisitions	-	-	-	-	309,775	8,182,812	8,492,587
Other	-	250,303	-	-	-	109,864	360,167
Total Expenditures	<u>21,085,488</u>	<u>9,866,188</u>	<u>937,485</u>	<u>583,843</u>	<u>309,775</u>	<u>8,292,676</u>	<u>41,075,455</u>
Excess (Deficiency) of							
Revenues Over Expenditures	1,879,616	(7,535,857)	(54,978)	15,159	188,992	(7,736,029)	(13,243,097)
Other Financing Sources (Uses)							
Bond proceeds	-	7,447,703	-	-	-	8,027,148	15,474,851
Transfers in (out)	(54,978)	-	54,978	-	-	-	-
Total Sources (Uses)	<u>(54,978)</u>	<u>7,447,703</u>	<u>54,978</u>	<u>-</u>	<u>-</u>	<u>8,027,148</u>	<u>15,474,851</u>
Net Change in Fund Balances	1,824,638	(88,154)	-	15,159	188,992	291,119	2,231,754
Fund Balances - Beginning of Year	4,748,910	601,456	-	351,838	185,683	14,871,518	20,759,405
Fund Balances - End of Year	<u>\$ 6,573,548</u>	<u>\$ 513,302</u>	<u>\$ -</u>	<u>\$ 366,997</u>	<u>\$ 374,675</u>	<u>\$ 15,162,637</u>	<u>\$ 22,991,159</u>

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

SWAN VALLEY SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2023

Net Change in Fund Balances - Governmental Funds	\$ 2,231,754
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures; in the statement of activities, these costs are capitalized and depreciated over their estimated useful lives.

Depreciation expense	(1,328,573)
Capital outlay	7,987,023

The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes financial resources of governmental funds. Neither transaction has any effect on net position.

Proceeds from the issuance of long-term debt	(14,100,000)
Repayment of bond principal	8,610,000
Premium on long-term bonds	(1,374,851)
Amortization of premium on long-term bonds	212,650

In the statement of activities, certain expenses (retirement incentives, compensated absences) are measured by the net amounts earned during the year. The governmental funds measure the financial resources used.

Compensated absences	(87,388)
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Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Net pension and OPEB expense	175,839
Change in Net Position of Governmental Activities (District Wide)	\$ 2,326,454

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

SWAN VALLEY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies

The Swan Valley School District (the "School District") operates under an elected Board of Education and provides educational services to approximately 1,783 students. The School District's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. The more significant accounting policies relating to GAAP and used by the School District are discussed below.

A. Reporting Entity

The accompanying financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational and financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

B. Basic Financial Statements – District-Wide Statements

The statement of net position and the statement of activities display information about the School District as a whole. The purpose of these statements is to distinguish between activities that are governmental and those that are considered business-type activities. Currently, all activities of the School District are considered to be governmental.

The district-wide statements are prepared using the economic resources measurement focus and the full accrual basis of accounting. This basis is different from the manner in which the governmental fund financial statements are prepared. Therefore, reconciliation is included to identify the relationship between the district-wide statements and the statements for the governmental funds.

The district-wide statement of activities presents a comparison between program expenses and program revenues, revenues that are not classified as direct program revenues are presented as general revenues. The comparison of program expenses and revenues identifies the extent to which each program is self-financing or draws resources from the School District.

The district-wide approach is focused more on the sustainability of the School District as an entity and the change in the District's net position from the current year's activities.

SWAN VALLEY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

C. Basic Financial Statements – Fund Financial Statements

The accounts of the School District are organized on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following fund types are used by the School District:

Governmental Funds

The governmental fund statements are prepared using the current resources measurement focus and the modified accrual basis of accounting. The fund approach is focused on the currently available resources and changes in the currently available resources of the District.

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

Debt Service Funds are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

Capital Project Funds are used to account for financial resources to be used for the acquisition or improvements of major capital facilities.

Special Revenue Funds account for revenue sources that are restricted for specific purposes. The District accounts for its food service and student/school activities in special revenue funds.

The emphasis in fund financial statements is on the major funds. The School District has opted to display information for all funds without regard to the criteria for determination of major funds. The general fund, debt service fund, and the building and site fund are considered major. The food service, student/school activity fund and the sinking fund are not considered major funds.

D. Basis of Accounting

Basis of accounting refers to the point at which expenditures/expenses or revenues are recognized in the accounts and reported in the financial statements.

Full Accrual

The full accrual basis of accounting requires recognition of revenues when earned and expenses when incurred.

SWAN VALLEY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

Modified Accrual

The modified accrual basis recognizes revenues when they are measurable and available, available means collectible with the current period or within 60 days after year-end. Expenditures are still recognized when incurred, however, principal and interest on long-term debt is recognized when due.

