

# **Rogers City Area Schools**

Audited Financial Statements and  
Other Supplementary Financial Information

Year Ended June 30, 2023



**Straley Lamp & Kraenzlein P.C.**

**Rogers City Area Schools**

**2022 - 2023 School Year**

**Board of Education**

President	2019/2024	Gregory C. Zurakowski
Vice-President	2019/2024	Diane F. Schultz
Secretary	2021/2026	Shannon McKinstry
Treasurer	2021/2026	Ivy E. Cook
Assistant Treasurer / Secretary	2023/2028	Thomas B. Catalano
Trustee	2023/2028	Andrew K. Grambau
Trustee	2023/2028	Scott M. Orr

**Administrative Staff**

Superintendent	Nicholas Hein
6-12 Principal	Nicholas Hein
Elementary Principal / Federal Programs Director	Steven Kowalski
Administrative / Food /Media Officer	Victoria Paull
Business / Personnel Manager	Robin Hughes
Finance Assistant	Tammy Budnick
Technology/Student Account Coordinator	Jason Bark
Maintenance and Transportation Director	Aaron Spens

**Independent Auditors.....**Straley Lamp & Kraenzlein P.C.

**Legal Counsel.....** Thrun Law Firm, P.C.

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## **Independent Auditor's Report**

To the Board of Education  
Rogers City Area Schools  
Rogers City, Michigan

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Rogers City Area Schools, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

#### ***Change in Accounting Principle***

As discussed in Note 1 to the financial statements, in 2023 the School District adopted new accounting guidance, GASB Statement No. 96, *Subscription-based Information Technology 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for a reasonable period of time.

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

## ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management, 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 Rogers City Area Schools' basic financial statements. The other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements, 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*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information, as identified in the table of contents, is fairly stated, in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2023, on our consideration of Rogers City Area Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Rogers City Area Schools' 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 Rogers City Area Schools' internal control over financial reporting and compliance.

*Straley Lamp & Kraenzlein P.C.*

October 31, 2023

## Rogers City Area Schools

### Management's Discussion and Analysis



The following is management's discussion and analysis of the financial position and results of operations for the fiscal year ended June 30, 2023. Please read it in conjunction with the financial statements and related footnotes, which follow this section.

#### **Using this Annual Report**

This annual report consists of a series of financial statements and the related notes to those financial statements. These statements are organized so the reader can understand the Rogers City Area Schools (the "School District") financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's governmental funds. The annual report is arranged as follows:

#### Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

##### Basic Financial Statements

Government-Wide Financial Statements  
Fund Financial Statements  
Notes to the Basic Financial Statements

##### Required Supplemental Information

Budgetary information for General Fund and Food Service Fund  
Pension Plan Schedules  
OPEB Schedules

##### Other Supplemental Information

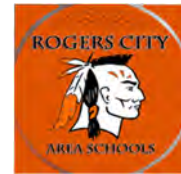
Nonmajor Governmental Funds Combining Statements  
General Fund Individual Comparative Statements  
Student Activity Fund  
Building and Site Fund (Sinking Fund)

#### **Reporting the School District as a Whole – Government-Wide Financial Statements**

The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information about the School District as a whole using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. The statement of net position includes all of the School District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

These two statements report the School District's net position and how they have changed. Net position is the difference between assets and liabilities, as reported in the statement of net position and is one way to measure the School District's financial health, or position. Over time, increases or decreases in the School District's net position, as reported in the statement of activities, are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results.





However, the School District's goal is to provide services to students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the school report card, student achievement, and the safety of the schools, to assess the overall health of Rogers City Area Schools.

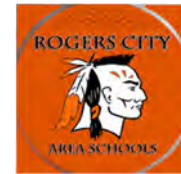
The statement of net position and statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community services, food service, student activities and inter-district transfers. Property taxes, unrestricted state aid (foundation allowance revenue) and state and federal grants finance most of these activities.

### **Reporting the School District's Most Significant Funds – Fund Financial Statements**

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District may establish other funds to help it control and manage money for a particular purpose (the Food Service Fund, Activities Fund, and Sinking Fund are examples) or to show that it is meeting its legal responsibilities for using certain taxes, grants, or other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental Funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows in and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash.

The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities reported in the statement of net position and the statement of activities and the governmental funds in reconciliations.



### The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position as of June 30, 2023 and 2022.

**Table 1**

	2023	2022
<b>Assets</b>		
Current and other assets	\$ 2,739,379	\$ 2,281,996
Property and equipment	<u>2,985,259</u>	<u>2,838,650</u>
Total assets	<u>5,724,638</u>	<u>5,120,646</u>
<b>Deferred Outflows of Resources</b>	<u>3,821,416</u>	<u>1,983,112</u>
<b>Liabilities</b>		
Current liabilities	704,742	681,121
Long-term liabilities	<u>11,165,620</u>	<u>7,653,416</u>
Total liabilities	<u>11,870,362</u>	<u>8,334,537</u>
<b>Deferred Inflows of Resources</b>	<u>2,825,870</u>	<u>4,887,029</u>
<b>Net Position</b>		
Invested in capital assets	2,985,259	2,748,650
Restricted	395,733	384,931
Unrestricted	<u>(8,531,170)</u>	<u>(9,251,389)</u>
Total net position	<u>\$ (5,150,178)</u>	<u>\$ (6,117,808)</u>

The above analysis focuses on the net position. The change in net position (see Table 2) of the School District's governmental activities is discussed next. The School District's net position was \$(5,150,178) at June 30, 2023, including the net pension liability of \$10,599,615 and net other post-employment benefits liability of \$566,005 recorded in accordance with GASB No. 68, and No. 75, respectively. Under GASB Statements No. 68 and No. 75 the School District allocated its proportionate share of the Michigan Public Schools Employee Retirement System's (MPERS) net pension liability (NPL), net other post-employment benefits (OPEB) liability, deferred outflows and inflows of resources for each, and pension and post-employment benefit contributions expense. Decisions regarding the allocations are made by the administrators of the pension and OPEB plans, not by the School District management.

Capital assets, net of related debt totals \$2,985,259 and compares the original cost, less depreciation of the School District's capital assets and long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. The remaining amount of the net position consisted of restricted of \$395,733 and unrestricted of \$(8,531,170).

## Rogers City Area Schools

### Management's Discussion and Analysis



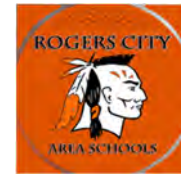
The School District's unrestricted net position of \$(8,531,170) for governmental activities represents the *accumulated* results of all past years' operations. The unrestricted net position balance enables the School District to meet working capital and cash flow requirements as well as provide for future uncertainties. Recording the net pension liability and OPEB liabilities under GASB No. 68 and GASB No. 75 has significantly impacted this calculation. The operating results of the General Fund will have a significant impact on the change in unrestricted net position, when considered separately from the net pension liability and OPEB liability, from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net position for fiscal year 2023 as compared to fiscal year 2022.

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# Rogers City Area Schools

## Management's Discussion and Analysis



**Table 2**

	<u>2023</u>	<u>2022</u>
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 61,798	\$ 66,622
Operating grants	1,124,318	1,343,990
General revenue:		
Property taxes	2,361,890	2,080,630
State aid	3,209,229	3,050,463
Investment earnings	27,481	1,609
Gain (loss) on sale of capital assets	(48,599)	(61,002)
Miscellaneous	88,198	35,941
Total revenue	<u>6,824,315</u>	<u>6,518,253</u>
<b>Functions/Program Expenses</b>		
Instruction	3,316,501	2,831,291
Supporting services	1,710,691	1,785,461
Community services	32,087	37,870
Food services	356,041	408,211
Student activities	177,246	157,122
Capital outlay	21,706	20,137
Interest on long-term debt	10,637	5,061
Depreciation (unallocated)	354,561	326,879
Total expenses	<u>5,979,470</u>	<u>5,572,032</u>
<b>Increase (Decrease) in Net Position</b>	<u>\$ 844,845</u>	<u>\$ 946,221</u>

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$5,979,470. Certain activities were partially funded from those who benefited from the programs \$61,798, or by other governments and organizations that subsidized certain programs with grants and contributions \$1,124,318. The School District paid for the remaining “public benefit” portion of governmental activities with \$2,361,890 in property taxes, \$3,209,229 in state aid, and \$115,679 of other revenues (i.e., investment earnings and other general revenues) less a \$48,599 loss on the sale of capital assets.

The School District experienced an increase in net position of \$844,845, which was a decrease of \$101,376 from the previous year operations.

As discussed on the previous page, the net cost shows the financial burden that was placed on the State and the School District’s taxpayers by each of these functions listed. Since property taxes for operations and unrestricted state aid constitute the majority of School District operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted resources.



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### **The School District's Funds**

As noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health. As the School District completed this year, the governmental funds reported a combined fund balance of \$1,984,706 which is an increase of \$170,671 from fiscal year 2021-22.

### **General Fund Budgetary Highlights**

During the course of the year, the School District performs budget amendments as necessary to reflect changes from the original budget adopted in June of 2022. These budget amendments reflect changes in enrollment, personnel, and other costs that became more defined during the fiscal year. Two budget amendments were made during the 2022-23 fiscal year with the final amendment being adopted in June 2023; (a schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements).

A large portion of the School District's General Fund revenue is in the form of state aid and federal grants, approximately 59% and 9%, respectively. Generally, the amount of assistance from state aid, state grants and federal grants is not known until the fiscal year has been partially completed.

Overall, the budget for revenues and expenditures increased by \$472,261 and \$658,188, respectively, between the original and final budget. The most significant revenue budget amendment for the General Fund was for an increase in federal sources, increasing the budget approximately \$364,000. The most significant expenditure budget amendments for the General Fund were an increase in instruction and supporting services, which increased approximately \$400,000 and \$258,000, respectively.

A large portion of the School District funding is in the form of state and federal grants. It is common to receive notification of grant awards subsequent to the adoption of the original budget. Grant awards can vary significantly from the original estimates. All these items necessitated budget amendments periodically during the 2022-23 fiscal year.

In addition, the School District General Fund received property tax levies of \$1,840,896 for general purposes and \$155,046 in special education taxes levied by the COP-ESD Educational Service District.

## Rogers City Area Schools

### Management's Discussion and Analysis



#### **Debt Administration**

At the end of this year, the School District had no outstanding debt, which has decreased by \$90,000 from the prior year.

On June 12, 2017, Rogers City Area Schools issued the 2017 Capital Project Bond in the amount of \$500,000 at 1.6% to 2.5%. This debt was fully satisfied as of June 30, 2023.

#### **Capital Assets**

At June 30, 2023, the School District had \$2,985,259 invested in a broad range of capital assets, including land, buildings, furniture and equipment, and vehicles. The capital assets experienced a net increase (including additions, deductions, adjustments and depreciation) of approximately \$146,609 from last year. This represented additions of \$558,444 and disposals and adjustments of \$(88,515).

**Table 3**

	2023	2022
Assets not being depreciated – Land	\$ 109,763	\$ 109,763
Land improvements	1,035,646	892,185
Buildings and improvements	8,085,504	8,022,054
Furniture and equipment	1,079,405	727,872
Vehicles	671,784	760,299
Total capital assets	10,982,102	10,512,173
Less accumulated depreciation	(7,996,843)	(7,673,523)
Net capital assets	<u>\$ 2,985,259</u>	<u>\$ 2,838,650</u>

#### **Economic Factors and Next Year's Budgets and Rates**

The School District's Board of Education and administration began reviewing revenue and expenditure projections for the 2023-2024 fiscal year early in the 2023 school year for the budget to be adopted by July 1. The budget is developed to support programs and services designed to achieve the goals and objectives of the School District.

The School District's Board of Education and administration considers many factors during the process of establishing the District's 2023-2024 budget. The School District will continue to receive and allocate ESSER funds to benefit the students and the District. The School District has plans to utilize approximately \$300,000 of these funds for safety updates at the High School during fiscal year 2023-2024.

## Rogers City Area Schools

### Management's Discussion and Analysis



Under state law, the School District cannot assess additional property tax revenue for General Fund operations. As a result, the School District funding is heavily dependent on the State's ability to collect revenue to fund its appropriations to the School District. Once the final student count is validated, state law requires the School District to amend the budget if the actual School District resources are not sufficient to fund original appropriations.

