



**GRASS LAKE COMMUNITY SCHOOLS
JACKSON COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2023**

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Management's Discussion and Analysis	5
BASIC FINANCIAL STATEMENTS	
District-wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements	
Governmental Funds	
Balance Sheet	16
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balance	18
Reconciliation of Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances with Statement of Activities	19
Notes to the Financial Statements	21
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual: General Fund	47
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual: School Lunch	48
Schedule of School District's Proportionate Share of Net Pension Liability	49
Schedule of School District's Pension Contributions	50
Schedule of School District's Proportionate Share of Net OPEB Liability	51
Schedule of School District's OPEB Contributions	52

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Grass Lake Community Schools
Grass Lake, 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 Grass Lake Community Schools (the "School District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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, budgetary comparison information, and the schedules of proportionate share of net pension and OPEB liabilities and contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required

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

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

A handwritten signature in dark ink that reads "Gabridge & Company". The signature is written in a cursive, flowing style.

Gabridge & Company, PLC
Grand Rapids, MI
October 31, 2023

Management's Discussion and Analysis

**Grass Lake Community Schools
Management's Discussion and Analysis
June 30, 2023**

This section of Grass Lake Community Schools (the "School District"), Jackson County, Michigan's annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2023. It is to be read in conjunction with the School District's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and is intended to provide the financial results for the fiscal year ending June 30, 2023.

Financial Highlights

- The liabilities and deferred inflows of resources of the School District exceeded its assets and deferred outflows of resources at the close of this fiscal year by \$14,984,449 (shown as a deficit *net position*). The School District had a deficit *unrestricted net position* of \$(26,248,686).
- Revenues of \$21,446,398 exceeded expenses of \$18,902,459 leading to an increase in net position of \$2,543,939 during the year.
- During the year, the School District's fund balances decreased by \$565,036 for an ending fund balance of \$3,012,769.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,984,040, or 11.0% of the general fund's total expenditures. Fund balance of the general fund *decreased* by \$521,066 during the year.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the School District:

- The first two statements, the statement of net position and the statement of activities, are *district-wide financial statements* that provide both short-term and long-term information about the School District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the School District, reporting the School District's operations in more detail than the district-wide statements. *Governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.

The basic financial statements also include the notes to the financial statements that explain the information in the basic financial statements and provide more detailed data. Supplementary information follows and includes combining and individual fund statements as well as a budgetary comparison schedule for the general fund as well as schedules showing the School District's funding status of its pension and OPEB retirement plans.

District-wide Financial Statements

The district-wide financial statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. 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.

The two district-wide statements report the School District's net position, and how they have changed. Net position – the difference between the School District's assets, deferred outflows and inflows, and liabilities - 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 are an indicator of whether its financial position is improving or deteriorating, respectively.

To assess the School District's overall health, one should consider additional non-financial factors such as changes in the School District's property tax-base and the condition of school buildings and other facilities.

In the district-wide financial statements, the School District's activities are presented as governmental activities. *Governmental activities* include the School District's basic services, such as regular and special education, instructional support, transportation, administration, community services, food service, and athletics. State aid and property taxes finance most of these activities.

Financial Analysis of the School District as a Whole

The School District's cash and investments decreased by \$1,051,279 during the year being similar to the decrease in governmental fund balance of \$565,036 along with debt service cash payments of \$2,685,633. Due from other governmental units increased by \$269,708 due mainly to the timing of federal and state monies being collected in July and August of 2023. All components of deferred outflows of resources experienced significant changes during the year; pension and OPEB related outflows increased by \$4,915,326 and \$651,965, respectively, due to investment losses on the respective plans of 4.18% and 4.99% (Pension, OPEB) and 80% of these market losses are being deferred an expensed over the next four years.

Accounts payable increasing by \$112,161 over the previous year is due to the timing of expenses incurred but not paid prior to year-end. The \$84,975 decrease in salaries and benefits payable compared to the prior year is due almost exclusively to the timing of year-end payroll payments. Unearned revenues decreased by \$244,348 due to the timing of grants collected in advance of having incurred the grant-related expenditures. Net OPEB and pension liabilities increased by \$448,882 and \$10,388,123, respectively, due to the aforementioned investment losses. OPEB and

pension related deferred inflow amounts decreased during the year due to the amortization of prior year deferred pension expenditures combined with the reclassification of prior excess earnings as deferred outflows; the decreases were \$989,763 and \$5,623,262 for OPEB and pension deferred inflows, respectively. The School District's long-term debt decreased by a net total of \$2,194,117, being comprised of \$612,680 proceeds from the school loan revolving fund debt and installment purchase agreement issuances less principal payments of \$2,685,633 and net bond premium amortization of \$121,164.

The schedule on the following page summarizes the School Districts net position for each of the past two fiscal years.

Grass Lake Community School's Net Position

ASSETS	2023	2022
<i>Current Assets</i>		
Cash and cash equivalents	\$ 2,248,367	\$ 3,299,646
Due from other governmental units	2,508,689	2,238,981
Inventory	24,529	25,156
<i>Total Current Assets</i>	4,781,585	5,563,783
<i>Noncurrent Assets</i>		
Capital assets, net	20,192,357	20,666,175
<i>Total Assets</i>	24,973,942	26,229,958
DEFERRED OUTFLOWS OF RESOURCES		
Charges from bond refunding	506,461	569,769
Pension related	8,414,451	3,499,125
OPEB related	2,020,301	1,368,336
<i>Total Deferred Outflows of Resources</i>	10,941,213	5,437,230
LIABILITIES		
<i>Current Liabilities</i>		
Accounts payable	173,187	61,026
Salaries and benefits payable	1,369,521	1,454,496
Unearned revenue	226,108	470,456
Accrued interest	87,291	98,933
Current portion of long-term debt	1,702,904	2,594,204
<i>Total Current Liabilities</i>	3,559,011	4,679,115
<i>Noncurrent Liabilities</i>		
Compensated absences	228,388	325,419
Long-term debt	14,688,471	15,991,288
Net pension liability	27,485,509	17,097,386
Net OPEB liability	1,550,582	1,101,700
<i>Total Liabilities</i>	47,511,961	39,194,908
DEFERRED INFLOWS OF RESOURCES		
Pension related	184,273	5,807,535
OPEB related	3,203,370	4,193,133
<i>Total Deferred Inflows of Resources</i>	3,387,643	10,000,668
NET POSITION		
Net investment in capital assets	10,600,276	8,403,081
Restricted	663,961	729,605
Unrestricted	(26,248,686)	(26,661,074)
<i>Total Net Position</i>	\$ (14,984,449)	\$ (17,528,388)

The results of the fiscal year's operations for the School District as a whole are presented in the statement of activities, which shows the change in total net position for the year. This schedule shows the changes in net position for the past two fiscal years.