The most significant difference between the full accrual basis of accounting and the modified accrual basis of accounting is the way in which capital assets and long-term debt are recognized. The full accrual basis of accounting recognizes purchases of capital assets as an asset and long-term debt proceeds as a liability (similar to a for-profit business). The modified accrual basis of accounting recognizes the purchase of capital assets as expenditures and long-term debt proceeds as other revenue sources.

E. Financial Statement Amounts

Cash

Cash includes cash on hand, demand deposits, and time deposits (savings or certificates of deposit).

Receivables

Receivables consist of all revenues earned at year-end but not yet received.

Capital Assets and Depreciation

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized.

Other costs incurred for repairs and maintenance are expensed as incurred. The School District does not possess infrastructure type assets. Depreciation on all assets is provided on the straight-line method over the following estimated useful lives:

Buildings	50 years
Building improvements	25 years
Buses and other vehicles	8 years
Furniture and equipment	5-20 years

Accounts Payable

Accounts payable consist of items from which the District benefited during the current fiscal year but has not yet paid.

SWAN VALLEY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

Accrued Liabilities

Accrued liabilities consist of items related to salaries payable, specifically the District's portion of FICA and Medicare taxes, retirement contributions and health care premiums.

Salaries Payable

Salaries payable consist of amounts due on employee's contracts that are due and payable for the current fiscal year.

Revenue Anticipation Note

The revenue anticipation note relates to short-term borrowings for cash flow purposes.

Unearned Revenue

Unearned revenue represents amounts for which the District has received or is due to receive but has not yet earned. Unearned revenue is usually caused by the receipt of grant program revenues in excess of expenses/expenditures related to the grant. The unearned revenues are deferred until the proceeds have been fully expensed/expended at which time they will be reclassified to earned revenues.

Long-Term Liabilities

Bonds payable are the result of long-term obligations issued for the purpose of making capital purchases and improvements or the refinancing of previously issued obligations. Compensated absences represent accumulated unpaid vacation and sick leave as earned by employees. The accumulated benefit is payable to the employee upon termination of employment. No portion of the compensated absence is believed to be current at year-end.

Inter-fund Activity

Inter-fund activity is reported as loans, reimbursements, or transfers. Loans are reported as inter-fund receivables and payables and are eliminated upon consolidation.

SWAN VALLEY SCHOOL DISTRICT NOTES TO THE FINANCIAL STATEMENTS

Fund Balance

The fund financial statements report the following components of fund balance:

- Nonspendable – Amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- Restricted – Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.
- Committed – Amounts that have been formally set aside by the Board for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Board.
- Assigned – Intent to spend resources on specific purposes expressed by the Board.
- Unassigned – Amounts that are available for any purpose.

As of June 30, 2023, the student/school activity fund had a committed fund balance of \$366,997. The debt service fund, sinking fund and building and site fund has restricted fund balances of \$513,302, \$374,675, and \$15,162,637. The general fund had \$47,682 in assigned fund balance for the 2023-2024 budget shortfall.

Net position flow assumption

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

Fund balance flow assumptions

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

SWAN VALLEY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. A deferred outflow is recognized for pension and OPEB contributions made after the plan's measurement date, but before the fiscal year end. The amount is amortized in the plan year in which it applies. In addition, deferred outflows are recognized for other pension items.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Future resources yet to be recognized in relation to the pension and OPEB actuarial valuations are recognized as deferred inflows. These future resources arise from the differences in the estimates used by the actuary to calculate the pension and OPEB liability and the actual results. The amounts are amortized over a period determined by the actuary.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including October 16, 2023, which is the date the financial statements were available to be issued.

F. Defined Benefit Plans

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

SWAN VALLEY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

G. Post-Retirement Benefits Other Than Pension

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

NOTE 2--Stewardship, Compliance, and Accountability

The School District is required to adopt an annual budget before the beginning of the fiscal year for the General Fund. The accounting basis of the budget is the modified accrual method. Following are the procedures used in establishing the budgetary data reflected in the financial statements:

1. The District's Superintendent submits to the Board of Education a proposed budget by July 1 of each year. The budget includes proposed expenditures and the means to finance them.
2. A public hearing is conducted to obtain taxpayer comments.
3. The Superintendent is authorized to transfer budgeted amounts within functional expenditure lines as approved by the Board; however, any revisions that alter functional expenditure lines of any fund must be approved by the Board of Education.
4. Budgeted amounts shown in the supplemental information reflect amendments through June 30.

The budgetary comparison 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. Expenditures in excess of amounts budgeted are a violation of Michigan law.

SWAN VALLEY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3--Deposits and Investments

The School District is authorized, by the State of Michigan, to deposit its funds in banks, savings and loan associations, or credit unions having a principal office in Michigan.