#### **Contacting the School District's Financial Management**

This financial report is designed to provide the School District's citizens, taxpayers, customers, 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. If you have any questions about this report or need additional financial information, contact:

Robin L. Hughes, Business/Personnel Manager  
Rogers City Area Schools  
1033 West Huron Avenue, Suite B  
Rogers City, Michigan 49779  
(989) 734-9100

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## **Basic Financial Statements**

# Rogers City Area Schools

## Statement of Net Position

June 30, 2023

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 636,668
Investments	725,618
Accounts receivable	29,004
Due from other governmental units	1,298,158
Prepaid deposit on capital asset	49,931
Capital assets not being depreciated	109,763
Capital assets being depreciated, net	2,875,496
Total assets	<u>5,724,638</u>
<b>Deferred Outflows of Resources</b>	
Related to OPEB	725,339
Related to pensions	2,368,188
State aid funding for pension	727,889
Total deferred outflows of resources	<u>3,821,416</u>
<b>Liabilities</b>	
Accounts payable	102,260
Salaries payable	362,244
Accrued payroll liabilities	149,011
Due to other governmental units	32,674
Tax anticipation note payable	58,169
Unearned revenue	384
Noncurrent liabilities:	
Net OPEB liability	566,005
Net pension liability	10,599,615
Total liabilities	<u>11,870,362</u>
<b>Deferred Inflows of Resources</b>	
Related to OPEB	1,401,186
Related to pensions	696,795
State aid funding for pension	727,889
Total deferred inflows of resources	<u>2,825,870</u>
<b>Net Position</b>	
Investment in capital assets, net of related debt	2,985,259
Restricted for:	
Building and site (Sinking fund)	364,650
Teaching supplies	31,083
Unrestricted	(8,531,170)
Total net position	<u>\$ (5,150,178)</u>

# Rogers City Area Schools

## Statement of Activities

Year ended June 30, 2023

		Program Revenues		Net (Expense)
			Operating	Revenue and
	Expenses	Charges for	Grants and	Changes in
Functions / Programs		Services	Contributions	Net Position
Instruction	\$ 3,316,501	\$ -	\$ 385,370	\$ (2,931,131)
Supporting services	1,710,691	8,888	228,035	(1,473,768)
Community services	32,087	-	500	(31,587)
Food services	356,041	52,910	317,640	14,509
Student activities	177,246	-	192,773	15,527
Capital outlay	21,706	-	-	(21,706)
Interest on long-term debt	10,637	-	-	(10,637)
Depreciation - unallocated	354,561	-	-	(354,561)
Total Governmental Activities	<u>5,979,470</u>	<u>61,798</u>	<u>1,124,318</u>	<u>(4,793,354)</u>
General revenues:				
Property taxes, levied for general purposes				1,995,942
Property taxes, levied for sinking fund				252,210
Property taxes, levied for debt				113,738
State aid				3,209,229
Investment earnings				27,481
Gain (loss) on sale of capital assets				(48,599)
Miscellaneous				<u>88,198</u>
Total general revenues				<u>5,638,199</u>
Change in net position				844,845
Net position - beginning, restated				<u>(5,995,023)</u>
Net position - ending				<u><u>\$ (5,150,178)</u></u>

# Rogers City Area Schools

## Governmental Funds - Balance Sheet

June 30, 2023

		Special Revenue Fund	Capital Projects Fund
	General Fund	Food Service Fund	Building and Site Fund (Sinking Fund)
<b>Assets</b>			
Cash and cash equivalents	\$ 125,022	\$ 3,506	\$ 364,650
Investments	619,818	105,800	-
Accounts receivable	24,829	4,175	-
Due from other governmental units	1,237,226	60,932	-
Due from other funds	77,366	-	-
	<u>2,084,261</u>	<u>174,413</u>	<u>364,650</u>
Total assets	<u>\$ 2,084,261</u>	<u>\$ 174,413</u>	<u>\$ 364,650</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 98,102	\$ 4,158	\$ -
Salaries payable	355,577	6,667	-
Accrued payroll liabilities	147,939	1,072	-
Due to other governments	32,674	-	-
Tax anticipation note payable	58,169	-	-
Unearned revenue	384	-	-
Due to other funds	-	77,366	-
	<u>692,845</u>	<u>89,263</u>	<u>-</u>
Total liabilities	<u>692,845</u>	<u>89,263</u>	<u>-</u>
<b>Fund balances</b>			
Restricted	31,083	85,150	364,650
Committed	-	-	-
Unassigned	1,360,333	-	-
	<u>1,391,416</u>	<u>85,150</u>	<u>364,650</u>
Total fund balances	<u>1,391,416</u>	<u>85,150</u>	<u>364,650</u>
Total liabilities and fund balances	<u>\$ 2,084,261</u>	<u>\$ 174,413</u>	<u>\$ 364,650</u>

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Nonmajor Governmental Funds	Total Governmental Funds
\$ 143,490	\$ 636,668
-	725,618
-	29,004
-	1,298,158
-	77,366
<u>\$ 143,490</u>	<u>\$ 2,766,814</u>
\$ -	\$ 102,260
-	362,244
-	149,011
-	32,674
-	58,169
-	384
-	77,366
<u>-</u>	<u>782,108</u>
-	480,883
143,490	143,490
-	1,360,333
<u>143,490</u>	<u>1,984,706</u>
<u>\$ 143,490</u>	<u>\$ 2,766,814</u>

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## Rogers City Area Schools

### Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

June 30, 2023

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Total Governmental Fund Balances	\$ 1,984,706
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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 therefore are not reported as assets in governmental funds:

Capital assets not being depreciated	\$ 109,763	
Capital assets being depreciated, net	<u>2,875,496</u>	2,985,259

Prepaid deposit on capital asset	49,931
----------------------------------	--------

Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:

Net OPEB liability and related deferred inflows and outflows	(1,241,852)	
Net pension liability and related deferred inflows and outflows	<u>(8,200,333)</u>	(9,442,185)

Revenue in support of pension contributions made subsequent to the measurement date is reported as deferred inflow of resources in the statement of net position and is not reported in the funds.	<u>(727,889)</u>
--	------------------

Total Net Position - Governmental Activities	<u><u>\$ (5,150,178)</u></u>
--	------------------------------

# Rogers City Area Schools

## Nonmajor Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2023

		Special Revenue Fund	Capital Projects Fund
	General Fund	Food Service Fund	Building and Site Fund (Sinking Fund)
<b>Revenues</b>			
Local sources	\$ 1,965,000	\$ 57,758	\$ 252,400
State sources	3,937,112	11,117	-
Federal sources	613,405	306,522	-
Interdistrict sources	155,046	-	-
Other sources	4,500	-	-
Total revenues	<u>6,675,063</u>	<u>375,397</u>	<u>252,400</u>
<b>Expenditures</b>			
Instruction	3,986,215	-	-
Supporting services	2,445,568	-	-
Community services	42,430	-	-
Food services	-	413,655	-
Student activities	-	-	-
Capital outlay	-	-	272,681
Debt service			
Principal	-	-	-
Interest and fees	8,667	-	-
Total expenditures	<u>6,482,880</u>	<u>413,655</u>	<u>272,681</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>192,183</u>	<u>(38,258)</u>	<u>(20,281)</u>
<b>Other Financing Sources (Uses)</b>			
Transfer from other funds	81,401	41	-
Transfer to other funds	(41)	-	-
	<u>81,360</u>	<u>41</u>	<u>-</u>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	273,543	(38,217)	(20,281)
<b>Fund Balances, beginning of the year, restated</b>	<u>1,117,873</u>	<u>123,367</u>	<u>384,931</u>
<b>Fund Balances, end of the year</b>	<u><u>\$ 1,391,416</u></u>	<u><u>\$ 85,150</u></u>	<u><u>\$ 364,650</u></u>



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Nonmajor Governmental Funds	Total Governmental Funds
\$ 306,618	\$ 2,581,776
-	3,948,229
-	919,927
-	155,046
-	4,500
<u>306,618</u>	<u>7,609,478</u>
-	3,986,215
-	2,445,568
-	42,430
-	413,655
177,246	177,246
-	272,681
90,000	90,000
<u>2,345</u>	<u>11,012</u>
<u>269,591</u>	<u>7,438,807</u>
<u>37,027</u>	<u>170,671</u>
-	81,442
<u>(81,401)</u>	<u>(81,442)</u>
<u>(81,401)</u>	<u>-</u>
(44,374)	170,671
<u>187,864</u>	<u>1,814,035</u>
<u>\$ 143,490</u>	<u>\$ 1,984,706</u>

The accompanying notes to financial statements are an integral part of this statement.

## Rogers City Area Schools

### Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities

Year ended June 30, 2023

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Total Net Change in Fund Balances - Governmental Funds	\$	170,671
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Amounts reported for governmental activities in the statement  
of activities are different because:

Governmental funds report capital outlays as expenditures.  
However, in the statement of activities, the cost of those  
assets is allocated over their estimated useful lives as  
depreciation expense.

Capital asset additions	\$	558,444	
Depreciation expense		(354,561)	
Proceeds from sale of capital asset		(8,675)	
Loss on disposal of capital asset		<u>(48,599)</u>	
			146,609

Prepaid deposit on capital asset		49,931
----------------------------------	--	--------

Some employee costs do not require the use of current financial  
resources and therefore; are not reported as expenditures in the  
governmental funds.

Net change in OPEB expense	478,160	
Net change in pension expense	<u>(90,901)</u>	
		387,259

The issuance of long-term debt provides current financial  
resources to governmental funds, while the repayment of the  
principal of long-term debt consumes the current financial  
resources of governmental funds.

Debt service - bond principal payments	90,000
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Some expenses reported in the statement of activities do not  
require the use of current financial resources and therefore are  
not reported as expenditures in governmental funds.

Net change in accrued interest payable:	<u>375</u>
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Change in Net Position of Governmental Activities	<u>\$</u>	<u>844,845</u>
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## Rogers City Area Schools

### Notes to Financial Statements

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#### Note 1--Significant Accounting Policies

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

##### A. Description of Operations and Reporting Entity.

**Description of Operations.** The School District operates under a locally elected seven-member Board form of government and provides educational and supportive services as mandated by the State of Michigan and/or federal agencies. The Rogers City Area Schools were organized in 1896. The School District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. The Board is responsible for adopting and amending budgets and for administering the school programs in accordance with governing laws and provides services to approximately 466 students in grades K-12.

**Reporting Entity.** A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. The funds of the Rogers City Area Schools include the General Fund, Building and Site Fund (Sinking Fund), Food Services Fund, Student Activities Fund, 2017 Buses and Technology Fund, 2017 Bond Debt Service Fund, and 2014 School Bond Debt Service Fund of the School District.

Component units are legally separate organizations for which the School District is financially accountable. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves their budget, the issuance of their debt, or the levying of taxes. The School District has no component units.

##### B. Fund Accounting.

**Fund Accounting.** The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designated to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental and fiduciary.

**Governmental Funds.** Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

**General Fund** - This fund is used to account for financial resources of the School District pertaining to education and those transactions not accounted for and reported in another fund. Included are all transactions related to the approved current operating budget.

**Food Service Fund** - This fund is used to account for financial resources of the School District pertaining to activities concerned with providing food to pupils in the School District. Included are all transactions related to the approved current operating budget.

## Rogers City Area Schools

### Notes to Financial Statements

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#### Note 1--Significant Accounting Policies *(continued)*

**Building and Site Fund (Sinking Fund)** - This fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of section 1212(1) of the State of Michigan's School Code and the State of Michigan Department of Treasury Letter No. 01-95.

The expenditures are classified in accordance with the latest revised edition of the *Accounting Manual for Michigan School Districts* (Bulletin 1022, as revised) issued by the Michigan Department of Education as follows:

**Instruction** - Instruction includes the activities dealing directly with the teaching of pupils or the interaction between teacher and pupils. Teaching may be provided for pupils in a school classroom; in another location, such as in a home or hospital; and other learning situations, such as those involving co-curricular activities. It may also be provided through some other approved medium, such as television, radio, telephone, and correspondence. Included here are the activities of aides, assistants of any type, and supplies and machines which assist directly in the instruction process.

**Supporting Services** - Supporting services are those services which provide administrative, technical (such as guidance and health), and logistical support to facilitate and enhance instruction and, to a lesser degree, community services. Supporting services exist as adjuncts for the fulfillment of the objectives of instruction, rather than as entities within themselves.

**Community Services** - Community services consist of those activities that are not directly related to providing education for pupils in a school system. These include services provided by the school system for the community as a whole or some segment of the community, such as community recreation programs, civic activities, public libraries, programs of custody and care of children, and community welfare activities.

**Special Revenue Funds** - Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service and capital projects. The special revenue funds of the School District are the Food Service Fund and Student Activities Fund. The Food Service Fund provides nutritional free or low cost meals to students. Major sources of funding are comprised of federal and state grants, as well as charges for services.

**Capital Projects Fund** - The Capital Projects Fund is used to account for resources for the acquisition of capital assets by the School District.

**Debt Service Funds** - The Debt Service Funds are used to account for the accumulation of resources for, and for the payment of, general long-term principal, interest and related costs.

**Fiduciary Funds.** Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for others. The School District currently has no fiduciary funds.

#### C. Basis of Presentation.

**Government-wide Financial Statements.** The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The financial activities of Rogers City Area Schools are all considered governmental and do not reflect any business-type activities.

## Rogers City Area Schools

### Notes to Financial Statements

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#### **Note 1--Significant Accounting Policies** *(continued)*

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the way governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

**Fund Financial Statements.** Fund financial statements report detailed information about the School District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Fiduciary funds are reported using the economic resources measurement focus.

#### **D. Basis of Accounting.**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

**Revenues.** Exchange and non-exchange transactions: Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of the fiscal year-end.

## Rogers City Area Schools

### Notes to Financial Statements

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#### **Note 1--Significant Accounting Policies** *(continued)*

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis.

On a modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are both measurable and available at fiscal year-end: property taxes available in advance, interest, tuition, grants, student fees and rentals.

**Unearned Revenue.** Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

**Deferred Outflows/Inflows.** 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 that time.

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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**Expenses/Expenditures.** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

**Cash and Cash Equivalents.** Cash equivalents include petty cash, time and savings accounts, and other short-term, highly liquid investments that are readily convertible to known amounts of cash.

**Inventories.** Inventories are not considered significant and are recorded as expenditures when purchased.

**Investments.** During the fiscal year ended June 30, 2023, investments were limited to investments held in investment pools at the Michigan Liquid Asset Fund (MILAF). Investments within MILAF consisted of cash management and Max Class funds. Local government investment pools allow School Districts within the State of Michigan to consolidate their funds for investment purposes. Investments in cash management funds are valued at cost which equals market value. The investment in MILAF is considered an external investment pool as defined by the GASB and, as such, are recorded at amortized cost which approximates fair value.

## Rogers City Area Schools

### Notes to Financial Statements

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#### Note 1--Significant Accounting Policies *(continued)*

**Receivables.** All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all receivables to be fully collectable; accordingly, no allowance for uncollectable amounts is recorded. Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year.

Amounts due from other governments include State Aid and amounts due from grantors for specific programs. State Aid payments to be received by the School District in July and August are recorded as a receivable and revenue of the previous fiscal year. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans).

**Prepaid Assets.** Payments made to vendors for services that will benefit periods beyond June 30, 2023, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**Capital Assets.** General capital assets are those assets not specifically related to activities reported in proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$2,500 capitalization threshold and updated for additions and retirements during the year. Donated capital assets are recorded at their estimated fair market values as of the date received. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	Governmental Activities
	<u>Estimated Lives</u>
Buildings and improvements	5 – 50 years
Furniture and equipment	5 – 20 years
School buses	7 years
Fleet vehicles	3 – 5 years

## Rogers City Area Schools

### Notes to Financial Statements

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#### Note 1--Significant Accounting Policies *(continued)*

**Subscription Based Information Technology Arrangements.** Subscription Based Information Technology Arrangements (SBITAs) are required to be recognized as a subscription liability and right-of-use SBITA asset for arrangements that meet the definition of a SBITA under GASB 96. The initial subscription liability is measured at the present value of the subscription payments expected to be made during the subscription term. Right-of-use SBITA assets are initially measured at the amount equal to the initial measurement of the SBITA liability plus any SBITA payments made prior to the SBITA term, less incentives, and adding any ancillary charges necessary to place the SBITA into service. The School District did not have any material SBITAs that required recognition for the year ending June 30, 2023.