Grass Lake Community School's Changes in Net Position

Revenues	2023	2022
Program Revenues		
Charges for services	\$ 1,917,242	\$ 1,224,647
Operating grants and contributions	4,849,978	3,991,165
<i>Total Program Revenues</i>	6,767,220	5,215,812
General Revenues		
Property taxes	3,930,668	3,736,135
Unrestricted state sources	10,744,241	9,971,971
Interest and investment earnings	4,269	135
<i>Total General Revenues</i>	14,679,178	13,708,241
<i>Total Revenues</i>	21,446,398	18,924,053
Expenses		
Instruction	10,387,665	8,632,829
Supporting services	6,113,412	4,939,188
Food services	737,800	807,717
Community services	16,214	15,345
Interest on long-term debt and other related costs	652,548	643,882
Unallocated depreciation	994,820	1,013,096
<i>Total Expenses</i>	18,902,459	16,052,057
<i>Change in Net Position</i>	2,543,939	2,871,996
<i>Net Position at Beginning of Period</i>	(17,528,388)	(20,400,384)
<i>Net Position at End of Period</i>	\$ (14,984,449)	\$ (17,528,388)

Charges for services increased by \$692,595 due in large part to the lack of COVID related restrictions in fiscal year 2023 leading to increases in activity and related charges. An increase of \$858,813 can be seen year over year in operating grants and contributions. This increase is primarily related to the 147(c) MPSERS One-time deposit of \$729,452 (provided to all schools) during fiscal year 2023. Property tax increases can be considered mostly as a result of increased taxable value of property within the district. Unrestricted state sources were \$772,270 more than last year as the foundation allowance increased from \$8,700 in the previous year to \$9,150 per student.

Changes within instruction and supporting services expenses for the School District were largely caused by the changes in net pension liability - pension expense increased roughly \$1.4 million compared to the prior year plus an overall increase in activity due to no COVID related restrictions, leading to an overall increase in activity.

Fund Financial Statements

The fund financial statements provide more detailed information about the School District's funds, focusing on its most significant or "major" funds - not the School District as a whole. Funds are accounting devices the School District uses to keep track of specific sources of funding and spending on particular programs.

The School District utilizes *governmental funds* within this report. Most of the School District's basic services are included in governmental funds, which generally focus on: 1) how cash and other financial assets that can readily be converted to cash flow in and out and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Since the district-wide financial statements and the fund financial statements use different methods of accounting to report the School District's financial condition, a reconciliation is included in the financial statements showing the differences between the two types of statements.

Financial Analysis of the School District's Funds

The School District uses funds to record and analyze financial information. The School District has three major funds.

The ***general fund*** is the chief operating fund of the School District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,984,040. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures and transfers out. Unassigned fund balance represents approximately 11.0% of total general fund expenditures.

The fund balance of the School District's general fund decreased by \$521,066 for a total fund balance of \$1,984,040. Significant increases and decreases for revenues were within state and federal sources as a result of increased unrestricted state aid and decreased restricted COVID-19 funding. The increase was primarily caused by an increase in instruction (basic programs) and supporting services expenditures (operations and maintenance) due to resumed activities within the School District.

The ***school lunch fund***, a major fund, had a decrease of \$19,712 in fund balance for an ending balance of \$575,812. The decrease in fund balance was primarily a result of the significant decrease in federal funding.

The ***debt service fund***, a major fund, had a decrease of \$45,932 in fund balance for an ending balance of \$88,149. The decrease in fund balance was a result of debt service payments being greater than property taxes collected during the fiscal year and any proceeds from the issuance of the school loan revolving fund.

General Fund Budgetary Highlights

During the year the School District revised its budget to attempt to match changes in the school funding environment and current needs of students and faculty. State law requires that budgets be amended during the year so actual expenditures do not exceed appropriations.

Original budget compared to final budget. There were significant amendments made to the original budget for both the original estimated revenues and the original appropriated expenditures. The required supplementary information section houses the budgetary comparison schedule for the general fund, as listed in the table of contents. Results for budgeted to actual results can be examined there in detail.

Final budget compared to actual results. The School District had the following expenditures in excess of the amounts budgeted during the year ended June 30, 2023:

Function / Department	Final Budget	Actual Amount	Negative Variance
<i>Instruction</i>			
Basic programs	\$ 9,964,948	\$ 9,988,327	\$ (23,379)
Added needs	1,203,147	1,412,212	(209,065)
<i>Supporting services</i>			
Instructional staff	202,080	213,509	(11,429)
General administration	413,509	419,538	(6,029)
School administration	1,179,514	1,186,779	(7,265)
Operations and maintenance	2,024,181	2,055,748	(31,567)
Pupil transportation services	880,846	917,392	(36,546)
Central	611,420	649,012	(37,592)
Athletics	454,350	468,340	(13,990)
<i>Community services</i>	-	16,214	(16,214)
<i>Debt service</i>	-	137,900	(137,900)

Capital Asset and Debt Administration

Capital Assets

At June 30, 2023, the School District had \$20,192,357 invested in capital assets, a 2.3% decrease in the amount reported from the prior year. This net decrease of \$473,818 consisted of capital asset purchases of \$554,045 less depreciation expense of \$994,820 and net disposal of capital assets of \$33,043.

The School District's current year major purchases consisted of \$206,840 for parking lot paving, \$113,822 for a 2018 school bus, and an additional \$233,383 of various other assets that were put into service during the year.