The District is also authorized to invest in the following:

- a. Direct bonds and obligations of the U.S. or agency or instrumentality,
- b. CDs, savings accounts with banks, savings and loan associations, or credit unions which are insured with the applicable federal agency,
- c. Commercial paper – within three highest rate classifications by at least two rating services, maturing not later than 270 days,
- d. U.S. or agency repurchase agreements,
- e. Banker's acceptance of U.S. banks,
- f. Mutual funds – investments which local unit can make directly.

As of year-end, the carrying amount of the District's deposits was \$22,779,313 and the bank balance was \$23,578,031. Of the bank balance, \$16,406,367 was covered by federal depository insurance and \$7,171,664. was uninsured and un-collateralized.

It is the policy of the Board to invest surplus funds of the District. The District held no investments at June 30, 2023.

NOTE 4--Short-Term Debt

During the year ended June 30, 2023, the District borrowed \$1,500,000 @ 1.97%. in State Aid Revenue Anticipation notes. Following is the change in short-term debt:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities				
Revenue anticipation note	<u>\$ 171,601</u>	<u>\$ 15,000,000</u>	<u>\$ 14,953,469</u>	<u>\$ 218,132</u>

SWAN VALLEY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5--Capital Assets and Accumulated Depreciation

Capital asset activity of the School District was as follows:

	Balance Beginning	Additions and Adjustments	Disposals and Adjustments	Balance Ending
Capital assets not subject to depreciation				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Construction in progress	2,035,911	7,488,231	-	9,524,142
Subtotals	2,045,911	7,488,231	-	9,534,142
Capital assets subject to depreciation				
Buildings and improvements	46,514,568	-	(22,430)	46,492,138
Buses and other vehicles	1,330,559	485,279	(167,705)	1,648,133
Furniture and equipment	4,188,308	13,513	(2,133,517)	2,068,304
Subtotals	52,033,435	498,792	(2,323,652)	50,208,575
Total Capital Assets	54,079,346	7,987,023	(2,323,652)	59,742,717
Accumulated depreciation				
Buildings and improvements	32,498,067	1,123,281	(22,430)	33,598,918
Buses and other vehicles	978,871	104,718	(167,705)	915,884
Furniture and equipment	3,735,213	100,574	(2,133,517)	1,702,270
Total Accumulated Depreciation	37,212,151	1,328,573	(2,323,652)	36,217,072
Total Net Capital Assets	\$ 16,867,195	\$ 6,658,450	\$ -	\$ 23,525,645

Depreciation expense was charged to activities of the School District as follows:

Governmental activities:

Unallocated \$ 1,328,573

NOTE 6--Long-Term Debt

The School District issues bonds, notes, and other contractual commitments 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 and credit of the District. Other long-term debts include other obligations, school bond loan, and compensated absences.

Long-term debt activity is summarized as follows:

	Balance Beginning	Additions	Retirements	Balance Ending	Current Portion
Governmental Activities					
2013 Bond	\$ 7,660,000	\$ -	\$ 7,660,000	\$ -	\$ -
2016 Bond	1,075,000	-	540,000	535,000	535,000
2020 Refunding bond	220,000	-	220,000	-	-
2021 Bond	14,335,000	-	190,000	14,145,000	190,000
2022 Bond	-	7,120,000	-	7,120,000	-
2023 refunding bonds	-	6,980,000	-	6,980,000	480,000
Compensated absences	565,888	90,944	3,556	653,276	-
Totals	<u>\$ 23,855,888</u>	<u>\$ 14,190,944</u>	<u>\$ 8,613,556</u>	<u>\$ 29,433,276</u>	<u>\$ 1,205,000</u>

SWAN VALLEY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

Annual debt service requirements to maturity for the above long-term debts are as follows:

	Principal	Interest	Total
2024	\$ 1,205,000	\$ 1,245,817	\$ 2,450,817
2025	1,315,000	1,170,400	2,485,400
2026	1,370,000	1,117,800	2,487,800
2027	1,480,000	1,063,000	2,543,000
208	1,710,000	998,750	2,708,750
2029-2033	8,875,000	3,886,900	12,761,900
2034-2038	8,200,000	1,988,300	10,188,300
2039-2042	4,625,000	445,500	5,070,500
Subtotals	28,780,000	11,916,467	40,696,467
Compensated Absences	653,276	-	653,276
Totals	<u>\$ 29,433,276</u>	<u>\$ 11,916,467</u>	<u>\$ 41,349,743</u>

NOTE 7--Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters. During the year, the District carried commercial insurance for the above risks of loss.

NOTE 8--Pension Plan

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

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

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

SWAN VALLEY SCHOOL DISTRICT NOTES TO THE FINANCIAL STATEMENTS

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

Benefits Provided

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

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

Contributions

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

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

SWAN VALLEY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

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

Pension Contribution Rates

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0 – 4.0%	20.14%
Member Investment Plan	3.0 – 7.0%	20.14%
Pension Plus	3.0 – 6.4%	17.22%
Pension Plus 2	6.20%	19.93%
Defined Contribution	0.00%	13.73%

Required contributions to the pension plan from the District were \$3,242,112 for the year ended September 30, 2022.