**Leases.** The School District recognizes leases in accordance with Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, recognizing a lease liability and a right-of-use lease asset for arrangements that meet the definition of lease under GASB 87. The School District was not a party within any lease agreements that required recognition for the year ending June 30, 2023.

**Interfund Balances.** On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “due from/to other funds”. These amounts are eliminated in the governmental columns of the statement of net position.

**Vacation and Sick Leave.** School District policy does not provide for payments of unused sick or vacation pay, therefore, no provision has been recorded.

**Accrued Liabilities and Long-Term Obligations.** All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

**Pension.** 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 Schools Employee 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.

**Postemployment Benefits Other Than Pensions.** For purposes of measuring the net Other Post-employment Benefits (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 Schools Employee 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.



## Rogers City Area Schools

### Notes to Financial Statements

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#### Note 1--Significant Accounting Policies *(continued)*

**State Categorical Revenue.** The School District receives revenue from the state to administer certain categorical educational programs. State rules require that revenue earmarked for these programs be expenses for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred inflows.

**Interfund Activity.** Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements.

**Economic Dependency.** The School District received approximately 59% of the General Fund revenue from the State of Michigan. Due to the significance of this revenue source to the School District, the School District is considered economically dependent.

**Fund Equity.** The School District has implemented GASB Statement 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- **Nonspendable fund balance**-amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- **Restricted fund balance**-amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- **Committed fund balance**-amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- **Assigned fund balance**-amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- **Unassigned fund balance**-amounts that are available for any purpose; positive amounts are reported only in the General Fund.

The School District establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the School District through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

In the General Fund, the School District strives to maintain an unassigned fund balance of 10%-15% of the actual GAAP basis expenditures and other financing sources and uses to be used for unanticipated emergencies. The School District has no policy on replenishing deficiencies.

## Rogers City Area Schools

### Notes to Financial Statements

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#### Note 1--Significant Accounting Policies *(continued)*

The School District has not established a specific policy for its use of unrestricted fund balance amounts. Therefore, in accordance with GASB Statement 54, committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**Net Position.** Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

**Encumbrances.** Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the School District. Commitments outstanding at year end are charged against the subsequent year's appropriation once received and approved.

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

**Reclassification.** Certain items reported in the prior year may have been reclassified to conform with the presentation for the current year.

**Change in Accounting Principle.** The School District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, (SBITAs) as of July 1, 2022. This statement is required to be applied retroactively by restating financial statements for all prior periods presented. There was no restatement of fund balance or net position. The School District did not have any material SBITA agreements to recognize as a subscription liability or a right-of-use SBITA asset.

#### Note 2--Legal Compliance

**Budgets and Budgetary Accounting.** Prior to adoption of the budgets, the school administration prepares and submits their proposed operating budgets commencing the following July 1. A public hearing is conducted to obtain interested party comments. Prior to July 1 the budget is adopted by the Board of Education. Budgeted amounts are as originally adopted or as amended by the Board of Education. Budgeted amounts are as originally adopted or as amended by the Board of Education. Unused appropriations at June 30 are not carried forward to the following year.

The provisions of the Uniform Budgeting and Accounting Act, P.A. 621 became effective in 1980. The Act provides major revenue categories and expenditure functions that constitute minimal levels.

## Rogers City Area Schools

### Notes to Financial Statements

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#### Note 2--Legal Compliance *(continued)*

In the body of the financial statements, the School District's actual expenditures are budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted at the functional level.

During the year ended June 30, 2023, the Rogers City Area Schools did incur expenditures that exceeded the amounts appropriated by P.A. 621, which provides that a school district shall not incur expenditures in excess of the amount appropriated, as follows:

<u>Budget Item</u>	<u>Appropriated</u>	<u>Expended</u>	<u>Variance</u>
<b>General Fund</b>			
Instruction	\$ 3,914,080	\$ 3,986,215	\$ (72,135)
Debt service	-	8,667	(8,667)

#### Note 3--Deposits and Investments

State statutes and the School District's investment policy authorize the School District to make deposits in accounts of federally insured banks and credit unions that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations; U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

The Board of Education authorized the following financial institutions for the investment of the School District's funds for the year ended June 30, 2023: Huntington Bank, Huron State Bank, Alpena Alcona Area Credit Union and the Michigan Liquid Asset Fund.

As of June 30, 2023, the School District had the following deposits reported in the basic financial statements as follows:

	<u>Primary Government</u>
Cash and cash equivalents:	
Cash - Petty cash	\$ 255
Cash - checking /savings	636,413
	<u>\$ 636,668</u>
Investments:	
MILAF Max Plus	\$ 725,614
MILAF Cash Mgmt Class	4
	<u>\$ 725,618</u>

# Rogers City Area Schools

## Notes to Financial Statements

### Note 3--Deposits and Investments *(continued)*

As of June 30, 2023, the School District investments were measured as follows:

<u>Investment Type</u>	<u>Not Measured at Fair Value</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Standard &amp; Poor's Rating</u>
MILAF Max Plus	\$ 725,614	\$ -	N/A	AAAm
MILAF Cash Mgmt Class	4	-	N/A	AAAm
Total	<u>\$ 725,618</u>	<u>\$ -</u>		
Portfolio weighted average maturity			<u>0.0027</u>	

1 day maturity equals .0027, 1 year equals 1.0000

The School District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. The two of the pooled investment funds utilized by the Educational Service District are the Michigan Investment Liquid Asset Fund Cash Mgmt Class and Max Class (MILAF). These external pooled investment funds of “qualified” investments for Michigan school districts. MILAF is not regulated, nor is it registered, with the SEC. MILAF reports as of June 30, 2023, the fair value of the District’s investments is the same as the value of the pooled shares.

MILAF Cash Mgmt Class and Max Class funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost, which approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

**Fair Value Measurements.** Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable inputs.

There are three (3) levels of inputs that may be used to measure fair value:

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

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

Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the organization’s own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

## Rogers City Area Schools

### Notes to Financial Statements

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#### Note 3--Deposits and Investments *(continued)*

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

The School District did not have any investments at June 30, 2023 subject to the fair value measurement.

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

**Credit Risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2023, the School District did not have any investments with ratings below prime.

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

**Custodial credit risk – deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2023, there was \$192,831 of the School District's bank balance of \$719,498 that was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

**Custodial credit risk – investments.** For an investment, this is the risk that, in the event of a bank or counterparty failure, the School District will not be able to recover the value of its investments or collateral securities that in are the possession of an outside party. The School District's investment in MILAF are covered by the Securities Investor Protection Corporation (SIPC), which insures up to \$500,000 of coverage for cash and securities (although coverage of cash is limited to \$250,000). As of June 30, 2023, there was \$225,618 that was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name. The carrying amount of all investments is \$725,618.

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

# Rogers City Area Schools

## Notes to Financial Statements

### Note 4--Capital Assets

Capital assets activity for the fiscal year ended June 30, 2023 was as follows:

	Balances July 1, 2022	Additions	Disposals and Adjustments	Balances June 30, 2023
Capital assets not being depreciated:				
Land	\$ 109,763	\$ -	\$ -	\$ 109,763
	<u>109,763</u>	<u>-</u>	<u>-</u>	<u>109,763</u>
Capital assets being depreciated:				
Land improvements	892,185	143,461	-	1,035,646
Buildings and improvements	8,022,054	63,450	-	8,085,504
Furniture and equipment	727,872	351,533	-	1,079,405
Vehicles	760,299	-	(88,515)	671,784
	<u>10,402,410</u>	<u>558,444</u>	<u>(88,515)</u>	<u>10,872,339</u>
Less: accumulated depreciation:				
Land improvements	(821,315)	(23,950)	-	(845,265)
Buildings and improvements	(5,846,019)	(230,478)	-	(6,076,497)
Furniture and equipment	(606,146)	(45,348)	-	(651,494)
Vehicles	(400,043)	(54,785)	31,241	(423,587)
	<u>(7,673,523)</u>	<u>(354,561)</u>	<u>31,241</u>	<u>(7,996,843)</u>
Net capital assets	<u>\$ 2,838,650</u>	<u>\$ 203,883</u>	<u>\$ (57,274)</u>	<u>\$ 2,985,259</u>

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

# Rogers City Area Schools

## Notes to Financial Statements

### Note 5--Long-Term Debt (including current portions)

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

	Balances July 1, 2022	Additions	(Deduction)	Balances June 30, 2023	Due within one year
Other Debt - General Obligation Bonds:					
2017 Capital Project Bond (Series)	\$ 90,000	\$ -	\$ (90,000)	\$ -	\$ -

**Other Debt – General Obligation Bonds.** 2017 Capital Project Bond, \$500,000, due in installments of \$70,000 to \$90,000 through May 1, 2023, with an interest rate of 1.60% to 2.50%. Purpose of issue: Buses and technology.

### Note 6--Short-Term Debt - State Aid Anticipation Note

Rogers City Area Schools borrowed \$400,000 at 1.97% annual interest. These funds were used for cash flow for operations until the State of Michigan began payment of State Aid for the 2022-2023 school year. The balance was repaid in seven installments beginning with the January 20, 2023 State Aid payment. The following is a summary of short-term obligations for the School District for the year ended June 30, 2023:

	Balances July 1, 2022	Additions	(Deduction)	Balances June 30, 2023	Due within one year
Tax anticipation note	\$ 71,501	\$ 400,000	\$ (413,332)	\$ 58,169	\$ 58,169

### Note 7--Interfund Receivables, Payables and Transfers

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

Due To	Due From
General Fund	Food Service Fund
	\$ 77,366

These balances result from the time lag between the dates that ingerfund goods and services are provided, transactions are recorded in the accounting system, and payments between funds are made.

## Rogers City Area Schools

### Notes to Financial Statements

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#### Note 7--Interfund Receivables, Payables and Transfers *(continued)*

During the year ending June 30, 2023 there were interfund transfers from the General Fund to the Food Service Fund and the Debt Service Fund to the General Fund totaling \$41 and \$81,401, respectively. The transfer to the Food Service Fund was to cover student accounts with deficit balances. The transfer from the Debt Service Fund to the General Fund was made to close out the Debt Service Fund as the bond was paid in full. Under the Revised Municipal Finance Act, a transfer from a Debt Service Fund to the General Fund is allowable if there is no other bonded debt and there is a surplus in the debt retirement fund for which the debt has been satisfied.

#### Note 8--Governmental Fund Balances

The detail of the various components of governmental fund balances at June 30, 2022 is as follows:

General Fund	
Restricted for teacher supplies	\$ 31,083
Food Service Fund	
Restricted for Food Service	85,150
Building and Site (Sinking Fund)	
Restricted for Capital Projects	<u>364,650</u>
Total Restricted Fund Balance	<u>\$ 480,883</u>
Student Activity Fund	
Committed for Student Activity	<u>\$ 143,490</u>
Total Committed Fund Balance	<u>\$ 143,490</u>
General Fund	
Unassigned	<u>\$ 1,360,333</u>
Total Unassigned Fund Balance	<u>\$ 1,360,333</u>

#### Note 9--Property Taxes

The assessed values of real and personal property situated in the School District are established annually by local taxing authorities as of December 1 and are equalized by the State at an estimated 50% of current market value. The property tax is levied on July 1 and becomes delinquent after September 14 for City of Rogers City residents (representing approximately 40% of collections), with the remainder levied December 1 and payable by February 14. Uncollected property taxes as of March 1 are added to the County delinquent tax rolls. By agreement with Presque Isle County, the County purchases at face value the real property taxes receivable returned delinquent each March 1. The property value used for determining the amount of property tax levied is known as the "taxable value" (TV).



## **Rogers City Area Schools**

### **Notes to Financial Statements**

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#### **Note 9--Property Taxes** *(continued)*

This differs from the State Equalized Value (SEV) by increases being limited to a cost-of-living adjustment or 5 percent, whichever is less. The Taxable Value (TV) for the 2022-23 school year in the Rogers City Area Schools was established at \$222,032,872 for homestead property and \$101,764,400 for non-homestead property.

The State of Michigan levies 6.0000 mills on all property with the proceeds dedicated to the Michigan State Aid Fund. A local operating millage of 18.0000 mills, approved by the voters of the district, is levied against non-homestead property. The School District voters also approved an additional 1.1519 mills for a building and site sinking fund and an additional .5200 for a bus and technology bond debt retirement fund.

#### **Note 10--Tax Abatements**

The School District receives reduced property tax revenue as a result of Industrial Facilities Tax exemptions (PA 198 of 1974) and/or Brownfield Redevelopment Agreements granted by cities within the boundaries of the School District. Industrial facility exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties. For the year ended June 30, 2023, the Districts property tax revenue were reduced by approximately \$411 under these agreements.

#### **Note 11--Defined Benefit Pension Plan**

##### **Plan Description.**

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

The System's 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 P.A. 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 at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

## Rogers City Area Schools

### Notes to Financial Statements

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#### Note 11--Defined Benefit Pension Plan *(continued)*

##### Benefits Provided

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

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

##### Contributions

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

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

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

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

Required contributions to the pension plan from the School District were \$959,265 for the year ended September 30, 2022.

# Rogers City Area Schools

## Notes to Financial Statements

### Note 11--Defined Benefit Pension Plan *(continued)*

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

At June 30, 2023, the School District reported a liability of \$10,599,615 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2021. The School 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, 2022 the School District's proportion was 0.02818%, which was a decrease of .00219% from its proportion measured as of September 30, 2021.

For the year ended June 30, 2023, the School District recognized pension expense of \$1,041,066, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 106,033	\$ 23,700
Changes of assumptions	1,821,394	-
Net difference between projected and actual earnings on pension plan investments	24,856	-
Changes in proportion and differences between School Districts and proportionate share of contributions	-	673,095
School Districts contributions subsequent to the measurement date	415,905	-
Total	<u>\$ 2,368,188</u>	<u>\$ 696,795</u>

The School District reported \$727,889 as deferred outflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment. The UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2024.

## Rogers City Area Schools

### Notes to Financial Statements

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#### Note 11--Defined Benefit Pension Plan *(continued)*

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 (Inflow) and Deferred Outflow of Resources by Year  
(To be Recognized in Future Pension Expenses)

Year Ending September 30	Amount
2023	\$ 730,017
2024	206,644
2025	186,412
2026	548,320
	\$ 1,671,393

#### 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 (Non-Hybrid): 6.00% net of investment expenses
- Pension Plus Plan (Hybrid): 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

## Rogers City Area Schools

### Notes to Financial Statements

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#### Note 11--Defined Benefit Pension Plan *(continued)*

**Mortality:** For retirees, RP-2014 Male and Female Combined Healthy Life Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

For 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.