More detailed information about the School District's capital assets can be found in the notes to the financial statements section of this document.

Long-term Debt

At year-end, the School District had total long-term debt of \$16,391,375, down from \$18,585,492.

- The School District increased its school loan revolving fund loans payable by \$540,204.
- The School District continued to pay down its debt, retiring \$2,685,633 of outstanding bonds, loans, and installment purchase agreements during the year.
- The School District's other long-term obligations are for accumulated sick/vacation leave in the amount of \$228,388, down \$97,031 from the prior year.

The State limits the amount of general obligation debt that schools can issue. The School District is well under the State limit as of June 30, 2023.

More detailed information about the School District's long-term debt can be found in the notes to the financial statements section of this document.

Economic Factors and Next Year's Budget and Rates

The School District estimates that approximately \$17.25 million of revenues will be available for appropriation in the general fund in the upcoming budget. The School District continues to review all budget line items for opportunities to reduce expenditures when possible while providing an excellent education to the district it serves. The budget will be monitored during the year to identify any necessary amendments.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers and 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 questions about this report or need additional information, contact the Superintendent:

Grass Lake Community Schools
899 South Union Street
Grass Lake, MI 49240

Basic Financial Statements

Grass Lake Community Schools
Statement of Net Position
June 30, 2023

	Governmental Activities
ASSETS	
<i>Current Assets</i>	
Cash and cash equivalents	\$ 2,248,367
Due from other governmental units	2,508,689
Inventory	24,529
Total Current Assets	4,781,585
<i>Noncurrent Assets</i>	
Capital assets not being depreciated	225,287
Capital assets being depreciated, net	19,967,070
Total Assets	24,973,942
DEFERRED OUTFLOWS OF RESOURCES	
Charge on bond refunding	506,461
Pension related	8,414,451
OPEB related	2,020,301
Total Deferred Outflows of Resources	10,941,213
LIABILITIES	
<i>Current Liabilities</i>	
Accounts payable	173,187
Salaries and benefits payable	1,369,521
Unearned revenue	226,108
Accrued interest	87,291
Current portion of long-term debt	1,702,904
Total Current Liabilities	3,559,011
<i>Noncurrent Liabilities</i>	
Compensated absences	228,388
Long-term debt	14,688,471
Net pension liability	27,485,509
Net OPEB liability	1,550,582
Total Liabilities	47,511,961
DEFERRED INFLOWS OF RESOURCES	
Pension related	184,273
OPEB related	3,203,370
Total Deferred Inflows of Resources	3,387,643
NET POSITION	
Net investment in capital assets	10,600,276
<i>Restricted for:</i>	
Debt service	88,149
Food service	575,812
<i>Unrestricted</i>	(26,248,686)
Total Net Position	\$ (14,984,449)

The Notes to the Financial Statements are an integral part of these Financial Statements

**Grass Lake Community Schools
Statement of Activities
For the Year Ended June 30, 2023**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 10,387,665	\$ 725,182	\$ 3,015,534	\$ --	\$ (6,646,949)
Supporting services	6,113,412	856,161	1,400,668	--	(3,856,583)
Community services	16,214	--	--	--	(16,214)
Food services	737,800	335,899	433,776	--	31,875
Unallocated depreciation	994,820	--	--	--	(994,820)
Interest on long-term debt and other related costs	652,548	--	--	--	(652,548)
Total Governmental Activities	\$ 18,902,459	\$ 1,917,242	\$ 4,849,978	\$ --	\$ (12,135,239)
General Purpose Revenues:					
Property taxes, levied for general operations					1,247,025
Property taxes, levied for debt service					2,683,643
Unrestricted state sources					10,744,241
Unrestricted investment earnings					4,269
Total General Revenues					14,679,178
Change in Net Position					2,543,939
Net Position at Beginning of Period					(17,528,388)
Net Position at End of Period					\$ (14,984,449)

The Notes to the Financial Statements are an integral part of these Financial Statements

**Grass Lake Community Schools
Balance Sheet
Governmental Funds
June 30, 2023**

		<u>Special Revenue</u>		<u>Debt Service</u>	
	<u>General</u>	<u>School Lunch</u>	<u>Student Activities (Nonmajor)</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 1,551,588	\$ 248,009	\$ 364,768	\$ 84,002	\$ 2,248,367
Due from other governmental units	2,491,524	17,165	--	--	2,508,689
Inventory	--	24,529	--	--	24,529
Due from other funds	--	321,059	--	4,173	325,232
Total Assets	\$ 4,043,112	\$ 610,762	\$ 364,768	\$ 88,175	\$ 5,106,817
LIABILITIES					
Accounts payable	\$ 170,532	\$ 2,629	\$ --	\$ 26	\$ 173,187
Salaries and benefits payable	1,369,521	--	--	--	1,369,521
Unearned revenue	193,787	32,321	--	--	226,108
Due to other funds	325,232	--	--	--	325,232
Total Liabilities	2,059,072	34,950	--	26	2,094,048
FUND BALANCE					
Nonspendable for:					
Inventory	--	24,529	--	--	24,529
Restricted for:					
Food service	--	551,283	--	--	551,283
Debt service	--	--	--	88,149	88,149
Committed for:					
Student activities	--	--	364,768	--	364,768
Unassigned	1,984,040	--	--	--	1,984,040
Total Fund Balance	1,984,040	575,812	364,768	88,149	3,012,769
Total Liabilities and Fund Balance	\$ 4,043,112	\$ 610,762	\$ 364,768	\$ 88,175	\$ 5,106,817

The Notes to the Financial Statements are an integral part of these Financial Statements

Grass Lake Community Schools
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2023

Total Fund Balance - Governmental Funds	\$ 3,012,769
General government capital assets of \$40,767,117, net of accumulated depreciation of \$20,574,760, are not financial resources and, accordingly, are not reported in the funds.	20,192,357
Long-term liabilities, including bond premiums and bond discounts, are not due and payable in the current period and, therefore, are not reported in the funds.	(15,884,914)
Net pension liability and related deferred amounts are not due and payable in the current period or do not represent current financial resources and, therefore, are not reported in the funds.	(19,255,331)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(228,388)
Other post employment benefit liability and related deferred amounts are not due and payable in the current period or do not represent current financial resources and, therefore, are not reported in the funds.	(2,733,651)
Accrued interest is not due and payable in the current period and, therefore, is not reported in the funds.	(87,291)
Total Net Position - Governmental Activities	\$ <u>(14,984,449)</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Grass Lake Community Schools
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2023