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

At June 30, 2023, the District reported a liability of \$35,824,464 for its proportionate share of the MPERS net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2023, the District's proportion was .0953 percent, which was an increase of .00272 percent from its proportion measured as of September 30, 2021.

For the year ending June 30, 2023, the District recognized pension expense of \$4,442,037. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Source Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 358,370	\$ 80,100
Changes of assumptions	6,155,927	-
Net difference between projected and actual earnings on pension plan investments	84,008	-
Changes in proportion and differences between District contributions and proportionate share of contributions	735,530	298,487
District contributions subsequent to the measurement date	1,342,262	-
Total	<u>\$8,676,097</u>	<u>\$ 378,587</u>

SWAN VALLEY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

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

Deferred (Inflows) and Deferred Outflows of Resources by Year
(to be Recognized in Future Pension Expenses)

Plan Year Ended	
2023	\$ 1,922,168
2024	\$ 1,532,286
2025	\$ 1,376,775
2026	\$ 2,124,019

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

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

SWAN VALLEY SCHOOL DISTRICT NOTES TO THE FINANCIAL STATEMENTS

Notes:

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total pension liability as of September 30, 2022, is based on the results of an actuarial valuation date of September 30, 2021, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.3922

Recognition period for assets in years: 5.0000.

Full actuarial assumptions are available in 2022 MPERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return*</u>
Domestic Equity Pools	25.0%	5.1%
Private Equity Pools	16.0%	8.7%
International Equity	15.0%	6.7%
Fixed Income Pools	13%	-0.2%
Real Estate and Infrastructure Pools	10.0%	5.3%
Absolute Return Pools	9.0%	2.7%
Real Return/Opportunistic Pools	10%	5.8%
Short Term Investment Pools	2.0%	-0.05%
Total	<u>100.0%</u>	

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

Rate of Return

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

SWAN VALLEY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

Discount Rate

A discount rate of 6.00% was used to measure the total pension liability (6.00% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.00% (6.00% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the employer's proportionate share of the net pension liability to changes in the discount rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.00% (6.00% for the Pension Plus plan, 6.0% for the Pension Plus 2 Plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease 5.00%	Current Single Discount Rate Assumption 6.00%	1% Increase 7.00%
\$ 47,274,983	\$ 35,824,464	\$ 26,388,720

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

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

Payables to the Pension Plan

The District accrued liabilities to the System in the amount of \$307,4382 associated with salary and wages recorded as liabilities at year end.

SWAN VALLEY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9--Post-Retirement Benefits Other than Pension (OPEB)

Plan Description

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

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

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

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

Benefits Provided

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

SWAN VALLEY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

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

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

Contributions

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

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

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

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

SWAN VALLEY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

Required contributions to the OPEB plan from The District were \$724,156 for the year ended September 30, 2022.

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

At June 30, 2023, the District reported a liability of \$2,013, for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2021. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2022, the District's proportion was .0951 percent, which was an increase of .00194 percent from its proportion measured as of October 1, 2021.

For the year ending June 30, 2023, The District recognized OPEB expense of (\$773,077). At June 30, 2022, The District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Source Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 3,943,824
Changes of assumptions	1,794,765	146,140
Net difference between projected and actual earnings on OPEB plan investments	157,377	-
Changes in proportion and differences between District contributions and proportionate share of contributions	253,632	185,750
District contributions subsequent to the measurement date	489,320	-
Total	<u>\$ 2,695,094</u>	<u>\$ 4,275,714</u>

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

Deferred (Inflows) and Deferred Outflows of Resources by Year
(to be Recognized in Future OPEB Expenses)

Plan Year Ended	
2023	\$ (765,976)
2024	\$ (692,719)
2025	\$ (587,123)
2026	\$ (8,135)
2027	\$ (19,448)
Thereafter	\$ 3,461

SWAN VALLEY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2021
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.00% net of investment expenses
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	Pre-65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 Post-65: 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120
Mortality: Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Other Assumptions:	
Opt-Out Assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for one or more dependents.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2018 valuation. The total OPEB liability as of September 30, 2022, is based on the results of an actuarial valuation date of September 30, 2021, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 6.2250

Recognition period for assets in years: 5.0000.