*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 for non-university employers.*
- *Recognition period for assets in years is 5.000.*
- *Full actuarial assumptions are available in the 2022 MPSERS Annual Comprehensive Financial Report on the ORS website at [www.michigan.gov/orsschools](http://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:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic equity pools	25.0%	5.1%
Private equity pools	16.0%	8.7%
International equity pools	15.0%	6.7%
Fixed income pools	13.0%	(0.2)%
Real estate and infrastructure pools	10.0%	5.3%
Absolute return pools	9.0%	2.7%
Real return/opportunistic pools	10.0%	5.8%
Short term investment pools	2.0%	(0.5)%
TOTAL	100.0%	

*\*Long term rate of return are net of administration expenses and 2.2% inflation.*

## Rogers City Area Schools

### Notes to Financial Statements

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#### Note 11--Defined Benefit Pension Plan *(continued)*

##### Rate of Return

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

##### Discount Rate

A discount rate of 6.00% was used to measure the total pension liability (6.00% for the Pension Plus Hybrid plan, the Pension Plus 2 plan, and the 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 Hybrid plan and 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 School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

1% Decrease	Current Single Discount Rate Assumption	1% Increase
5.00% / 5.00% / 5.00%	6.00% / 6.00% / 6.00%	7.00% / 7.00% / 7.00%
\$ 13,987,554	\$ 10,599,615	\$ 7,807,801

\* Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2.

##### 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 ACFR, available at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Payable to the Pension Plan.** At year end, the School District owed \$209,173 related to required pension plan payments. Amounts accrued at year end for accounting purposes are reported in the financial statements as accrued expenses. These amounts represent current payments for June paid in July, accruals for summer pay (primarily for teachers) and the contributions due funded from state aid revenue section 147c restricted to fund the MPERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization rate contributions.

## **Rogers City Area Schools**

### **Notes to Financial Statements**

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#### **Note 12--Postemployment Benefits Other Than Pensions (OPEB)**

##### **Plan Description**

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

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 P.A. 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](http://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, and 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

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

## Rogers City Area Schools

### Notes to Financial Statements

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#### Note 12--Postemployment Benefits Other Than Pensions (OPEB) *(continued)*

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

#### Contributions

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

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

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

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

Required contributions to the OPEB plan from the School District were \$203,556 for the year ended September 30, 2022.

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

At June 30, 2023, the School District reported a liability of \$566,005 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 School 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 School District's proportion was .02672 percent which was a decrease of .00355 percent from its proportion measured as of October 1, 2021.



# Rogers City Area Schools

## Notes to Financial Statements

### Note 12--Postemployment Benefits Other Than Pensions (OPEB) *(continued)*

For the year ending June 30, 2023, the School District recognized OPEB expense of \$(278,806). At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ 1,108,586
Changes of Assumptions	504,498	41,079
Net difference between projected and actual earnings on OPEB plan investments	44,238	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,967	251,521
Employer contributions subsequent to the measurement date	168,636	-
Total	<u>\$ 725,339</u>	<u>\$ 1,401,186</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 (Inflow) and Deferred Outflow of Resources by Year (To be Recognized in Future OPEB Expenses)

Year Ending September 30	Amount
2023	\$ (103,586)
2024	(245,972)
2025	(221,600)
2026	(50,424)
2027	(46,301)
Thereafter	(7,964)
	<u>\$ (675,847)</u>

## Rogers City Area Schools

### Notes to Financial Statements

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#### Note 12--Postemployment Benefits Other Than Pensions (OPEB) *(continued)*

##### Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing 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: 7.5% Year 1 graded to 3.5% Year 15, 3.0% Year 120 Post-65: 7.5% Year 1 graded to 3.5% Year 15, 3.0% Year 120
Mortality:	For retirees, RP-2014 Male and Female Combined 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.  For 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 coverage continuing after the retiree's death.
Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for one or more dependents.

## Rogers City Area Schools

### Notes to Financial Statements

#### Note 12--Postemployment Benefits Other Than Pensions (OPEB) (continued)

##### Notes:

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

#### Long-Term Expected Return on Plan Assets

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic equity pools	25.0%	5.1%
Private equity pools	16.0%	8.7%
International equity	15.0%	6.7%
Fixed income pools	13.0%	(0.2)%
Real estate and infrastructure pools	10.0%	5.3%
Absolute return pools	9.0%	2.7%
Real return/opportunistic pools	10.0%	5.8%
Short term investment pools	2.0%	(0.5)%
TOTAL	100.0%	

\*Long term rates of return are net of administration 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 investments, 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.

## Rogers City Area Schools

### Notes to Financial Statements

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#### Note 12--Postemployment Benefits Other Than Pensions (OPEB) *(continued)*

##### Discount Rate

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

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

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

1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
\$ 949,418	\$ 566,005	\$ 243,123

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

The following presents the School District's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the School District's proportionate share of net the 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
\$ 237,016	\$ 566,005	\$ 935,301

##### OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2022 MPSERS ACFR, available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Payable to OPEB.** At year end, the School District owed an immaterial amount related to the required OPEB payments. Amounts accrued at year end for accounting purposes are reported in the financial statements as accrued expenses. These amounts represent current payments for June paid in July, accruals for summer pay (primarily for teachers).

## **Rogers City Area Schools**

### **Notes to Financial Statements**

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#### **Note 13--Sinking Fund**

The Sinking Fund records capital project activities funded with Sinking Fund Millage. For this fund, the School District has complied with the applicable provisions of §1212(1) of the Revised School Code and the applicable section of the revised bulleting for School District Audits of Bonded Construction Funds and Sinking Funds in Michigan.

#### **Note 14--Risk Management**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The School District continues to carry commercial insurance for risk of loss, including employee health and accident insurance. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

#### **Note 15--Governmental Regulations**

Substantially all of the School District's facilities are subject to federal, state and local provisions regulating the discharge of materials into the environment. Compliance with these provisions has not had, nor does the School District expect such compliance to have, any material effect upon the capital expenditures, net revenue in excess of expenditures or financial condition of the School District. Management believes that its current practices and procedures for the control and disposition of such wastes comply with applicable federal and state requirements.

#### **Note 16--Contingencies**

The School District participates in a number of federally assisted grant programs which are subject to program compliance audits. The audits of these programs for and including the year ended June 30, 2023, have been conducted and have been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time; although the School District expects such amounts, if any, to be immaterial.

#### **Note 17--Prior Period Adjustments**

It was discovered that grant award funds that incurred eligible expenditures in fiscal year 2021-22 should have been recognized as a receivable and revenue within the financial statements for the year ended June 30, 2022. This resulted in an increase to the fund balance in the General Fund and Food Service Fund, as well as the net position of governmental activities on the statement of net position. As of July 1, 2022, the School District restated beginning fund balance and net position as follows:

## Rogers City Area Schools

### Notes to Financial Statements

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#### Note 17--Prior Period Adjustments *(continued)*

	General Fund	Food Service Fund	Governmental Activities
Fund balance - beginning	\$ 1,064,952	\$ 53,503	\$ -
Prior period adjustment	52,921	69,864	-
Fund balance - beginning, restated	<u>\$ 1,117,873</u>	<u>\$ 123,367</u>	<u>\$ -</u>
Net Position - beginning	\$ -	\$ -	\$ (6,117,808)
Prior period adjustment	-	-	122,785
Net Position - beginning, restated	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,995,023)</u>

#### Note 18--Subsequent Events

Management has evaluated subsequent events through October 31, 2023, the date on which the financial statements were available to be issued.

On August 24, 2023, the Rogers City Area Schools issued a note in anticipation of State School Aid in the total amount of \$500,000. The anticipation note was issued for \$500,000 with interest at 3.46% to total approximately \$15,906. These funds will be used for cash flow for operations until the State of Michigan begins payment of State Aid for the 2023-2024 school year in October 2023. The note will be repaid with seven payments to begin with the January 22, 2024 State Aid payment. This debt will mature on July 22, 2024.

## **Required Supplementary Information**

# Rogers City Area Schools

## Required Supplementary Information Budgetary Comparison Schedule - General Fund

Year ended June 30, 2023

	Budget Amounts			Variance with
	Original	Final	Actual	Final Budget
<b>Revenues</b>				
Local sources	\$1,902,970	\$1,947,686	\$1,965,000	\$ 17,314
State sources	3,428,410	3,491,657	3,937,112	445,455
Federal sources	415,230	779,528	613,405	(166,123)
Interdistrict sources	132,000	132,000	155,046	23,046
Other sources	-	-	4,500	4,500
Total revenues	5,878,610	6,350,871	6,675,063	324,192
<b>Expenditures</b>				
Instruction	3,514,406	3,914,080	3,986,215	(72,135)
Supporting services	2,342,956	2,600,626	2,445,568	155,058
Community services	57,135	57,980	42,430	15,550
Debt Service	-	-	8,667	(8,667)
Total expenditures	5,914,498	6,572,686	6,482,880	89,806
<b>Excess of Revenues Over (Under) Expenditures</b>	(35,888)	(221,815)	192,183	413,998
<b>Other Financing Sources (Uses)</b>				
Transfer from other funds	-	81,401	81,401	-
Transfer to other funds	-	(100)	(41)	59
Total other financing sources (uses)	-	81,301	81,360	59
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	(35,888)	(140,514)	273,543	414,057
<b>Fund Balances, beginning of the year, restated</b>	695,575	1,194,084	1,117,873	76,211
<b>Fund Balances, end of the year</b>	<u>\$ 659,687</u>	<u>\$1,053,570</u>	<u>\$1,391,416</u>	<u>\$ 490,268</u>



# Rogers City Area Schools

## Required Supplementary Information Budgetary Comparison Schedule - Food Service Fund

Year ended June 30, 2023

	Budget Amounts			Variance with
	Original	Final	Actual	Final Budget
<b>Revenues</b>				
Local sources	\$ 18,570	\$ 60,200	\$ 57,758	\$ (2,442)
State sources	15,688	16,688	11,117	(5,571)
Federal sources	368,594	323,528	306,522	(17,006)
Total revenues	402,852	400,416	375,397	(25,019)
<b>Expenditures</b>				
Current				
Food service	398,838	439,665	413,655	26,010
Total expenditures	398,838	439,665	413,655	26,010
<b>Excess of Revenues Over (Under) Expenditures</b>	4,014	(39,249)	(38,258)	991
<b>Other Financing Sources (Uses)</b>				
Transfer from other funds	-	-	41	41
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	4,014	(39,249)	(38,217)	991
<b>Fund Balances, beginning of the year, restated</b>	47,557	80,503	123,367	-
<b>Fund Balances, end of the year</b>	\$ 51,571	\$ 41,254	\$ 85,150	\$ 991

**Rogers City Area Schools**

Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability

For the Measurement Period Year Ended September 30

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Michigan Public School Employees Retirement Plan

	<u>2022</u>	<u>2021</u>	<u>2020</u>
A. District's proportion share of net pension liability (%)	0.02818%	0.03037%	0.03068%
B. District's proportionate share of net pension liability	\$ 10,599,615	\$ 7,191,347	\$ 10,539,553
C. District's covered-employee payroll (October 1 to September 30)	\$ 2,603,442	\$ 2,740,027	\$ 2,672,059
D. District's proportionate share of net pension liability as a percentage of its covered employee payroll (%)	407.14%	262.46%	394.44%
E. Plan fiduciary net position as a percentage of total pension liability	60.77%	72.60%	59.72%

This schedule is to built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available, beginning September 30, 2014.

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<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.03150%	0.03183%	0.03169%	0.03042%	0.02994%	0.02891%
\$ 10,430,847	\$ 9,570,173	\$ 8,213,392	\$ 7,588,648	\$ 7,313,625	\$ 6,367,869
\$ 2,724,904	\$ 2,700,655	\$ 2,693,103	\$ 2,586,089	\$ 2,548,327	\$ 2,533,688
382.80%	354.36%	304.98%	293.44%	287.00%	251.33%
60.31%	62.36%	63.96%	63.27%	63.17%	66.20%

**Rogers City Area Schools**

Required Supplementary Information

Schedule of the Pension Contributions

For the Year Ended June 30

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Michigan Public School Employees Retirement Plan  
Last 10 Reporting Unit Fiscal Years (Amounts determined as of 6/30 of each year)

	<u>2023</u>	<u>2022</u>	<u>2021</u>
A. Statutorily required contributions	\$ 959,265	\$ 898,847	\$ 829,985
B. Contributions in relation to statutorily required contributions*	<u>979,706</u>	<u>898,847</u>	<u>829,985</u>
C. Contribution deficiency (excess)	<u>\$ (20,441)</u>	<u>\$ -</u>	<u>\$ -</u>
D. Districts covered-employee (July 1 to June 30)	\$ 2,606,322	\$ 2,640,258	\$ 2,577,215
E. Contributions as a percentage of covered-employee payroll	36.81%	34.04%	32.20%

\*Contributions in relation to statutorily required contributions are the contributions a reporting unit actually made to MPSERS, which may differ from the statutorily required contributions.

**Notes to Required Supplementary Information for the Year Ended June 30, 2023:**

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

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

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

This 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, beginning June 30, 2015.

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<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 831,479	\$ 890,196	\$ 488,134	\$ 683,016	\$ 577,642	\$ 546,347
<u>831,479</u>	<u>890,196</u>	<u>488,134</u>	<u>683,016</u>	<u>581,734</u>	<u>546,347</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,092)</u>	<u>\$ -</u>
\$ 2,787,959	\$ 2,702,031	\$ 2,706,393	\$ 2,677,237	\$ 2,548,327	\$ 2,544,093
29.82%	32.95%	18.04%	18.92%	22.83%	21.20%

# Rogers City Area Schools

## Required Supplementary Information

### Schedule of Proportionate Share of the Net OPEB Liability

For the Measurement Period Year Ended September 30

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	<u>2022</u>	<u>2021</u>	<u>2020</u>
Michigan Public School Employees Retirement Plan Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)			
Districts proportion share of net OPEB liability (%)	0.02672%	0.03027%	0.03017%
Districts proportionate share of net other post-employment benefits liability	\$ 566,005	\$ 462,069	\$ 1,616,538
Districts covered-employee payroll (October 1 to September 30)	\$ 2,603,442	\$ 2,740,027	\$ 2,672,059
District's proportionate share of net other-post employment benefits liability as a percentage of its covered employees (%)	21.74%	16.86%	60.50%
Plan fiduciary net position as a percentage of total OPEB liability	83.09%	87.33%	59.44%

This 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, beginning September 30, 2017.