		<u>Special Revenue</u>		<u>Debt Service</u>	
	<u>General</u>	<u>School Lunch</u>	<u>Student Activities (Nonmajor)</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Revenues					
Local sources	\$ 2,294,177	\$ 335,899	\$ 568,460	\$ 2,683,643	\$ 5,882,179
State sources	13,913,501	57,325	--	--	13,970,826
Federal sources	747,193	376,451	--	--	1,123,644
Interdistrict sources and other	469,749	--	--	--	469,749
Total Revenues	<u>17,424,620</u>	<u>769,675</u>	<u>568,460</u>	<u>2,683,643</u>	<u>21,446,398</u>
Expenditures					
Instruction	11,400,539	--	--	--	11,400,539
Supporting services	6,463,509	--	546,786	--	7,010,295
Community services	16,214	--	--	--	16,214
Food services	--	789,387	--	--	789,387
Debt service, principal	133,830	--	--	2,551,803	2,685,633
Debt service, interest and related fiscal charges	4,070	--	--	717,976	722,046
Total Expenditures	<u>18,018,162</u>	<u>789,387</u>	<u>546,786</u>	<u>3,269,779</u>	<u>22,624,114</u>
Excess of Revenues Over (Under) Expenditures	<u>(593,542)</u>	<u>(19,712)</u>	<u>21,674</u>	<u>(586,136)</u>	<u>(1,177,716)</u>
Other Financing Sources (Uses)					
Proceeds from the school loan revolving fund debt issuance	--	--	--	540,204	540,204
Proceeds from the installment purchase agreement issuance	72,476	--	--	--	72,476
Net Other Financing Sources (Uses)	<u>72,476</u>	<u>--</u>	<u>--</u>	<u>540,204</u>	<u>612,680</u>
Net Change in Fund Balance	<u>(521,066)</u>	<u>(19,712)</u>	<u>21,674</u>	<u>(45,932)</u>	<u>(565,036)</u>
Fund Balance at Beginning of Period	<u>2,505,106</u>	<u>595,524</u>	<u>343,094</u>	<u>134,081</u>	<u>3,577,805</u>
Fund Balance at End of Period	<u>\$ 1,984,040</u>	<u>\$ 575,812</u>	<u>\$ 364,768</u>	<u>\$ 88,149</u>	<u>\$ 3,012,769</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Grass Lake Community Schools
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2023

Total Net Change in Fund Balances - Governmental Funds	\$ (565,036)
Governmental funds report capital outlay as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation and expensed. This represents the amount by which depreciation expense of \$994,820 and net disposals of \$33,043 exceeds capital outlay of \$554,045.	(473,818)
Long-term debt payments are reported as financing uses in the governmental funds and thus contribute to the change in fund balance. However, debt payments reduce long-term debt on the statement of net position. This represents the amount of principal payment made during the year on long-term debt, the amortization of bond issue premium, the amortization of bond issue discount, and the amortization of deferred charge on bond refunding.	2,743,489
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due. This represents the current year change in accrued interest.	11,642
The statement of activities reports changes to net OPEB liability and OPEB related deferrals as OPEB expense; however, the expenditures recorded on the governmental funds equals actual OPEB contributions.	1,192,846
The statement of activities reports changes to net pension liability and pension related deferrals as pension expense; however, the expenditures recorded on the governmental funds equals actual pension contributions.	150,465
Proceeds from the issuance of long-term debt are reported as other financing sources in the fund statements, but reported as liabilities in the statement of net position.	(612,680)
Compensated absences that are not payable from current year resources are not reported as expenditures of the current year in the funds. In the statement of activities, those costs represent expenses of the current year.	97,031
Changes in Net Position - Governmental Activities	\$ <u>2,543,939</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Notes to the Financial Statements

Grass Lake Community Schools

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Grass Lake Community Schools (the “School District” or “government”) conform to generally accepted accounting principles as applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District’s significant accounting policies are described below:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School Districts' reporting entity, and which organizations are legally separate, component units of the school district. Based on the application of the criteria, the School District does not contain any component units.

District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. The district-wide statements report *governmental activities*, which normally are supported by taxes and intergovernmental revenues.

The *statement of activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Major individual funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are

Grass Lake Community Schools

Notes to the Financial Statements

recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, or one year for reimbursement-based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues susceptible to accrual are property taxes, state aid, federal, and inter-district revenues, and interest income and, accordingly, have been recognized as revenues of the current fiscal year. Other revenues are recognized when received.

The School District reports the following major funds:

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

The ***school lunch fund*** accounts for those activities concerned with providing food to pupils and staff in the School District.

The ***debt service fund*** is used to record property tax revenue, interest income, other revenue for the payment of principal, debt service interest, and other expenditures related to bond issues.

Additionally, the School District reports the following fund type:

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year-end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the functional level for special revenue funds and the department level for the general fund. State law requires the district to have its budget in place by July 1. Expenditures in

Grass Lake Community Schools

Notes to the Financial Statements

excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year.

Encumbrances (e.g., purchase orders and contracts) outstanding at year end do not constitute expenditures or liabilities because the goods or services have not been received as of year-end; the commitments will be reappropriated and honored during the subsequent year.

Property Taxes

Property taxes levied by the School District are collected by various municipalities and periodically remitted to the School District. The taxes are levied as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer. The actual due dates are September 14, and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized when levied to the extent that they result in current receivables (collected within sixty days after year end). Amounts received subsequent to August 31 are recognized as revenue when collected

Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Fund Equity

Deposits and Investments

The School District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes and School District policy authorize the School District to invest in:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers' acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.

Grass Lake Community Schools

Notes to the Financial Statements

- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by the surplus funds investment pool act, Act. No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district.

Investments are stated at fair market value. Investments are exposed to various risks, such as significant external events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position.