Full actuarial assumptions are available in the 2022 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

SWAN VALLEY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

Long-Term Expected Return of Plan Assets

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return*</u>
Domestic Equity Pools	25.0%	5.1%
Private Equity Pools	16.0%	8.7%
International Equity	15.0%	6.7%
Fixed Income Pools	13%	-0.2%
Real Estate and Infrastructure Pools	10.0%	5.3%
Absolute Return Pools	9.0%	2.7%
Real Return/Opportunistic Pools	10%	5.8%
Short Term Investment Pools	2.0%	-0.05%
Total	<u>100.0%</u>	

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

Rate of Return

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

Discount Rate

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

SWAN VALLEY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate

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

1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
\$ 3,377,580	\$ 2,013,576	\$ 864,915

Sensitivity of the District's proportionate share of the net OPEB liability to Healthcare Cost Trend Rate

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$ 843,189	\$ 2,013,576	\$ 3,327,358

OPEB Plan Fiduciary Net Position

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

NOTE 10--Sinking Fund

The School District's Capital Projects-Sinking Fund records capital projects activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of section 1212(1) of the Revised School Code.

NOTE 11--Building and Site Fund

The District's Capital Projects-Building and Site Fund includes capital project activities funded with bonds issued on November 3, 2021. For these capital projects, the School District has complied with the applicable provisions of section 1351a of the Revised School Code.

SWAN VALLEY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 12--New Accounting Standard

For the year ended June 30, 2022, the District implemented the following new pronouncement: Accounting Standards Board (GASB) Statement No. 96, *Subscriptions-based Information Technology Arrangements*, was issued by the GASB 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 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 statements after the adoption of GASB Statement No. 96 as the District had no arrangements that were material to the financial statements taken as a whole.

NOTE 13-- Advance Refund of Bond Resulting in Defeasance of Debt

During the fiscal year ended June 30, 2023, the District issued \$6,980,000 in general obligation-refunding bonds with interest rates ranging between 4.0% to 5.0%. The District issued the bonds to advance refund \$7,200,000 of the outstanding series 2013 School Building and Site Bonds with interest rates ranging from 4.0% to 5.0%. The District used the net proceeds along with other sources to purchase State and Local Government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded series bonds. As a result, the above mentioned series bonds are considered defeased, and the District has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$7,200,000 as of June 30, 2023.

The advance refunding reduced the total debt service payments over 13 years by \$489,514. This results in an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$418,920.

REQUIRED SUPPLEMENTAL INFORMATION

SWAN VALLEY SCHOOL DISTRICT
Budgetary Comparison
For the Year Ended June 30, 2023

	General Fund		
	Original Budget	Final Budget	Actual
Revenue			
Local	\$ 2,049,149	\$ 2,105,000	\$ 2,187,614
State	17,178,114	18,955,000	19,000,610
Federal	963,607	1,390,000	1,529,400
Interdistrict and other	132,480	100,000	247,480
Total Revenues	<u>20,323,350</u>	<u>22,550,000</u>	<u>22,965,104</u>
Expenditures			
Current:			
Instruction			
Basic programs	9,966,291	10,770,000	10,662,280
Added needs	2,845,742	2,360,500	2,279,155
Adult and continuing	31,132	60,000	38,667
Support Services			
Pupil	770,355	815,000	793,589
Instructional staff	587,880	581,000	574,555
General administration	369,067	415,000	391,851
School administration	1,188,607	1,312,000	1,295,137
Business	404,255	450,000	429,848
Operation and maintenance	1,918,325	2,399,000	2,311,120
Pupil transportation services	718,275	815,000	813,167
Central services	351,866	425,000	396,174
Pupil activities	436,707	457,000	455,623
Community services	664,345	692,000	644,322
Transfers out	-	-	54,978
Total Expenditures	<u>20,252,847</u>	<u>21,551,500</u>	<u>21,140,466</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	70,503	998,500	1,824,638
Fund Balance - Beginning of Year	4,748,910	4,748,910	4,748,910
Fund Balance - End of Year	<u>\$ 4,819,413</u>	<u>\$ 5,747,410</u>	<u>\$ 6,573,548</u>

SWAN VALLEY SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
(Amounts were determined as of 9/30 of each fiscal year)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
A. District's proportion of net pension liability (%)	0.09530%	0.09251%	0.09185%	0.09411%	0.09497%	0.09316%	.09342%	.09405%	.08808%
B. District's proportionate share of net pension liability	\$ 35,824,464	\$ 21,902,138	\$ 31,551,533	\$ 31,167,406	\$ 28,550,806	\$ 24,142,027	\$ 23,307,186	\$ 22,972,766	\$ 19,400,995
C. District's covered-employee payroll	\$ 9,205,040	\$ 8,401,143	\$ 8,033,154	\$ 8,056,853	\$ 8,165,611	\$ 7,800,681	\$ 7,861,734	\$ 8,014,852	\$ 7,648,859
D. District's proportionate share of net pension liability as a percentage of its covered-employee payroll (%)	389.18%	260.70%	392.77%	386.84%	349.65%	309.49%	296.46%	286.63%	253.65%
E. Plan fiduciary net position as a percentage of total pension liability	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