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<u>2019</u>	<u>2018</u>	<u>2017</u>
0.03122%	0.03178%	0.03165%
\$ 2,240,575	\$ 2,526,018	\$ 2,802,697
\$ 2,724,904	\$ 2,700,655	\$ 2,693,103
82.23%	93.53%	104.07%
48.46%	42.95%	36.39%

# Rogers City Area Schools

## Required Supplementary Information

### Schedule of OPEB Contributions

For the Year Ended June 30

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Michigan Public School Employees Retirement Plan  
Last 10 Reporting Unit Fiscal Years (Amounts determined as of 6/30 of each year)

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Statutorily required contributions	\$ 203,556	\$ 225,703	\$ 165,093
Contributions in relation to statutorily required contributions*	<u>211,438</u>	<u>225,703</u>	<u>165,093</u>
Contribution deficiency (excess)	<u>\$ (7,882)</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll (July 1 to June 30)	\$ 2,606,322	\$ 2,577,215	\$ 2,577,215
Contributions as a percentage of covered-employee payroll	7.81%	8.76%	6.41%

\*Contributions in relation to statutorily required OPEB contributions are the contributions an employer actually made to the OPEB Plan, as distinct from the statutorily required contributions.

#### Notes to Required Supplementary Information for the Year Ended June 30, 2023:

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

Changes in benefit assumptions were:

2022 - the discount rate decreased to 6.00% from 6.95%

2021 - the healthcare cost trend rate changed as follows:

2020: 7.0% Year 1 graded to 3.5% Year 15, 3.0% Year 120

2021: 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

This 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, beginning with fiscal year ending June 30, 2018.



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<u>2020</u>	<u>2019</u>	<u>2018</u>
\$ 252,081	\$ 211,532	\$ 190,604
<u>252,081</u>	<u>211,532</u>	<u>190,604</u>
<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
\$ 2,787,959	\$ 2,702,031	\$ 2,706,393
9.04%	7.83%	7.04%

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## **Other Supplementary Information**

# Rogers City Area Schools

## Nonmajor Governmental Funds - Combining Balance Sheet

June 30, 2023

	Special Revenue Fund	Debt Retirement Funds	Total Nonmajor Governmental Funds
	Student Activity Fund	2017 School Bond Debt Service Fund	
<b>Assets</b>			
Cash and cash equivalents	\$ 143,490	\$ -	\$ 143,490
Total assets	<u>\$ 143,490</u>	<u>\$ -</u>	<u>\$ 143,490</u>
<b>Liabilities and Fund Balances</b>			
Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances			
Committed	<u>143,490</u>	<u>-</u>	<u>143,490</u>
Total liabilities and fund balances	<u>\$ 143,490</u>	<u>\$ -</u>	<u>\$ 143,490</u>

# Rogers City Area Schools

## Nonmajor Governmental Funds

### Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2023

	Special Revenue Fund	Debt Retirement Funds	Total Nonmajor Governmental Funds
	Student Activity Fund	2017 School Bond Debt Service Fund	
<b>Revenues</b>			
Local sources			
Property taxes	\$ -	\$ 113,740	\$ 113,740
Interest on investments	-	100	100
Student activities	192,778	-	192,778
Total revenues	192,778	113,840	306,618
<b>Expenditures</b>			
Student activities	177,246	-	177,246
Debt service			
Principal	-	90,000	90,000
Interest and fees	-	2,345	2,345
Total expenditures	177,246	92,345	269,591
<b>Excess of Revenues Over (Under) Expenditures</b>	15,532	21,495	37,027
<b>Other Financing Sources (Uses)</b>			
Transfers to other funds	-	(81,401)	(81,401)
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	-	(59,906)	(44,374)
<b>Fund Balances, beginning of the year</b>	127,958	59,906	187,864
<b>Fund Balances, end of the year</b>	\$ 143,490	\$ -	\$ 143,490

# Rogers City Area Schools

## General Fund Balance Sheet

	June 30	
	2023	2022
<b>Assets</b>		
Cash and cash equivalents	\$ 125,022	\$ 121,441
Investments	619,818	769,680
Accounts receivable	24,829	23,140
Due from other governmental units	1,237,226	632,256
Due from other funds	77,366	81,350
Total assets	<u>\$2,084,261</u>	<u>\$1,627,867</u>
<b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ 98,102	\$ 96,172
Salaries payable	355,577	311,463
Accrued payroll liabilities	147,939	65,206
Due to other governments	32,674	18,189
Tax anticipation note payable	58,169	71,501
Unearned revenue	384	384
Total liabilities	<u>692,845</u>	<u>562,915</u>
<b>Fund Balances</b>		
Restricted	31,083	-
Unassigned	<u>1,360,333</u>	<u>1,064,952</u>
Total fund balances	<u>1,391,416</u>	<u>1,064,952</u>
Total liabilities and fund balances	<u>\$2,084,261</u>	<u>\$1,627,867</u>

# Rogers City Area Schools

## General Fund

### Statement of Revenues, Expenditures, and Changes in Fund Balances

	Year Ended June 30			
	2023 Budget		2023	2022
	Original	Final	Actual	Actual
<b>Revenues</b>				
<b>Local Sources</b>				
Property taxes	\$1,839,455	\$1,826,906	\$1,840,896	\$1,729,580
Penalties and interest on taxes	180	180	410	163
Transportation fees	3,800	5,500	8,888	5,885
Earnings on investments and deposits	735	11,800	26,608	1,380
Athletic revenue	34,500	35,000	32,765	36,628
Facility rental fees	6,300	6,300	6,508	6,771
Private sources (contributions)	9,000	44,000	51,198	8,500
Miscellaneous local revenues	9,000	18,000	(2,273)	8,801
Total local sources	1,902,970	1,947,686	1,965,000	1,797,708
<b>State Sources</b>				
Unrestricted - State aid revenues				
Membership	2,404,860	2,387,365	2,418,219	2,465,673
High school pupil supports	50	-	-	-
Isolated districts	25,750	25,750	25,709	25,262
Restricted - State aid revenues				
Special education headlee obligation	177,500	168,000	302,358	159,645
MPSERS	540,150	548,552	823,075	558,322
At-risk funds	238,000	282,000	282,003	236,557
First robotics	2,000	2,000	6,490	6,402
Risk assessment	-	-	58,539	-
Special education reimbursements	19,200	3,000	-	19,065
Early literacy additional instruction	5,400	4,690	4,693	5,491
Headlee data collection	13,000	12,500	12,539	13,055
CTE per pupil incentive	-	54,300	(88)	91
Benchmark assessments	2,500	3,500	3,575	3,125
Total state sources	3,428,410	3,491,657	3,937,112	3,492,688

# Rogers City Area Schools

## General Fund

### Statement of Revenues, Expenditures, and Changes in Fund Balances

	Year Ended June 30			
	2023 Budget		2023	2022
	Original	Final	Actual	Actual
<b>Revenues (continued)</b>				
<b>Federal Sources</b>				
American Rescue Plan Act funds	\$ 140,000	\$ 259,300	\$ 206,352	\$ 305,764
CARES Act funds	40,000	277,585	229,361	221,046
Coronavirus Response and Relief Supplemental Appropriations Act funds	-	-	25,000	-
Title I, Part A	163,264	165,442	133,631	110,383
Title II, Part A	47,400	41,680	8,373	26,755
Title IV	11,489	14,882	4,785	9,538
Title V	11,077	18,639	5,903	8,380
COP-ESD other grants	2,000	2,000	-	-
Total federal sources	415,230	779,528	613,405	681,866
<b>Interdistrict Sources</b>				
Special education tax	132,000	132,000	155,046	146,933
<b>Other Sources</b>				
Sale of property	-	-	4,500	13,627
Miscellaneous	-	-	-	4,800
Total other sources	-	-	4,500	18,427
Total revenues	5,878,610	6,350,871	6,675,063	6,137,622
<b>Expenditures</b>				
<b>Instruction</b>				
Basic Programs				
Elementary				
Salaries	607,700	689,852	609,533	471,212
Employee benefits	362,450	481,068	564,586	346,023
Purchased services	20,090	31,850	32,432	20,287
Supplies and materials	86,645	135,196	76,047	70,884
Capital outlay	7,000	1,500	-	6,050
	1,083,885	1,339,466	1,282,598	914,456



# Rogers City Area Schools

## General Fund

### Statement of Revenues, Expenditures, and Changes in Fund Balances

	Year Ended June 30			
	2023 Budget		2023	2022
	Original	Final	Actual	Actual
<b>Expenditures (continued)</b>				
High school				
Salaries	\$ 846,927	\$ 845,000	\$ 839,221	\$ 857,299
Employee benefits	547,195	550,544	772,333	619,133
Purchased services	87,500	116,050	112,244	93,649
Supplies and materials	127,200	184,262	112,701	217,339
Capital outlay	1,300	2,525	1,208	1,250
Other	5,000	6,500	6,000	5,000
	<u>1,615,122</u>	<u>1,704,881</u>	<u>1,843,707</u>	<u>1,793,670</u>
Tuition to other public schools	<u>41,000</u>	<u>96,000</u>	<u>88,494</u>	<u>51,989</u>
Total basic programs	<u>2,740,007</u>	<u>3,140,347</u>	<u>3,214,799</u>	<u>2,760,115</u>
Added Needs				
Special education				
Salaries	356,023	363,400	341,803	385,419
Employee benefits	265,816	259,050	288,950	320,184
Purchased services	15,100	21,500	17,666	16,147
Supplies and materials	1,600	2,750	2,061	1,401
	<u>638,538</u>	<u>646,700</u>	<u>650,480</u>	<u>723,151</u>
Supporting Services				
Compensatory education				
Salaries	91,733	86,520	75,979	82,915
Employee benefits	39,306	39,986	37,887	42,563
Purchased services	4,485	190	190	6,543
Supplies and materials	337	337	6,880	251
	<u>135,861</u>	<u>127,033</u>	<u>120,936</u>	<u>132,272</u>
Total added needs	<u>774,399</u>	<u>773,733</u>	<u>771,416</u>	<u>855,423</u>
Total instruction	<u>3,514,406</u>	<u>3,914,080</u>	<u>3,986,215</u>	<u>3,615,538</u>

# Rogers City Area Schools

## General Fund Statement of Revenues, Expenditures, and Changes in Fund Balances

	Year Ended June 30			
	2023 Budget		2023	2022
	Original	Final	Actual	Actual
<b>Expenditures (continued)</b>				
<b>Supporting Services</b>				
Support Services - Pupil				
Guidance services				
Salaries	\$ 126,500	\$ 108,500	\$ 87,801	\$ 118,714
Employee benefits	90,551	64,700	72,337	68,751
Purchased services	500	1,500	642	-
Supplies and materials	2,850	3,350	1,542	1,440
	<u>220,401</u>	<u>178,050</u>	<u>162,322</u>	<u>188,905</u>
Health services				
Purchased services	25,000	27,000	25,500	26,800
Supplies and materials	5,500	4,800	4,517	5,549
	<u>30,500</u>	<u>31,800</u>	<u>30,017</u>	<u>32,349</u>
Other pupil support services				
Salaries	5,000	6,000	5,350	4,725
Employee benefits	3,650	4,050	4,761	4,770
	<u>8,650</u>	<u>10,050</u>	<u>10,111</u>	<u>9,495</u>
Total support services - pupil	<u>259,551</u>	<u>219,900</u>	<u>202,450</u>	<u>230,749</u>
Instructional Staff				
Improvement of instruction				
Salaries	1,335	1,335	-	595
Employee benefits	392	392	-	211
Purchased services	12,340	24,000	5,223	40
	<u>14,067</u>	<u>25,727</u>	<u>5,223</u>	<u>846</u>
Educational media services				
Supplies and materials	1,800	2,800	1,589	7,160
Other	2,100	2,100	-	-
	<u>3,900</u>	<u>4,900</u>	<u>1,589</u>	<u>7,160</u>
Instruction related technology				
Purchased services	44,600	45,600	38,436	38,637
Supplies and materials	13,500	14,500	13,652	9,922
	<u>58,100</u>	<u>60,100</u>	<u>52,088</u>	<u>48,559</u>
Total instructional staff	<u>76,067</u>	<u>90,727</u>	<u>58,900</u>	<u>56,565</u>

# Rogers City Area Schools

## General Fund Statement of Revenues, Expenditures, and Changes in Fund Balances

	Year Ended June 30			
	2023 Budget		2023	2022
	Original	Final	Actual	Actual
<b>Expenditures (continued)</b>				
General Administration				
Board of education				
Purchased services	\$ 78,350	\$ 78,350	\$ 54,192	\$ 71,077
Supplies and materials	11,050	11,050	5,649	10,263
Other	3,000	3,000	-	3,480
	<u>92,400</u>	<u>92,400</u>	<u>59,841</u>	<u>84,820</u>
Executive administration				
Salaries	85,000	90,500	95,480	108,194
Employee benefits	49,800	49,050	59,989	63,426
Purchased services	1,550	1,550	2,290	1,879
Supplies and materials	2,000	8,500	5,814	1,064
Other	3,000	3,000	1,465	1,700
	<u>141,350</u>	<u>152,600</u>	<u>165,038</u>	<u>176,263</u>
Total general administration	<u>233,750</u>	<u>245,000</u>	<u>224,879</u>	<u>261,083</u>
School Administration				
Office of the principal				
Salaries	225,750	221,950	205,916	192,719
Employee benefits	153,800	158,800	216,158	169,479
Purchased services	3,200	3,200	2,072	2,937
Supplies and materials	7,450	20,350	17,140	5,700
Other	2,500	2,500	910	1,085
	<u>392,700</u>	<u>406,800</u>	<u>442,196</u>	<u>371,920</u>
Total school administration	<u>392,700</u>	<u>406,800</u>	<u>442,196</u>	<u>371,920</u>
Support Services - Business				
Fiscal services				
Salaries	103,000	103,000	101,995	104,500
Employee benefits	72,350	74,350	86,153	81,115
Purchased services	9,150	10,400	6,720	7,630
Supplies and materials	11,500	17,500	17,163	7,003
Other	6,000	6,000	6,303	5,329
Outgoing transfers	800	1,000	517	562
	<u>202,800</u>	<u>212,250</u>	<u>218,851</u>	<u>206,139</u>