Receivables and Payables

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

All receivables are shown net of an allowance for uncollectibles, as applicable. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. No amounts have been deemed uncollectable during the current year.

Inventory

Inventory is valued at the lower of cost (first in, first out) or market. Inventory in the food service fund consists of expendable supplies held for consumption. The cost is recorded as an expenditure when consumed rather than when purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute “available spendable resources” even though they are a component of net current position.

Capital Assets

Capital assets, which include land, buildings and building improvements, furniture and other equipment, and buses and other vehicles are reported in the district-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset’s useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Grass Lake Community Schools

Notes to the Financial Statements

Buildings and building improvements, furniture and equipment and business and other vehicles are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and building improvements	20 - 50
Buses and other vehicles	5 - 8
Furniture and equipment	5 - 20

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School District has two items that qualify for reporting in this category. They are the: 1) pension and other postemployment benefits related items reporting in the government-wide statement of net position and 2) deferred charges associated with bond refundings. This amount represents the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. These amounts are expensed in the year in which they apply.

Salaries Payable and Accrued Employee Benefits

A liability is recorded at June 30 for those amounts owed to teachers and other employees of the School District who do not work during the summer when school is not in session but have elected to have their salaries paid over an entire year. This has the effect of properly charging their salaries to expenditures in the fiscal year in which their services are received, even though they are not paid until July and August of the following fiscal year.

The liability for accrued retirement and the employer share of FICA related to the salaries payable has been recorded as has the liability for the employee health insurance premiums for the months of July and August. The School District pays these insurances for this period as part of the compensation for services rendered in the preceding school year.

Compensated Absences

School District employees are granted vacation and sick leave in varying amounts based on length of service. Unused vacation time and sick leave accumulate from year to year at varying rates, depending on the employees' applicable rate of pay and/or employment category. The liability for compensated absences includes salary-related payments.

In the fund financial statements, only the matured liability for compensated absences is reported. The total liability is reported in the district-wide financial statements.

Grass Lake Community Schools

Notes to the Financial Statements

Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bond issuance costs are recorded as a period expense. Bonds payable are reported at the total amount of bonds issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

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 School District Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

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

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The School District has three items that qualify for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension and other postemployment benefit contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the

Grass Lake Community Schools

Notes to the Financial Statements

actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The School District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The *committed fund balance* classification includes amounts that can be used only for the specific purposes determined by a formal action of the School District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the *assigned fund balance* classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as committed. The Board of Education can assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance is the residual classification for the School District's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the Board of Education.

Fund Balance Flow Assumptions

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

Grass Lake Community Schools

Notes to the Financial Statements

Net Position Flow Assumption

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

It is the School District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

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 expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

Michigan law provides that a local unit shall not incur expenditures in excess of the amount appropriated. The School District's actual expenditures and budgeted expenditures for the budgeted funds have been shown at the department level. The approved budgets of the School District for these budgeted funds were also adopted at the department level.

Grass Lake Community Schools

Notes to the Financial Statements

Excess of expenditures over appropriations in budgeted funds – The School District had the following expenditures in excess of the amounts appropriated as of June 30, 2023:

Fund / Function / Department	Final Budget	Actual Amount	Negative Variance
General			
<i>Instruction</i>			
Basic programs	\$ 9,964,948	\$ 9,988,327	\$ (23,379)
Added needs	1,203,147	1,412,212	(209,065)
<i>Supporting services</i>			
Instructional staff	202,080	213,509	(11,429)
General administration	413,509	419,538	(6,029)
School administration	1,179,514	1,186,779	(7,265)
Operations and maintenance	2,024,181	2,055,748	(31,567)
Pupil transportation services	880,846	917,392	(36,546)
Central	611,420	649,012	(37,592)
Athletics	454,350	468,340	(13,990)
<i>Community services</i>	-	16,214	(16,214)
<i>Debt service</i>	-	137,900	(137,900)
School Lunch			
Food Services	727,447	789,387	(61,940)

District-wide Deficit

The School District has an unrestricted net position deficit for district-wide activities in the amount of (\$26,248,686) and a deficit total net position of (\$14,984,449) as of June 30, 2023. The primary cause for the unrestricted net position deficit is the School District's net pension liability and net OPEB liability.

Note 3 - Cash and Cash Equivalents

A reconciliation of cash and cash equivalents as shown on the statement of net position follows:

Statement of Net Position	
Cash and cash equivalents	<u>\$ 2,248,367</u>
Deposits and Investments	
Checking and savings accounts	\$ 2,247,577
Cash on hand	<u>790</u>
Total Deposits and Investments	<u>\$ 2,248,367</u>

Grass Lake Community Schools

Notes to the Financial Statements

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits might not be returned. State law does not require, and the School District does not have a policy for deposit custodial credit risk. As of year-end, \$2,053,289 of the School District's bank balance of \$2,473,396 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the School District believes it is impractical to insure all bank deposits. As a result, the School District evaluates each financial institution with which it deposits School District funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 4 - Interfund Receivables and Payables

At June 30, 2023, interfund receivables and payables consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Debt Service	General	\$ 4,173
School Lunch	General	321,059

Interfund balances resulted primarily from the time lag between the dates that: 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Note 5 - Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of unearned revenue include charges for services payments received prior to meeting all eligibility requirements in the amount of \$226,108.

Note 6 - State of Michigan School Aid

The School District reports State of Michigan school aid in the fiscal year in which the School District is entitled to the revenue as provided by State of Michigan School aid appropriation acts. State funding provided approximately 65.1% of the total revenues to the School District during the June 30, 2023 fiscal year.