Schedule of District's Contributions
Michigan Public School Employees Retirement Plan
(Amounts were determined as of 6/30 of each fiscal year)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
A. Statutorily required contributions	\$ 1,814,634	\$ 1,729,836	\$ 1,623,196	\$ 1,489,758	\$ 1,488,232	\$ 1,451,877	\$ 2,946,579	\$ 2,954,934	\$ 2,685,756
B. Contributions in relation to statutorily required contributions	\$ 1,814,634	\$ 1,729,836	\$ 1,623,196	\$ 1,489,758	\$ 1,488,232	\$ 1,451,877	\$ 2,946,579	\$ 2,954,934	\$ 2,685,756
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
D. District's covered-employee payroll	\$ 9,137,239	\$ 8,691,498	\$ 8,320,903	\$ 8,027,015	\$ 8,051,960	\$ 8,100,911	\$ 8,138,170	\$ 8,088,510	\$ 7,877,472
E. Contributions as a percentage of covered-employee payroll	19.86%	19.90%	19.51%	18.56%	18.48%	17.92%	36.21%	36.53%	34.09%

Notes to Required Supplementary Information
For the Year Ended September 30, 2022

Changes of benefit terms: There were no changes of benefit terms in 2022.

Changes of assumptions: There were no changes of benefit assumptions in 2022.

The schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

SWAN VALLEY SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees Retirement Plan
(Amounts were determined as of 9/30 of each fiscal year)

	2022	2021	2020	2019	2018	2017
A. District's proportion of net OPEB liability (%)	0.09510%	0.09316%	0.09073%	0.09222%	0.09598%	0.09323%
B. District's proportionate share of net OPEB liability	\$ 2,013,576	\$ 1,421,927	\$ 4,860,667	\$ 6,619,522	\$ 7,629,762	\$ 8,256,382
C. District's covered-employee payroll	\$ 9,205,040	\$ 8,401,143	\$ 8,033,154	\$ 8,056,853	\$ 8,165,611	\$ 7,800,681
D. District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll %	21.87%	16.93%	60.51%	82.16%	93.44%	105.84%
E. Plan fiduciary net position as a percentage of total OPEB liability	89.09%	87.33%	59.44%	48.46%	42.95%	36.39%

Schedule of District's Contributions
Michigan Public School Employees Retirement Plan
(Amounts were determined as of 6/30 of each fiscal year)

	2023	2022	2021	2020	2019	2018
A. Statutorily required contributions	\$ 660,846	\$ 634,292	\$ 637,101	\$ 633,288	\$ 577,293	\$ 586,102
B. Contributions in relation to statutorily required contributions	\$ 660,846	\$ 634,292	\$ 637,101	\$ 633,288	\$ 577,293	\$ 586,102
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
D. District's covered-employee payroll	\$ 9,137,239	\$ 8,691,498	\$ 8,320,903	\$ 8,027,015	\$ 8,051,960	\$ 8,100,911
E. Contributions as a percentage of covered-employee payroll	7.23%	7.30%	7.66%	7.89%	7.17%	7.24%

Notes to Required Supplementary Information
For the Year Ended September 30, 2022

Changes of benefit terms: There were no changes of benefit terms in 2022.

Changes of assumptions: There were no changes of benefit assumptions in 2022.

The schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

OTHER SUPPLEMENTAL INFORMATION

SWAN VALLEY SCHOOL DISTRICT
Schedules of Long-Term Liabilities
June 30, 2023

2022 SCHOOL BUILDING AND SITE BOND SERIES II ISSUE \$7,120,000

Interest Rate: 4.00 to 5.00%

Year Ending June 30,	Principal	Interest	Total Fiscal Year Requirement
2024	\$ -	\$ 325,200	\$ 325,200
2025	200,000	325,200	525,200
2026	230,000	317,200	547,200
2027	305,000	308,000	613,000
2028	510,000	295,800	805,800
2029	675,000	275,400	950,400
2030	375,000	248,400	623,400
2031	390,000	233,400	623,400
2032	395,000	217,800	612,800
2033	400,000	202,000	602,000
2034	400,000	182,000	582,000
2035	405,000	162,000	567,000
2036	405,000	141,750	546,750
2037	405,000	121,500	526,500
2038	405,000	101,250	506,250
2039	405,000	81,000	486,000
2040	405,000	60,750	465,750
2041	405,000	40,500	445,500
2042	405,000	20,250	425,250
Totals	<u>\$ 7,120,000</u>	<u>\$ 3,659,400</u>	<u>\$ 10,779,400</u>

2016 REFUNDING ISSUE \$4,130,000

Interest Rate: 4.00%

Year Ending June 30,	Principal	Interest	Fiscal Year Requirement
2024	<u>\$ 535,000</u>	<u>\$ 21,400</u>	<u>\$ 556,400</u>