# Rogers City Area Schools

## General Fund Statement of Revenues, Expenditures, and Changes in Fund Balances

	Year Ended June 30			
	2023 Budget		2023	2022
	Original	Final	Actual	Actual
<b>Expenditures (continued)</b>				
Other business services				
Other	\$ 3,000	\$ 3,000	\$ -	\$ -
Total support services - business	205,800	215,250	218,851	206,139
Operating and Maintenance				
Operating buildings services				
Salaries	192,983	203,132	195,524	191,283
Employee benefits	147,315	148,848	149,915	139,381
Purchased services	145,775	185,775	164,117	238,029
Supplies and materials	283,600	184,600	125,127	230,698
Capital outlay	5,000	292,574	281,979	-
Total operations and maintenance	774,672	1,014,929	916,662	799,391
Pupil Transportation Services				
Pupil transportation services				
Salaries	87,250	96,250	96,793	104,376
Employee benefits	85,400	81,400	92,542	86,922
Purchased services	27,400	30,900	16,954	17,233
Supplies and materials	83,700	69,200	54,707	61,343
Total pupil transportation services	283,750	277,750	260,996	269,874
Support Services - Central				
Staff/personnel services				
Salaries	300	300	-	-
Employee benefits	102	102	-	-
Purchased services	1,364	1,968	1,110	692
	1,766	2,370	1,110	692
Non-Instructional Technology Services				
Supplies and materials	-	500	298	-
Total support services - central	1,766	2,870	1,408	692

# Rogers City Area Schools

## General Fund Statement of Revenues, Expenditures, and Changes in Fund Balances

	Year Ended June 30			
	2023 Budget		2023	2022
	Original	Final	Actual	Actual
<b>Expenditures (continued)</b>				
Support Services - Other				
Athletics				
Salaries	\$ 63,000	\$ 63,000	\$ 59,590	\$ 61,250
Employee benefits	26,400	26,400	23,087	21,965
Purchased services	16,500	18,000	17,710	18,525
Supplies and materials	9,000	20,000	18,839	10,077
	<u>114,900</u>	<u>127,400</u>	<u>119,226</u>	<u>111,817</u>
Other support services				
Capital outlay	-	-	-	193,796
Total support services - other	<u>114,900</u>	<u>127,400</u>	<u>119,226</u>	<u>305,613</u>
Total supporting services	<u>2,342,956</u>	<u>2,600,626</u>	<u>2,445,568</u>	<u>2,502,026</u>
<b>Community Services</b>				
Non-public school pupils				
Salaries	32,630	33,615	22,944	29,639
Employee benefits	12,233	10,604	13,919	14,352
Purchased services	7,446	9,777	5,003	6,095
Supplies and materials	4,826	3,984	564	4,738
	<u>57,135</u>	<u>57,980</u>	<u>42,430</u>	<u>54,824</u>
Total community services	<u>57,135</u>	<u>57,980</u>	<u>42,430</u>	<u>54,824</u>
<b>Debt Service</b>				
Interest and fees	-	-	8,667	504
	<u>-</u>	<u>-</u>	<u>8,667</u>	<u>504</u>
Total debt service	<u>-</u>	<u>-</u>	<u>8,667</u>	<u>504</u>
Total expenditures	<u>5,914,498</u>	<u>6,572,686</u>	<u>6,482,880</u>	<u>6,172,892</u>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<u>(35,888)</u>	<u>(221,815)</u>	<u>192,183</u>	<u>(35,270)</u>

# Rogers City Area Schools

## General Fund

### Statement of Revenues, Expenditures, and Changes in Fund Balances

	Year Ended June 30			
	2023 Budget		2023	2022
	Original	Final	Actual	Actual
<b>Other Financing Sources (Uses)</b>				
Transfer from other funds	\$ -	\$ 81,401	\$ 81,401	\$ -
Transfer to other funds	-	(100)	(41)	(19)
Total other financing sources (uses)	-	81,301	81,360	(19)
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	(35,888)	(140,514)	273,543	(35,289)
<b>Fund Balances, beginning of the year</b>	695,575	1,194,084	1,117,873	1,100,241
<b>Fund Balances, end of the year</b>	<u>\$ 659,687</u>	<u>\$1,053,570</u>	<u>\$1,391,416</u>	<u>\$1,064,952</u>

**Rogers City Area Schools****Supplementary Information  
Budgetary Comparison Schedule - Student Activity Fund**

Year ended June 30, 2023

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Local sources	\$ 262,000	\$ 273,500	\$ 192,778	\$ (80,722)
Total revenues	262,000	273,500	192,778	(80,722)
<b>Expenditures</b>				
Current				
Student activities	248,000	198,000	177,246	20,754
Total expenditures	248,000	198,000	177,246	20,754
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	14,000	75,500	15,532	(59,968)
<b>Excess of Revenues and Other Sources Over</b>				
<b>(Under) Expenditures and Other Uses</b>	14,000	75,500	15,532	(59,968)
<b>Fund Balances, beginning of the year</b>	217,676	114,832	127,958	(13,126)
<b>Fund Balances, end of the year</b>	<u>\$ 231,676</u>	<u>\$ 190,332</u>	<u>\$ 143,490</u>	<u>\$ (73,094)</u>

# Rogers City Area Schools

## Supplementary Information Budgetary Comparison Schedule - Building and Site Fund (Sinking Fund)

Year ended June 30, 2023

	Budget Amounts			Variance with
	Original	Final	Actual	Final Budget
<b>Revenues</b>				
Local sources	\$ 241,035	\$ 249,680	\$ 252,400	\$ 2,720
Total revenues	241,035	249,680	252,400	2,720
<b>Expenditures</b>				
Capital outlay				
Architectural and engineering	1,500	1,500	90	1,410
Site Improvements	60,000	60,000	21,011	38,989
Building improvements	255,500	436,000	251,580	184,420
Total expenditures	317,000	497,500	272,681	224,819
<b>Excess of Revenues Over (Under) Expenditures</b>	(75,965)	(247,820)	(20,281)	227,539
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	(75,965)	(247,820)	(20,281)	227,539
<b>Fund Balances</b> , beginning of the year	165,948	384,931	384,931	-
<b>Fund Balances</b> , end of the year	\$ 89,983	\$ 137,111	\$ 364,650	\$ 227,539



## **Federal Financial Assistance**

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

To the Board of Education  
Rogers City Area Schools  
Alpena, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rogers City Area Schools', as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Rogers City Area Schools basic financial statements, and have issued our report thereon dated October 31, 2023.

**Report on Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-001, 2023-002, 2023-003, and 2023-004 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-005 and 2023-006 to be significant deficiencies.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Rogers City Area Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2023-007.

## **Rogers City Area School's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on Rogers City Area School's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Rogers City Area Schools's response was not subjected to the other audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **Purpose of this Report**

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

Straley Lamp & Kraenzlein P.C.

October 31, 2023

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

To the Board of Education  
Rogers City Area Schools  
Alpena, Michigan

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

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

We have audited Rogers City Area Schools' 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 Rogers City Area Schools' major federal programs for the year ended June 30, 2023. Rogers City Area Schools' 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 Rogers City Area Schools 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 Rogers City Area Schools 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 Rogers City Area Schools 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 Rogers City Area Schools' 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 Rogers City Area Schools' 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 Rogers City Area Schools' 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 Rogers City Area Schools' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Rogers City Area Schools' 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 Rogers City Area Schools' 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.

*Straley Lamp & Kraenzlein P.C.*

October 31, 2023

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**Rogers City Area Schools**

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2023

Program Title/Project Number/Subrecipient Name	Federal Assistance Listing	Agency or Pass-through Number	Approved Awards Amount
<u>U.S. Department of Agriculture</u>			
Passed through Michigan Department of Education:			
Child Nutrition Cluster:			
Noncash Assistance (Commodities):			
National School Lunch Program	10.555		
Entitlement Commodities 2022-23		N/A	\$ 19,745
Entitlement Commodities Bonus 2022-23		N/A	968
Non-Cash Assistance Subtotal			<u>20,713</u>
Cash Assistance:			
School Breakfast Program (SBP)	10.553		
Seamless Summer Option (SSO) - Breakfast 2021-22		221970	7,447
Breakfast Program 2022-23		231970	59,005
			<u>66,452</u>
National School Lunch Program (NSLP)	10.555		
Seamless Summer Option (SSO) - Lunch Program 21-22		221960	19,017
Lunch Program 22-23		231960	158,482
Supply Chain Assistance		220910 2023	13,835
Supply Chain Assistance		230910 2023	9,771
			<u>201,105</u>
Summer Food Service Program for Children (SFSPC)	10.559		
Summer Food Program 21-22		220900	50,504
			<u>50,504</u>
Cash Assistance Subtotal			<u>318,061</u>
Total Child Nutrition Cluster			<u>338,774</u>
National School Lunch Program Equipment Assistance Grant	10.579		
Food Equipment Assistance Grant		211991 EA23	7,753
			<u>7,753</u>
State Pandemic Electronic Benefit Transfer (P-EBT)	10.649		
Pandemic EBT Local Level Costs-COVID-19		220980 2022	628
			<u>628</u>
Total Michigan Department of Education (MDE)			<u>347,155</u>
Total U.S. Department of Agriculture			<u>347,155</u>



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**Rogers City Area Schools**

Schedule of Expenditures of Federal Awards (continued)  
For the Year Ended June 30, 2023

Program Title/Project Number/Subrecipient Name	Federal Assistance Listing	Agency or Pass-through Number	Approved Awards Amount
<u>U.S. Department of Education</u>			
Passed through Michigan Department of Education (MDE):			
Title I Grants to Local Educational Agencies	84.010		
Title I - Part A Improving Basic Programs 2022-23		231530 2223	\$ 145,080
Title I - Part A Improving Basic Programs 2021-22		221530 2122	163,264
			<u>308,344</u>
Rural Education	84.358B		
Title V, Part B 2022-23		230660 2223	12,777
Title V, Part B 2021-22		220660 2122	14,858
			<u>27,635</u>
Supporting Effective Instruction Grant	84.367		
Title II A 2022-23		230520 2223	21,801
Title II A 2021-22		220520 2122	47,100
			<u>68,901</u>
Student Support and Academic Enrichment Grant	84.424		
Title IV Part A 2022-23		230750 2223	10,725
			<u>10,725</u>
Education Stabilization Programs (ESP)			
Governor's Emergency Education Relief Funding - COVID-19	84.425C *	201200 2021	<u>31,442</u>
ESSER II-COVID-19	84.425D *	213712 20-21	488,827
ESSER II 98C Learning Loss Technical Assistance-COVID-19		213782 2223	25,176
			<u>514,003</u>
ESSER III-COVID-19	84.425U *	213713 2122	<u>1,098,616</u>
Total Education Stabilization Programs			<u>1,644,061</u>
Total Michigan Department of Education (MDE)			<u>2,059,666</u>
Total U.S. Department of Education			<u>2,059,666</u>
Total Federal Financial Awards			<u>\$ 2,406,821</u>

(Memo Only) Prior Year Expenditure	Revenue Accrued (Unearned) at July 1, 2022	Current Year			Revenue Accrued (Unearned) at June 30, 2023	Current Year Cash Transferred To Subrecipients
		Receipts	Adjustments and Transfers	Expenditures		
\$ -	\$ -	\$ -	\$ -	\$ 133,631	\$ 133,631	\$ -
142,902	32,519	32,519	-	-	-	-
142,902	32,519	32,519	-	133,631	133,631	-
-	-	-	-	5,903	5,903	-
8,996	616	616	-	-	-	-
8,996	616	616	-	5,903	5,903	-
-	-	-	-	8,373	8,373	-
27,521	766	766	-	-	-	-
27,521	766	766	-	8,373	8,373	-
-	-	-	-	4,785	4,785	-
-	-	-	-	4,785	4,785	-
29,275	-	-	(1,008)	(1,008)	-	-
235,936	60,083	-	-	230,369	290,452	-
-	-	-	-	25,000	25,000	-
235,936	60,083	-	-	255,369	315,452	-
329,380	23,616	112,240	-	206,351	117,727	-
594,591	83,699	112,240	(1,008)	460,712	433,179	-
774,010	117,600	146,141	(1,008)	613,404	585,871	-
774,010	117,600	146,141	(1,008)	613,404	585,871	-
\$ 814,976	\$ 122,100	\$ 452,330	\$ (1,008)	\$ 919,927	\$ 590,705	\$ -

## **Rogers City Area Schools**

### **Notes to Schedule of Expenditures of Federal Awards**

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#### **Note 1--Basis of Presentation**

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

#### **Note 2--Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principals 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.

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been incurred and all grant requirements have been met.

Rogers City Area Schools has formatted the Schedule to conform to the recommendations of the Michigan Department of Education. The Schedule has been arranged to provide information on both actual cash received and the revenue recognized. Accordingly, the effects of accruals of accounts receivable, unearned revenue and accounts payable items at both the beginning and end of the fiscal year have been reported.

#### **Note 3--Adjustments and Transfers**

During the current year there was an adjustment on the schedule of federal awards for the following grant:

Governor's Emergency Education Relief Funding Project #201200 2021 was reduced from \$30,303 to \$29,295 for ineligible expenditures and the amount of \$1,008 was returned on January 19, 2023.

#### **Note 4--Indirect Cost Rate**

Rogers City Area Schools did not elect to use the 10% de minimis indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

## Rogers City Area Schools

### Notes to Schedule of Expenditures of Federal Awards

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#### Note 5--Relationship to Governmental Fund Financial Statements

Revenues from federal sources are reported in the School District's financial statements as follows:

	<u>Federal Revenues</u>
General Fund	\$ 613,405
Special Revenue Funds:	
Food Service Funds	<u>306,522</u>
Total federal revenues per financial statements	<u>\$ 919,927</u>
Total expenditures per the Schedule of Expenditures of Federal Awards (SEFA)	<u>\$ 919,927</u>

#### Note 6--Michigan Department of Education Disclosures

Management has utilized the Michigan Department of Education's NexSys Grant Auditor Report (GAR) in preparing the schedule of expenditures of federal awards.

The amounts reported on the recipient entitlement balance report, or PAL report, agree with the schedule of expenditures of federal awards for U.S. D.A. donated food commodities.

Expenditures include spoilage or pilferage.