Grass Lake Community Schools

Notes to the Financial Statements

Note 7 - Capital Assets

Capital asset activity of the School District's governmental activities was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 225,287	\$ -	\$ -	\$ 225,287
Capital assets being depreciated:				
Buildings and building improvements	33,669,175	405,735	-	34,074,910
Buses and other vehicles	1,325,520	113,822	(90,633)	1,348,709
Furniture and equipment	5,083,723	34,488	-	5,118,211
Subtotal	40,078,418	554,045	(90,633)	40,541,830
Less accumulated depreciation:				
Buildings and building improvements	(13,849,789)	(745,162)	-	(14,594,951)
Buses and other vehicles	(1,077,376)	(92,153)	57,590	(1,111,939)
Furniture and equipment	(4,710,365)	(157,505)	-	(4,867,870)
Subtotal	(19,637,530)	(994,820)	57,590	(20,574,760)
<i>Capital assets being depreciated, net</i>	20,440,888	(440,775)	(33,043)	19,967,070
<i>Capital assets, net</i>	\$ 20,666,175	\$ (440,775)	\$ (33,043)	\$ 20,192,357

Total and unallocated depreciation expense for the fiscal year amounted to \$994,820. The School District determined that it was impractical to allocate depreciation expense to the various government activities as the capital assets serve multiple functions.

Note 8 - Long-term Debt

The school district issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the school district. Other long-term obligations include accrued compensated absences.

General obligation bonds consist of:

2010 Refunding Bonds of \$1,750,000 due in annual principal amounts of \$109,375, plus interest at 6.25% through 2026	\$ 281,920
2015 Refunding Bonds, Series A, of \$19,130,000 due in amounts ranging from \$740,000 through \$1,560,000 plus interest at 3.00%-5.00% through 2031	8,710,000
<i>Total general obligation bonded debt</i>	<u>\$ 8,991,920</u>

Grass Lake Community Schools

Notes to the Financial Statements

The School District also has three installment purchase agreements outstanding for school buses and a security system.

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds					
2010 refunding bonds	\$ 458,723	\$ -	\$ (176,803)	\$ 281,920	\$ 109,375
2015 refunding bonds, series A	10,225,000	-	(1,515,000)	8,710,000	1,540,000
2015 refunding bonds, series B	860,000	-	(860,000)	-	-
<i>Total general obligation bonds</i>	<u>11,543,723</u>	<u>-</u>	<u>(2,551,803)</u>	<u>8,991,920</u>	<u>1,649,375</u>
Installment purchase agreements					
2022 school buses	-	72,476	(14,751)	57,725	-
2020 school buses	80,628	-	(28,464)	52,164	26,102
SmartBoot security system	118,042	-	(90,615)	27,427	27,427
<i>Total installment purchase agreements</i>	<u>198,670</u>	<u>72,476</u>	<u>(133,830)</u>	<u>137,316</u>	<u>53,529</u>
Total direct borrowings/placements	<u>11,742,393</u>	<u>72,476</u>	<u>(2,685,633)</u>	<u>9,129,236</u>	<u>1,702,904</u>
Bond premiums					
Premiums	1,090,470	-	(121,164)	969,306	-
School loan funds					
School bond loan, including interest	935	32	-	967	-
School loan revolving fund (SLRF)	5,751,694	540,172	-	6,291,866	-
<i>Total school loan funds</i>	<u>5,752,629</u>	<u>540,204</u>	<u>-</u>	<u>6,292,833</u>	<u>-</u>
Total long-term debt	<u>\$ 18,585,492</u>	<u>\$ 612,680</u>	<u>\$ (2,806,797)</u>	<u>\$ 16,391,375</u>	<u>\$ 1,702,904</u>
Compensated absences	<u>\$ 325,419</u>	<u>\$ -</u>	<u>\$ (97,031)</u>	<u>\$ 228,388</u>	<u>\$ -</u>

Annual debt service requirements, exclusive of school loan funds, compensated absences, and bond premiums and discounts, for long-term debt outstanding are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 1,725,576	\$ 509,836	\$ 2,235,412
2025	1,685,833	454,282	2,140,115
2026	1,642,827	391,612	2,034,439
2027	740,000	203,750	943,750
2028	780,000	166,750	946,750
2029-2031	2,555,000	258,750	2,813,750
Totals:	<u>\$ 9,129,236</u>	<u>\$ 1,984,980</u>	<u>\$ 11,114,216</u>

Accumulated unpaid compensation for termination leave pay as of June 30, 2023 has been computed and recorded in the financial statements as a long-term liability as the liability is expected to be liquidated from future financial resources.

Grass Lake Community Schools

Notes to the Financial Statements

Note 9 - Net Investment in Capital Assets

As of June 30, 2023, net investment in capital assets was comprised of the following:

Capital assets, net of depreciation	\$ 20,192,357
Capital related debt:	
General obligation bonds payable	(8,991,920)
Installment purchase agreements	(137,316)
Unamortized bond premium	(969,306)
Deferred charge on bond refunding	506,461
Total capital related debt	(9,592,081)
Net investment in capital assets	\$ 10,600,276

Note 10 - Pension Plan

Plan Description

The Michigan Public School District 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 District 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 District Employees' Retirement Act (1980 PA 300 as amended).

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

The System's financial statements are available on the ORS website at [Michigan.gov/ORSSchool Districts](https://Michigan.gov/ORSSchoolDistricts).

Grass Lake Community Schools

Notes to the Financial Statements

Benefits Provided

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

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

Contributions

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

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

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

Benefit Structure	Member	Non-Universities
Basic	0.0 - 4.0%	20.14%
Member investment plan	3.0 - 7.0%	20.14%
Pension plus	3.0 - 6.4%	17.22%
Pension plus 2	6.2%	19.93%
Defined contribution	0.0%	13.73%

Required contributions to the pension plan from the School District were \$2,487,437 for the year ended September 30, 2022.

Grass Lake Community Schools

Notes to the Financial Statements

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

At June 30, 2023, the School District reported a liability of \$27,485,509 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 2020. 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, 2021, the School District's proportion was 0.073083 percent, which was an increase of 0.00087 percent from its proportion measured as of September 30, 2021.

For the year ending June 30, 2023, the School District recognized pension expense of \$3,351,732. 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 actual and expected experience	\$ 274,951	\$ 61,455
Changes of assumptions	4,722,995	-
Net difference between projected and actual earnings on pension plan investments	64,454	
Changes in proportion and differences between employer contributions and proportionate share of contributions	199,640	122,818
Employer contributions subsequent to the measurement date	3,152,411	-
Total	\$ 8,414,451	\$ 184,273

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 ending 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:

Plan Year Ended September 30	Amount:
2023	\$ 1,429,303
2024	1,085,972
2025	961,125
2026	1,601,367

Grass Lake Community Schools

Notes to the Financial Statements

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

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

Grass Lake Community Schools

Notes to the Financial Statements

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 5.0000.