2023 REFUNDING BONDS ISSUE \$6,980,000

Interest Rate: 4.00 to 5.00%

Year Ending June 30,	Principal	Interest	Total Fiscal Year Requirement
2024	\$ 480,000	\$ 333,417	\$ 813,417
2025	480,000	287,000	767,000
2026	480,000	267,800	747,800
2027	505,000	248,600	753,600
2028	510,000	223,350	733,350
2029	540,000	197,850	737,850
2030	535,000	170,850	705,850
2031	560,000	154,800	714,800
2032	560,000	126,800	686,800
2033	560,000	98,800	658,800
2034	585,000	70,800	655,800
2035	580,000	47,400	627,400
2036	605,000	24,200	629,200
Totals	<u>\$ 6,980,000</u>	<u>\$ 2,251,667</u>	<u>\$ 9,231,667</u>

SWAN VALLEY SCHOOL DISTRICT
Schedules of Long-Term Liabilities
June 30, 2023

2021 SCHOOL BUILDING AND SITE BONDS \$14,460,000

Interest Rate: 4.00%

Year Ending June 30,	Principal	Interest	Fiscal Year Requirement
2024	\$ 190,000	\$ 565,800	\$ 755,800
2025	635,000	558,200	1,193,200
2026	660,000	532,800	1,192,800
2027	670,000	506,400	1,176,400
2028	690,000	479,600	1,169,600
2029	715,000	452,000	1,167,000
2030	750,000	423,400	1,173,400
2031	780,000	393,400	1,173,400
2032	810,000	362,200	1,172,200
2033	830,000	329,800	1,159,800
2034	855,000	296,600	1,151,600
2035	860,000	262,400	1,122,400
2036	875,000	228,000	1,103,000
2037	890,000	193,000	1,083,000
2038	930,000	157,400	1,087,400
2039	970,000	120,200	1,090,200
2040	1,000,000	81,400	1,081,400
2041	1,035,000	41,400	1,076,400
Totals	<u>\$ 14,145,000</u>	<u>\$ 5,984,000</u>	<u>\$ 20,129,000</u>

COMPENSATED ABSENCES

	Principal
Unknown Maturity	<u>\$ 653,276</u>
Totals	<u>\$ 653,276</u>



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*

October 16, 2023

To the Board of Education
Swan Valley School District
Saginaw, 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 remaining fund information of Swan Valley School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Swan Valley School District's basic financial statements, and have issued our report thereon dated October 16, 2023.

Report on Internal Control Over Financial Reporting

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

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

To the Board of Education
Swan Valley School District
Page Two

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Swan Valley School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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.

Gardner, Prorogomo, Thomas & Luplau, P.C.

Certified Public Accountants



Frederick C. Gardner
Giacamo Provenzano
Heather A. Thomas
Brett A. Luplow

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

October 16, 2023

To the Board of Education
Swan Valley School District
Saginaw, MI

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

In our opinion, Swan Valley School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 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 Swan Valley School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Swan Valley School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain 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 Swan Valley School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Swan Valley School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Swan Valley School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

Our audit was not designed for the purpose of expressing an opinion 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.

Gardner, Prorogano, Thomas & Duplow, P.C.

Certified Public Accountants

SWAN VALLEY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal grantor/pass-through grantor program title	Federal ALN	grantor's number	Award amount	revenue 7/1/2022	expenditures (memo only)	year receipts (cash basis)	year expenditures	revenue 6/30/2023
<u>U.S. Department of Agriculture:</u>								
Passed through Michigan Department of Education:								
Child Nutrition Cluster								
Non-cash assistance (donated foods):								
Entitlement Commodities	10.555	N/A	\$ 45,093	\$ -	\$ -	\$ 45,093	\$ 45,093	\$ -
Bonus Commodities	10.555	N/A	3,018	-	-	3,018	3,018	-
Total non-cash assistance			<u>48,111</u>	<u>-</u>	<u>-</u>	<u>48,111</u>	<u>48,111</u>	<u>-</u>
Cash assistance:								
COVID-19 School Breakfast Program	10.553	231970	<u>75,592</u>	<u>-</u>	<u>-</u>	<u>75,592</u>	<u>75,592</u>	<u>-</u>
COVID-19 National School Lunch program	10.555	231960	<u>386,414</u>	<u>-</u>	<u>-</u>	<u>386,414</u>	<u>386,414</u>	<u>-</u>
Total cash assistance			<u>462,006</u>	<u>-</u>	<u>-</u>	<u>462,006</u>	<u>462,006</u>	<u>-</u>
Total Child Nutrition Cluster			<u>510,117</u>	<u>-</u>	<u>-</u>	<u>510,117</u>	<u>510,117</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>510,117</u>	<u>-</u>	<u>-</u>	<u>510,117</u>	<u>510,117</u>	<u>-</u>
<u>U.S. Department of Education:</u>								
Passed through Michigan Department of Education:								
Title I, Part A, Grants to Local Educational Agencies	84.010	221530-2122	118,437	44,884	118,427	44,884	-	-
Title I, Part A, Grants to Local Educational Agencies	84.010	231530-2223	133,398	-	-	108,261	133,398	25,137
			<u>251,835</u>	<u>44,884</u>	<u>118,427</u>	<u>153,145</u>	<u>133,398</u>	<u>25,137</u>
Title II, Part A, Supporting Effective Instruction State Grants	84.367	230520-2223	<u>24,645</u>	<u>-</u>	<u>-</u>	<u>16,949</u>	<u>24,645</u>	<u>7,696</u>
Title IV, Part A Student Support & Academic Enrichment	84.424	230750-2223	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
			<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>

The accompanying notes are an integral part of this schedule.