#### Note 7--Reconciliation to Michigan Department of Education's NexSys Grant Auditor Report

The following shows a reconciliation of current year receipts per the Schedule of Expenditures of Federal Awards to current payments per Michigan Department of Education NexSys Grant Auditor Report:

Agency total current payments per Michigan Department of Education Grant Auditor Report - (GAR) NexSys	\$ 431,617
Add items not on NexSys report:	
Non-cash assistance USDA Commodities	<u>20,713</u>
Total current year receipts (cash basis) per the Schedule of Expenditures of Federal Awards (SEFA)	<u>\$ 452,330</u>

## Rogers City Area Schools

### Notes to Schedule of Expenditures of Federal Awards

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#### Note 8--Prior Period Adjustments

It was discovered that the School District had incurred eligible expenditures in fiscal year 2021-22 that should have been recognized as a receivable and revenue within the financial statements for the year ended June 30, 2022. Those receivables and grants are as follows:

Beginning revenue accrued (unearned) at July 1, 2022	\$ 4,500
Title I - Part A Improving Basic Programs 2021-22	32,519
Title II A 2021-22	766
Title V, Part B 2021-22	616
ESSER II - COVID-19	60,083
ESSER III - COVID-19	<u>23,616</u>
Restated beginning revenue accrued (unearned) at July 1, 2022	<u><u>\$ 122,100</u></u>

## **Rogers City Area Schools**

### **Schedule of Findings and Questioned Costs**

For the year ended June 30, 2023

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#### **Section I - Summary of Auditors' Results**

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Rogers City Area Schools were prepared in accordance with GAAP.
2. Four material weaknesses and one significant deficiency in internal control relating to the audit of the financial statements is reported in the 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*.
3. No instances of noncompliance material to the financial statements of Rogers City Area Schools, which are required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No material weaknesses relating to the audit of internal control over major federal award programs are reported in the Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for Rogers City Area Schools expresses an unmodified opinion.
6. There are no audit findings that are required to be reported in accordance with 2 CFR section 200.516(a).
7. The programs tested as a major program were: Education Stabilization Programs (ESP); ALN #84.425C, 84.425D and 84.425U.
8. The dollar threshold for distinguishing Types A and B programs was \$750,000.
9. Rogers City Area Schools did not qualify as a low-risk auditee.

## **Rogers City Area Schools**

### **Schedule of Findings and Questioned Costs**

For the year ended June 30, 2023

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#### **Section II - Financial Statement Findings**

##### **2023-001– Financial Statement Preparation (Repeat finding 2022-001)**

**Finding Type** – Material Weakness in Internal Control over Financial Reporting

**Criteria** – The School District is required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of the School District’s management.

**Condition** – The School District relies on its independent external auditors to assist in the preparation of the financial statements and related disclosures as part of its external financial reporting process. Accordingly, the School District’s ability to prepare financial statements is based, at least in part, on its reliance on its external auditors, who cannot be considered a part of the School District’s internal controls. However, we would like to stress that this service is allowable under AICPA ethics guidelines and may be the most efficient and effective method for preparation of the financial statements.

**Cause and Effect** – It continues to be the decision of management that it is more cost effective to have the independent auditor’s assist in the preparation of the School District’s audited financial statements and related footnotes than to incur the time and expense of obtaining the necessary training and expertise required for the School District’s to perform this task internally. As a result of this condition, the School District’s lack internal control over the financial statement preparation process and instead relied, in part, on its external auditors for assistance with this task.

**Recommendation** – As with many organizations, the School District has determined that the additional benefit derived from implementing internal controls over financial reporting would not outweigh the costs of utilizing external resources. Management should continue to review the draft financial statements and related footnote disclosures and accept responsibility for their content and presentation.

**View of Responsible Officials** – Management agrees with this finding and understands the risk of having the auditors prepare the financial statements.

##### **2023-002 – Review of Reconciliations and Material Audit Adjustments (Repeat finding 2022-002)**

**Finding Type** – Material Weakness in Internal Control over Financial Reporting

**Criteria** – Management is responsible for reconciling account balances and recording all correcting and closing entries to those account balances prior to the audit.

**Condition** – During the audit process, the auditors proposed adjusting entries to correct year-end account balances. These entries impacted revenues, expenditures/expenses, assets, and liabilities of the District. In addition, the auditors had to prepare account reconciliation schedules and propose a significant number of adjusting journal entries to assist management in ensuring the ending account balances were fairly stated, in all material respects. In certain cases these resulted in material adjusting journal entries.



## Rogers City Area Schools

### Schedule of Findings and Questioned Costs

For the year ended June 30, 2023

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#### **Section II - Financial Statement Findings** *(continued)*

**Cause and Effect** – Due in large part to the size of the District, the District maintains a small business office in terms of personnel. It is noteworthy that local school districts have a complex financial reporting environment. With limited personnel involved in the financial reporting process, the likelihood of internal control weaknesses inherently increases for the District. For example, it does not allow for the separation of the preparation and review processes, which allows for account balance misstatements to occur. Even though the District's resources are limited, it does not relieve managements responsibilities for accurate financial reporting.

**Recommendation** – We recognize the limited resources of the District may not allow for additional personnel or external consultants to assist management with these tasks. In fact, the cost might outweigh the benefits of providing additional personnel or external consultants to the business office. We encourage management to continue to monitor and reconcile year-end account balances prior to the audit so any areas that might be of risk to the District, are identified and corrected as soon as reasonably possible.

**View of Responsible Officials** – Management agrees with this finding.

#### **2023-003 – Segregation of Duties (Repeat finding 2022-003)**

**Finding Type:** Material Weakness in Internal Control over Financial Reporting

**Criteria:** All governments are required to establish an internal control structure with segregation of responsibilities sufficient to provide reasonable assurance that misstatements (whether caused by error or fraud) will be prevented or detected and corrected by management on a timely basis. This is a responsibility of the District.

**Condition:** Business office personnel are responsible for the custody of assets as well as for the accounting for those assets. Further, certain members within the business office record transactions within the accounting system that are not reviewed or reconciled by another individual.

**Cause and Effect:** As is the case with many organizations of similar size, the accounting department within the District lacks a sufficient number of accounting personnel involved in the financial reporting process in order to ensure a complete segregation of duties within the accounting function. As a result of this condition, the District's current system of internal control has limited (due to their size) safeguards in place to ensure that errors, fraud or abuse is being prevented.

**Recommendation:** Smaller organizations, due to limited resources, are generally more sensitive to the cost of implementing the design of these controls and often have compensating controls to partially mitigate this deficiency. We recommend that management and the Board continue to closely review financial statements and related supporting documentation.

**View of Responsible Officials** – Management agrees with this finding.

## Rogers City Area Schools

### Schedule of Findings and Questioned Costs

For the year ended June 30, 2023

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#### **Section II - Financial Statement Findings** *(continued)*

##### **2023-004 – Financial Reporting for the Unfunded Actuarial Accrued Liability (UAAL) Stabilization Funding**

**Finding Type:** Material Weakness in Internal Control over Financial Reporting

**Criteria:** The School District is required to follow the Michigan Department of Education guidance (MDE) and provide financial information to the Board of Education.

**Condition:** The School District receives UAAL stabilization funding through state aid. This funding received from the Michigan Department of Education is considered revenue to the School District. Subsequent to receipt of the funds, the School District is required to contribute the amount received to the Michigan Public School Employees' Retirement System to fund the School District's pension plan, resulting in an expenditure. The expenditure relating to the UAAL stabilization funding was not recognized by the School District throughout the fiscal year.

**Cause and Effect:** Throughout the fiscal year the School District did not recognize the UAAL stabilization funding as an expenditure, which is material to the financial statements. Consequently, the School District did not have accurate financial information that complied with the MDE guidelines or to report to the Board of Education throughout the fiscal year.

**Recommendation:** We recommend the School District recognize the UAAL stabilization funding expenditure throughout the fiscal year. This would provide financial information that is in compliance with the MDE guidelines and provide accurate reporting to the Board of Education.

**View of Responsible Officials –** Management agrees with this finding.

##### **2023-005 – Federal Title Grant Draws**

**Finding Type:** Significant Deficiency in Internal Control over Financial Reporting

**Criteria:** A sound internal control design provides adequate procedures and controls over grants, including comparing expenditures to the approved grant budget prior to charging them to the grant expenditure accounts; adjusting grant expenditure accounts in accordance with any grant budget amendments; and making grant draws on a timely basis. This helps ensure that the expenditures charged to the grant accounts are accurate and complete for each grant draw.

**Condition:** The School District did not draw the Title grant funds until August, subsequent to year end. The expenditures throughout the school year did not align with the approved grant budgets and several reclassifying journal entries were posted to reconcile the grant accounts. The grant budget can change during the fiscal year through grant amendments. If an amendment is approved, adjustments to the general ledger would need to be posted to reconcile the changes, and any necessary adjustments to the draws would also need to be reconciled. In addition, the School District borrows funds each year from a state aid anticipation note to assist with the School Districts cash flow.

## Rogers City Area Schools

### Schedule of Findings and Questioned Costs

For the year ended June 30, 2023

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#### **Section II - Financial Statement Findings** *(continued)*

**Cause and Effect:** If the approved grant budget amendments are not reconciled and communicated in a timely manner, the business office could potentially overdraw funds or have expenditures charged to the grant that is no longer approved. Furthermore, if the funds are not drawn until August, the School District is at risk of not receiving the funds within 60 days of the fiscal year-end. Under Governmental Accounting Standards and the School District's policy, the School District cannot recognize revenue within the fund statements that is not considered available, i.e., received within 60 days of year-end. This would result in the School District incurring expenditures within the fiscal year without the revenue to match in the same accounting period. In addition, the School District received a state aid anticipation note, in which interest will be paid to assist with cash flow. It is possible that if the School District did not wait to draw funds, the state aid anticipation note may not be needed, resulting in the School District avoiding interest and fees.

**Recommendation:** We recommend the School District create procedures to ensure that any adjustments to the approved grant budget are communicated to the business office in a timely manner to allow proper adjustments to be made to the grant accounts. In addition, the grant coordinator and business office should coordinate and work collectively on any amendments to the grant budgets throughout the year to ensure that all changes have been accounted for in a timely manner. This would allow the School District to draw and reconcile the Title grant funds throughout the fiscal year.

**View of Responsible Officials** – Management agrees with this finding.

#### **2023-006 – Credit Card Policy Compliance**

**Finding Type:** Significant Deficiency in Internal Control over Financial Reporting

**Criteria:** In accordance with Act 266 of 1995, the Board of Education has adopted and approved a credit card policy. School District employees must comply with this policy.

**Condition:** During the audit a sample of credit card transactions were selected and reviewed for compliance with the School District's credit card policy. There were instances noted within the sampled credit card transactions in which the School District employees were not following the credit card policy adopted by the Board of Education.

**Cause and Effect:** The School District employees did not follow the credit card policy adopted by the Board of Education. This leaves the School District vulnerable to unapproved and/or fraudulent credit card transactions.

**Recommendation:** We recommend the School District management enforce the credit card policy that the Board of Education adopted for credit card transactions. Furthermore, we recommend management communicate the policy to all employees (consider communicating this in writing, with the employee's signature verifying the policy was communicated to the employee) who have a credit card issued by the School District. If an employee who is issued a credit card does not comply with the policy, consider terminating the employee's access to the credit card.

**View of Responsible Officials** – Management agrees with this finding.

## **Rogers City Area Schools**

### **Schedule of Findings and Questioned Costs**

For the year ended June 30, 2023

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#### **Section II - Financial Statement Findings** *(continued)*

##### **2023-007 – Failure to Comply with Budgeting Statutes**

**Finding Type:** Noncompliance with Uniform Budget Manual

**Criteria:** The Michigan Department of Treasury Uniform Budget Manual requires that the School District must amend the budget prior to a deviation occurring. Failure to analyze and timely amend the budget caused expenditures to exceed the authorized budget, which is a violation of Michigan statute. Decision makers need to be provided with timely and accurate financial information to make budgetary and resource allocation decisions.

**Conditions:** The School District failed to timely amend its budget, violating Michigan budgeting statutes, which caused expenses in excess of amounts authorized.

**Cause and Effect:** The School District did not maintain current and accurate financial information to allow Management the ability to provide proposed timely budget amendments to the Board throughout the fiscal year. This led to expenditures that exceeded the Board adopted budget, resulting in violations of the Michigan Department of Treasury Uniform Budget Manual.

**Recommendation:** We recommend the Board adopt budgeting policies and procedures that ensure the School District implements an internal control system that follows all Michigan budgeting statutes and guidance.

**View of Responsible Officials** – Management agrees with this finding.

#### **Section III - Federal Program Audit Findings**

None noted in the current year.

# Rogers City Area Schools

1033 West Huron Avenue, Suite B  
Rogers City, MI 49779

Nicholas C. Hein  
Superintendent

Robin Hughes  
Business Manager

## **Schedule of Prior Year Audit Findings**

### **2022-001– Financial Statement Preparation**

**Finding Type** – Material Weakness in Internal Control over Financial Reporting

**Criteria** – The School District is required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of the School District’s management.

**Condition** – The School District relies on its independent external auditors to assist in the preparation of the financial statements and related disclosures as part of its external financial reporting process. Accordingly, the School District’s ability to prepare financial statements is based, at least in part, on its reliance on its external auditors, who cannot be considered a part of the School District’s internal controls. However, we would like to stress that this service is allowable under AICPA ethics guidelines and may be the most efficient and effective method for preparation of the financial statements.

**Cause and Effect** – The School District has determined that it is more cost effective to outsource the preparation of its annual financial statements than to incur the time and expense of obtaining the necessary training and expertise required for the School District to perform this task internally. The School District lacks complete internal controls over the preparation of the financial statements, and instead relies on its external auditors to complete this task.

**Recommendation** – As with many organizations the School District has determined that the additional benefit derived from implementing internal controls over financial reporting would not outweigh the costs of utilizing external resources. Management should continue to review the draft financial statements and related footnote disclosures and accept responsibility for their content and presentation.

**View of Responsible Officials** – Management agrees with this finding.

**Year of Initial Occurrence** – June 30, 2016

**Status** – This situation still exists. See the Corrective Action Plan.

### **2022-002 – Review of Reconciliations and Adjusting Journal Entries**

**Finding Type** – Material Weakness in Internal Control over Financial Reporting

**Criteria** – Management is responsible for reconciling account balances and recording all correcting and closing entries to those account balances prior to the audit.