Full actuarial assumptions are available in the 2022 MPSERS Annual Comprehensive Financial Report found on the ORS website at [Michigan.gov/ORSSchool Districts](https://Michigan.gov/ORSSchoolDistricts).

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

Rate of Return

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

Grass Lake Community Schools

Notes to the Financial Statements

Discount Rate

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

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

1% Decrease (Non-Hybrid/Hybrid) 5.00%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) 6.00%	1% Increase (Non-Hybrid/Hybrid) 7.00%
<hr/> \$36,270,661	<hr/> \$27,485,509	<hr/> \$20,246,148

Michigan Public School District 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 on the ORS website at [Michigan.gov/ORSSchool Districts](http://Michigan.gov/ORSSchoolDistricts).

Note 11 - Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

The Michigan Public School District Employees' Retirement System ("System" or "MPERS") 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

Grass Lake Community Schools

Notes to the Financial Statements

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 District Employees' Retirement Act (1980 PA 300 as amended).

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

The System's financial statements are available on the ORS website at [Michigan.gov/ORSSchool Districts](http://Michigan.gov/ORSSchoolDistricts).

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 Jan. 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

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

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming

Grass Lake Community Schools

Notes to the Financial Statements

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 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 Oct. 1, 2021 and ending September 30, 2038.

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

Benefit Structure	Member	Non-Universities
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 \$557,646 for the year ended September 30, 2022.

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

At June 30, 2023, the School District reported a liability of \$1,550,582 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 0.07321%, which was an increase of 0.00103% from its proportion measured as of October 1, 2021.

Grass Lake Community Schools

Notes to the Financial Statements

For the year ending June 30, 2023, the School District recognized OPEB expense of negative (\$600,040). 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	\$ -	\$ 3,036,995
Changes of assumptions	1,382,083	112,537
Net difference between projected and actual earnings on OPEB plan investments	121,190	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	70,367	53,838
Employer contributions subsequent to the measurement date	446,661	-
Total	\$ 2,020,301	\$ 3,203,370

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:

Plan Year Ended September 30	Amount:
2023	\$ (587,742)
2024	(528,654)
2025	(466,195)
2026	(30,660)
2027	(18,946)
Thereafter	2,467

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.

Grass Lake Community Schools

Notes to the Financial Statements

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

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

Notes:

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension 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.

Grass Lake Community Schools

Notes to the Financial Statements

Full actuarial assumptions are available in the 2022 MPSERS Annual Comprehensive Financial Report found on the ORS website at [Michigan.gov/ORSSchool Districts](https://Michigan.gov/ORSSchoolDistricts).

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 pools	15.0	6.7
Fixed income pools	13.0	(0.2)
Real estate and infrastructure pools	10.0	5.3
Absolute return pools	9.0	2.7
Real return/opportunistic pools	10.0	5.8
Short-term investment pools	2.0	(0.5)
Total	100.0%	

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

Rate of Return

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

Discount Rate

A discount rate of 6.00% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.00%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on

Grass Lake Community Schools

Notes to the Financial Statements

these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

1% Decrease	Current Discount Rate	1% Increase
5.00%	6.00%	7.00%
\$2,600,951	\$1,550,582	\$666,040

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

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$649,309	\$1,550,582	\$2,562,277

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 [Michigan.gov/ORSSchool Districts](https://Michigan.gov/ORSSchoolDistricts).

Note 12 - 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; and natural disasters for which the School District carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three years.

Grass Lake Community Schools

Notes to the Financial Statements

Note 13 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

Note 14 - Tax Abatements

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by various municipalities. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities.

For the fiscal year ended June 30, 2023, the School District's property tax revenues were reduced by approximately \$41,134 under these programs. Operating revenues not paid to the district because of tax abatement agreements are reimbursed to the district by the State of Michigan through the per-pupil foundation allowance.

Note 15 - Single Audit Requirement

As detailed in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, a single audit would have been required for the School District; however, the School District did not incur in excess of \$750,000 of federal expenditures, as shown in the following schedule:

Federal sources per basic financial statements	\$ 1,123,644
<i>schedule of expenditures of federal awards adjustments:</i>	
Federal Child Development and Care grant beneficiary	
(School District was not a subrecipient)	(402,293)
<i>Federal expenditures per schedule</i>	<u>\$ 721,351</u>

Note 16 - Subsequent Events and Commitments

The Administration and Board of Education is not aware of any subsequent events that would have a significant impact on the financial condition of the School District.

Required Supplementary Information

Grass Lake Community Schools
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended June 30, 2023

	Budgeted Amounts			Variance Positive (Negative) Final to Actual
	Original	Final	Actual	
Revenues				
Local sources	\$ 2,225,958	\$ 2,954,477	\$ 2,294,177	\$ (660,300)
State sources	12,502,737	13,866,989	13,913,501	46,512
Federal sources	479,827	462,698	747,193	284,495
Interdistrict sources and other	512,536	505,018	469,749	(35,269)
Total Revenues	15,721,058	17,789,182	17,424,620	(364,562)
Other Financing Sources				
Proceeds from the installment purchase agreement issuance	--	--	72,476	72,476
Total Revenues and Other Financing Sources	15,721,058	17,789,182	17,497,096	(292,086)
Expenditures				
Instruction				
Basic programs	8,972,311	9,964,948	9,988,327	(23,379)
Added needs	1,027,854	1,203,147	1,412,212	(209,065)
Total instruction	10,000,165	11,168,095	11,400,539	(232,444)
Supporting services				
Pupil	401,037	480,171	242,554	237,617
Instructional staff	196,318	202,080	213,509	(11,429)
General administration	446,626	413,509	419,538	(6,029)
School administration	1,122,930	1,179,514	1,186,779	(7,265)
Business	288,299	312,640	310,637	2,003
Operations and maintenance	1,393,391	2,024,181	2,055,748	(31,567)
Pupil transportation services	673,834	880,846	917,392	(36,546)
Central	327,574	611,420	649,012	(37,592)
Athletics	425,755	454,350	468,340	(13,990)
Student/school activities	365,000	380,000	--	380,000
Total supporting services	5,640,764	6,938,711	6,463,509	475,202
Community services	--	--	16,214	(16,214)
Debt service				
Debt service, principal	--	--	133,830	(133,830)
Debt service, interest and related fiscal charges	--	--	4,070	(4,070)
Total debt service	--	--	137,900	(137,900)
Total Expenditures	15,640,929	18,106,806	18,018,162	88,644
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	80,129	(317,624)	(521,066)	(203,442)
Net Change in Fund Balance	80,129	(317,624)	(521,066)	(203,442)
Fund Balance at Beginning of Period	2,505,106	2,505,106	2,505,106	--
Fund Balance at End of Period	\$ 2,585,235	\$ 2,187,482	\$ 1,984,040	\$ (203,442)