SWAN VALLEY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal grantor/pass-through grantor program title	Federal ALN	Pass- through grantor's number	Award amount	Accrued (unearned) revenue 7/1/2021	Prior year expenditures (memo only)	Current year receipts (cash basis)	Current year expenditures	Accrued (unearned) revenue 6/30/2022
Education Stabilization Fund								
COVID-19 ESSER III Formula - American Rescue Plan								
Elementary and Secondary Schools Emergency Relief Fund	84.425U	213713-2122	881,681	782,825	782,825	875,113	98,856	6,568
COVID-19 ESSER II - Supplemental								
Elementary and Secondary Schools Emergency Relief Fund	84.425D	213712-2021	392,303	392,303	392,303	392,303	-	-
COVID-19 ESSER II Discretionary - Section 23b(2b) Credit Recon	84.425D	213742-2122	52,800	43,073	43,073	52,800	9,727	-
COVID-19 ESSERS-98c Learning Loss	84.425D	213782-2223	92,810	-	-	-	69,024	69,024
COVID-19 ESSER III State Equalization Payments (Section 11t)	84.425U	213723-2122	1,110,421	26,199	26,199	417,566	511,143	119,776
			<u>2,530,015</u>	<u>1,244,400</u>	<u>1,244,400</u>	<u>1,737,782</u>	<u>688,750</u>	<u>195,368</u>
Total passed through Michigan Department of Education			<u>2,816,495</u>	<u>1,289,284</u>	<u>1,362,827</u>	<u>1,917,876</u>	<u>856,793</u>	<u>228,201</u>
U.S. Department of Education:								
Passed through Saginaw ISD:								
Special Education Cluster								
IDEA Special Education	84.027A	220450-2122	421,039	421,039	421,039	421,039	-	-
IDEA Special Education	84.027A	220450-2122	424,246	-	-	381,210	424,246	43,036
Total passed through Saginaw ISD			<u>845,285</u>	<u>421,039</u>	<u>421,039</u>	<u>802,249</u>	<u>424,246</u>	<u>43,036</u>
Total U.S. Department of Education			<u>3,661,780</u>	<u>1,710,323</u>	<u>1,783,866</u>	<u>2,720,125</u>	<u>1,281,039</u>	<u>271,237</u>
U.S. Department of Health and Human Services								
Passed through Saginaw ISD:								
Medicaid Cluster								
Medical Assistance Program	93.778		3,011	3,011	3,011	3,011	-	-
Medical Assistance Program	93.778		3,381	-	-	-	3,381	3,381
Total passed through Saginaw ISD			<u>6,392</u>	<u>3,011</u>	<u>3,011</u>	<u>3,011</u>	<u>3,381</u>	<u>3,381</u>
Total U.S. Department of Health and Human Services			<u>6,392</u>	<u>3,011</u>	<u>3,011</u>	<u>3,011</u>	<u>3,381</u>	<u>3,381</u>
Total Expenditures of Federal Awards			<u>\$ 4,178,289</u>	<u>\$ 1,713,334</u>	<u>\$ 1,786,877</u>	<u>\$ 3,233,253</u>	<u>\$ 1,794,537</u>	<u>\$ 274,618</u>

The accompanying notes are an integral part of this schedule.

Swan Valley School District
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

NOTE 1--Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Swan Valley School District's 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 Swan Valley School District, it is not intended to and does not present the financial position or changes in net position of Swan Valley School District.

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

NOTE 2--Significant Accounting Policies

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

NOTE 3--Reconciliation of Schedule of Expenditures of Federal Awards to the Financial Statements

Total federal expenditures per schedule of expenditures of federal awards	\$ 1,794,537
ARPA child care relief fund grant not required to be recorded on the SEFA	<u>244,980</u>
Federal revenue on the financial statements	<u><u>\$ 2,039,517</u></u>

Swan Valley School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section 1 – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516 (a)? ☐ Yes ☒ No

Identification of Major Programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027A	IDEA Special Education

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low risk auditee? ☒ Yes ☐ No

Swan Valley School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

Section 2 – Financial Statement Findings

None

Section 3 – Federal Award Findings and Questioned Costs

None

Swan Valley School District
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2023

There were no audit findings required to be reported on this schedule for the previous year.