**Condition** – During the audit process, the auditors proposed adjusting entries to correct year-end account balances. These entries impacted revenues, receivables, expenses and liabilities of the District. In addition, the auditors had to prepare account reconciliation schedules to assist management in ensuring the ending account balances were fairly stated.

### **Schedule of Prior Year Audit Findings** *(continued)*

**Cause and Effect** – Due in large part to the size of the District, the District maintains a small business office in terms of personnel. It is noteworthy that local school districts have a complex financial reporting environment. With limited personnel involved in the financial reporting process, the likelihood of internal control weaknesses inherently increases for the District. For example, it does not allow for the separation of the preparation and review processes and the related responsibilities for accurate account balances and reconciliations.

**Recommendation** – We recognize the limited resources of the District may not allow for additional personnel or external consultants to assist management with these tasks. In fact, the cost might outweigh the benefits of providing additional personnel or external consultants to the business office. We encourage management to continue to monitor and reconcile year-end account balances prior to the audit so any areas that might be of risk to the District are identified and corrected as soon as reasonably possible.

**View of Responsible Officials** – Management agrees with this finding.

**Year of Initial Occurrence** – June 30, 2017

**Status** – This situation still exists. See the Corrective Action Plan.

### **2022-003 – Segregation of Duties**

**Finding Type:** Material Weakness in Internal Control over Financial Reporting

**Criteria:** All governments are required to establish an internal control structure with segregation of responsibilities sufficient to provide reasonable assurance that misstatements (whether caused by error or fraud) will be prevented or detected and corrected by management on a timely basis. This is a responsibility of the District.

**Cause and Effect:** As is the case with many organizations of similar size, the accounting department within the District lacks a sufficient number of accounting personnel involved in the financial reporting process in order to ensure a complete segregation of duties within the accounting function. As a result of this condition, the District's current system of internal control has limited (due to their size) safeguards in place to ensure that errors, fraud or abuse is being prevented.

**Recommendation:** Smaller organizations, due to limited resources, are generally more sensitive to the cost of implementing the design of these controls and often have compensating controls to partially mitigate this deficiency. We recommend that management and the Board continue to closely review financial statements and related supporting documentation.

**View of Responsible Officials** – Management agrees with this finding.

**Year of Initial Occurrence** – June 30, 2022

**Status** – This situation still exists. See the Corrective Action Plan.

**Schedule of Prior Year Audit Findings** *(continued)*

**Findings and Questioned Costs – Major Federal Award Program Audit**

There were no findings related to major federal award programs which were required to be reported in accordance with generally accepted government auditing standards for the year ended June 30, 2022.

# Rogers City Area Schools

1033 West Huron Avenue, Suite B

Rogers City, MI 49779

Nicholas C. Hein  
Superintendent

Robin Hughes  
Business Manager

June 30, 2023

## **Corrective Action Plan**

**Finding 2023-001** – Financial Statement Preparation – Material Weakness in Internal Control over Financial Reporting

**Condition** – The School District relies on its independent external auditors to assist in the preparation of the financial statements and related disclosures as part of its external financial reporting process. Accordingly, the School District's ability to prepare financial statements is based, at least in part, on its reliance on its external auditors, who cannot be considered a part of the School District's internal controls. However, we would like to stress that this service is allowable under AICPA ethics guidelines and may be the most efficient and effective method for preparation of the financial statements.

**Corrective Steps Taken** – None Necessary

**Corrective Steps to be Taken** – None Necessary

**Monitoring** – None Necessary

**Questioned Costs** – None

**Reason Corrective Action not Necessary** – The School District will continue to rely on its external auditors, as allowed by the AICPA ethics guidelines as the most efficient and effective method for preparation of the financial statements.

**Name of Responsible Person for Further Information** – Nicholas Hein, Superintendent; Robin L. Hughes, Business Manager; and the Board of Education.

**Finding 2023-002** – Review of Reconciliations and Material Audit Adjustments – Material Weakness in Internal Control over Financial Reporting

**Condition** – During the audit process, the auditors proposed adjusting entries to correct year-end account balances. These entries impacted revenues, expenditures/expenses, assets, and liabilities of the District. In addition, the auditors had to prepare account reconciliation schedules to assist management in ensuring the ending account balances were fairly stated. In certain cases these resulted in material adjusting journal entries.

**Corrective Steps Taken** – None

**Corrective Steps to be Taken** – Management will continue to look for opportunities to strengthen and enhance its financial reporting process. This will likely continue to include utilizing outside parties, in part, to ensure account balances are fairly stated and the underlying documentation is in place.



### **Corrective Action Plan** *(continued)*

**Monitoring** – To assure the correct level of reviews are being performed, signatures will be required to assure that account reconciliations are complete and any necessary adjustments are posted to the correct accounts, in the correct amount and within the correct period.

**Questioned Costs** – None

**Reason Corrective Action Not Necessary** – N/A

**Name of Responsible Person for Further Information** – Nicholas Hein, Superintendent; Robin L. Hughes, Business Manager; and the Board of Education.

### **Finding 2023-003** – Segregation of Duties – Material Weakness

**Condition** – All governments are required to establish an internal control structure with segregation of responsibilities sufficient to provide reasonable assurance that misstatements (whether caused by error or fraud) will be prevented or detected and corrected by management on a timely basis. This is a responsibility of the District.

**Corrective Steps Taken:** – None

**Corrective Steps to be Taken** – None

**Monitoring** – None necessary

**Questioned Costs** – None

**Reason Corrective Action not Necessary** – The cost of adding personnel to the business office outweighs the potential benefit of doing so.

**Name of Responsible Person for Further Information** – Nicholas Hein, Superintendent; Robin L. Hughes, Business Manager; and the Board of Education.

### **Finding 2023-004** – Financial Reporting for the Unfunded Actuarial Accrued Liability (UAAL) Stabilization Funding – Material Weakness in Internal Control over Financial Reporting

**Condition** – The School District receives UAAL stabilization funding through state aid. This funding received from the Michigan Department of Education is considered revenue to the School District. Subsequent to receipt of the funds, the School District is required to contribute the amount received to the Michigan Public School Employees' Retirement System to fund the School District's pension plan, resulting in an expenditure. The expenditure relating to the UAAL stabilization funding was not recognized by the School District throughout the fiscal year.

**Corrective Steps Taken** – The School District has implemented changes within the process of recognizing the UAAL stabilization funding expenditures.

**Corrective Steps to be Taken** – For fiscal year 2023-24, the School District has implemented changes to the process of paying the UAAL stabilization funding to the Michigan Public School Employees' Retirement System. The School District is recognizing the expenditure of the UAAL stabilization funding as the payments are made. The School District is now complying with the MDE guidelines and will include these expenses in the financial reporting information provided to the Board of Education.

**Corrective Action Plan** *(continued)*

**Monitoring** – To assure the UAAL expenditures are recorded throughout the fiscal year, the Business Manager will monitor and review reports to ensure the new procedure is properly implemented.

**Questioned Costs** – None

**Reason Corrective Action Not Necessary** – N/A

**Name of Responsible Person for Further Information** – Nicholas Hein, Superintendent; Robin L. Hughes, Business Manager; and the Board of Education.

**Finding 2023-005** – Federal Title Grant Draws – Significant Deficiency in Internal Control over Financial Reporting

**Condition** – A sound internal control design provides adequate procedures and controls over grants, including comparing expenditures to the approved grant budget prior to charging them to the grant expenditure accounts; adjusting grant expenditure accounts in accordance with any grant budget amendments; and making grant draws on a timely basis. This helps ensure that the expenditures charged to the grant accounts are accurate and complete for each grant draw.

**Corrective Steps Taken** – None

**Corrective Steps to be Taken** – The School District will review budget amendments as they are approved and reconcile records, making necessary adjustments, in a timely manner throughout the fiscal year. The School District will work with the grant coordinator as necessary throughout the fiscal year to ensure timely reporting and make grant draws prior to year-end.

**Monitoring** – The Business Office will monitor and communicate information in a timely manner, working with the grant coordinator, to ensure the federal title grants are approved and reconciled to the financial records.

**Questioned Costs** – None

**Reason Corrective Action Not Necessary** – N/A

**Name of Responsible Person for Further Information** – Nicholas Hein, Superintendent; Robin L. Hughes, Business Manager; and the Board of Education.

**Finding 2023-006** – Credit Card Policy Compliance – Significant Deficiency in Internal Control over Financial Reporting

**Condition** – During the audit a sample of credit card transactions were selected and reviewed for compliance with the School District's credit card policy. There were instances noted within several of the sampled credit card transactions in which the School District employees were not following the credit card policy adopted by the Board of Education.

**Corrective Steps Taken** – None

**Corrective Action Plan** *(continued)*

**Corrective Steps to be Taken** – The School District will review the credit card policy and administrative guidelines and communicate this information to employees. Adherence to the policies and guidelines will include the re-implementation of purchase requisitions, to be submitted to Department Heads/Principals for approval prior to purchases. The approval process will include a review of available funds and credit card monthly limits, as well as written approval prior to purchases being made with a credit card when the purchase being made is an employee whom the credit card was not issued.

**Monitoring** – The Business Office will review credit card transactions to ensure the policy is being followed during the credit card reconciliation process.

**Questioned Costs** – None

**Reason Corrective Action Not Necessary** – N/A

**Name of Responsible Person for Further Information** – Nicholas Hein, Superintendent; Robin L. Hughes, Business Manager; and the Board of Education.

**Finding 2023-007** – Failure to Comply with Budgeting Statutes – Noncompliance with Uniform Budget Manual

**Condition** – The School District failed to timely amend its budget, violating Michigan budgeting statutes, which caused expenses in excess of amounts authorized.

**Corrective Steps Taken** – None

**Corrective Steps to be Taken** – The School District has an internal review process in place to review and amend the budget during the fiscal year. Due to a significant amount of audit adjustments, the School District failed to amend the budget in a timely manner in accordance with the Uniform Budget Manual due to not having final year-end account balances at the time the final budget amendment was made. The School District will continue to monitor and amend the budget during the fiscal year.

**Monitoring** – Management and the Board of Education will continue to review the School District's budget and make budget amendments as necessary.

**Questioned Costs** – None

**Reason Corrective Action Not Necessary** – N/A

**Name of Responsible Person for Further Information** – Nicholas Hein, Superintendent; Robin L. Hughes, Business Manager; and the Board of Education.

## Communications with Those Charged with Governance

To the Board of Education  
Rogers City Area Schools  
Rogers City, Michigan 49779

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rogers City Area Schools' for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 18, 2023. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Matters

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Rogers City Area Schools are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, Rogers City Area Schools changed accounting policies related to software arrangements by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 96, *Subscription-Based Information Technology Arrangements*, in 2023. There was no effect from the accounting change as of the beginning of the year. We noted no transactions entered into by Rogers City Area Schools during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the depreciation expense is based on management's assumptions about the useful lives of its capital assets. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole;

Management's estimate of its pension, OPEB liabilities, deferred inflows of resources, and deferred outflows of resources which is based upon actuarial valuations which considers such assumptions as the long-term expected return on plan assets, discount rates, future employee wages, inflation, mortality rates, and cost of living adjustments.

Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosure of Pension and OPEB information in Notes 11 and 12, respectively, to the financial statements because of assumptions used in the calculations of these liabilities.

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

#### *Difficulties Encountered in Performing the Audit*

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

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The adjustments identified during the audit have been communicated to management and management has appraised all adjustments. Some of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. There were no uncorrected misstatements that were more than trivial.

#### *Disagreements with Management*

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

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 31, 2023.

#### *Management Consultations with Other Independent Accountants*

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

#### *Other Audit Findings or Issues*

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

#### Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, budgetary comparison schedules, pension plan schedules, and OPEB schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of

the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

**Recent Pronouncements.** The Governmental Accounting Standards Board and Michigan Department of Education, in its continuing process of updating the accounting principles that all governments must adhere to, has issued the following recent pronouncements that will have an impact on the way Rogers City Area Schools maintains its financial records:

**Upcoming GASB Statements that will impact Rogers City Area Schools:**

- A. GASB Statement No. 100, Accounting Changes and Error Corrections—an Amendment of GASB Statement No. 62** – This statement stipulates the accounting and financial reporting for (1) each type of accounting change and (2) error corrections with the objective of enhancing the accounting and financial reporting requirements and to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. The statement establishes requirements for note disclosures, required supplemental information, and supplemental information.

The requirements of this statement are effective for reporting periods beginning after June 15, 2023, (the Rogers City Area Schools' June 30, 2024 fiscal year).

- B. GASB Statement No. 101, Compensated Absences** – This statement updates the recognition and measurement guidance of the existing standard under a unified model. Previously required financial statement note disclosure requirements have been amended within this statement.

The requirements of this statement are effective for reporting periods beginning after December 15, 2023, (the Rogers City Area Schools' June 30, 2025 fiscal year).

- C. GASB Implementation Guide No. 2021-1, Implementation Guidance Update – 2021** – This Implementation Guide provides technical information on the application of several GASB pronouncements, including leases and capital assets. The guidance issued on capital assets changes the capitalization criteria previously utilized by governmental entities. Historically, governmental entities capitalized assets on an individual asset threshold. This new guidance includes a requirement to capitalize items purchased under the government's threshold for a group of assets purchased, if considered significant in aggregate. For example, in the past a government would not capitalize a \$900 laptop, even though they purchased 20 laptops. Going forward this group of laptops would be capitalized, if significant considered in the aggregate.

The effective reporting period requirements of this implementation guidance vary, however the change in recognition of capital assets noted in the preceding paragraph will be effective for the Rogers City Area Schools' June 30, 2024 fiscal year.

**Internal Control Related Matter.** During our audit we also became aware of the following internal control related matters that we consider opportunities for enhancing internal control.

**Journal Entry Approval** - During the fiscal year ended June 30, 2023, there were several instances noted where the School District posted inaccurate journal entries within the accounting software, some of which were material to the financial statements. It was noted that there is no internal review of the journal entries within the School District. It is recommended the School District implement a review process for journal entries prior to posting within the accounting software.

Restriction on Use

This report is intended solely for the information and use of Rogers City Area Schools, Michigan Department of Education, management, and others within the governmental unit and is not intended to be, and should not be, used by anyone other than these specified parties.

We wish to thank the staff of Rogers City Area Schools for their assistance during the audit. We appreciate the opportunity to serve Rogers City Area Schools. If you have any questions, or if we can be of further service, please do not hesitate to contact us.

Very truly yours,

*Straley Lamp & Kraenzlein P.C.*

October 31, 2023