Grass Lake Community Schools
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
School Lunch
For the Year Ended June 30, 2023

	Budgeted Amounts			Variance Positive (Negative) Final to Actual
	Original	Final	Actual	
Revenues				
Local sources	\$ 476,000	\$ 178,162	\$ 335,899	\$ 157,737
State sources	21,000	57,325	57,325	--
Federal sources	126,540	358,428	376,451	18,023
Total Revenues	623,540	593,915	769,675	175,760
Expenditures				
Food services	644,263	727,447	789,387	(61,940)
Total Expenditures	644,263	727,447	789,387	(61,940)
Excess (Deficiency) of Revenues Over Expenditures	(20,723)	(133,532)	(19,712)	113,820
Net Change in Fund Balance	(20,723)	(133,532)	(19,712)	113,820
<i>Fund Balance at Beginning of Period</i>	595,524	595,524	595,524	--
Fund Balance at End of Period	\$ 574,801	\$ 461,992	\$ 575,812	\$ 113,820

Grass Lake Community Schools
Schedule of School District's Proportionate Share of Net Pension Liability
Michigan Public School Employee Retirement Plan
Last Nine Fiscal Years (amounts were determined as of September 30 of each fiscal year)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Portion of Net Pension Liability (%)	0.07308%	0.07222%	0.07250%	0.07307%	0.07352%	0.07278%	0.07058%	0.06890%	0.06747%
School District's Proportionate Share of Net Pension Liability	\$ 27,485,509	\$ 17,097,386	\$ 24,903,202	\$ 24,197,042	\$ 22,100,071	\$ 18,860,343	\$ 17,609,147	\$ 16,828,172	\$ 14,860,509
School District's Covered Payroll	\$ 7,071,119	\$ 6,469,946	\$ 6,376,513	\$ 6,328,914	\$ 6,271,336	\$ 6,151,069	\$ 6,029,541	\$ 5,742,325	\$ 5,736,412
School District's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll	388.70%	264.26%	390.55%	382.33%	352.40%	306.62%	292.05%	293.06%	259.06%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

Grass Lake Community Schools
Schedule of School District's Pension Contributions
Michigan Public School Employee Retirement Plan
Last Nine School District Fiscal Years (amounts determined as of June 30 of each year)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily Required Contributions	\$ 2,487,437	\$ 2,168,367	\$ 1,992,287	\$ 1,988,227	\$ 1,932,738	\$ 2,060,370	\$ 1,700,466	\$ 1,602,784	\$ 1,168,945
Contributions in Relation to Statutorily Required Contributions	<u>(2,487,437)</u>	<u>(2,168,367)</u>	<u>(1,992,287)</u>	<u>(1,988,227)</u>	<u>(1,932,738)</u>	<u>(2,060,370)</u>	<u>(1,700,466)</u>	<u>(1,602,784)</u>	<u>(1,168,945)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 7,506,438	\$ 6,986,236	\$ 6,402,475	\$ 6,396,155	\$ 6,290,094	\$ 6,248,360	\$ 6,125,281	\$ 5,939,662	\$ 5,726,557
Contributions as a Percentage of Covered Payroll	33.14%	31.04%	31.12%	31.08%	30.73%	32.97%	27.76%	26.98%	20.41%

Grass Lake Community Schools
Schedule of School District's Proportionate Share of Net OPEB Liability
Michigan Public School Employee Retirement Plan
Last Six Fiscal Years (amounts were determined as of September 30 of each fiscal year)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's Portion of Net OPEB Liability (%)	0.07321%	0.07218%	0.07222%	0.07264%	0.07384%	0.07278%
School District's Proportionate Share of Net OPEB Liability	\$ 1,550,582	\$ 1,101,700	\$ 3,869,268	\$ 5,214,044	\$ 5,869,317	\$ 6,445,234
School District's Covered Payroll	\$ 7,071,119	\$ 6,469,946	\$ 6,376,513	\$ 6,328,914	\$ 6,271,336	\$ 6,151,069
School District's Proportionate Share of Net OPEB Liability as a Percentage of its Covered Payroll	21.93%	17.03%	60.68%	82.38%	93.59%	104.78%
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%

Grass Lake Community Schools
Schedule of School District's OPEB Contributions
Michigan Public School Employee Retirement Plan
Last Six School District Fiscal Years (amounts determined as of June 30 of each year)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily Required Contributions	\$ 557,646	\$ 535,805	\$ 510,285	\$ 510,943	\$ 493,649	\$ 411,009
Contributions in Relation to Statutorily Required Contributions	<u>(557,646)</u>	<u>(535,805)</u>	<u>(510,285)</u>	<u>(510,943)</u>	<u>(493,649)</u>	<u>(411,009)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 7,506,438	\$ 6,986,236	\$ 6,402,475	\$ 6,396,155	\$ 6,290,094	\$ 6,248,360
Contributions as a Percentage of Covered Payroll	7.43%	7.67%	7.97%	7.99%	7.85%	6.58%

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
Grass Lake Community Schools
Grass Lake, 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 Grass Lake Community Schools (the "School District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 31, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

The School District's Responses to Findings

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

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.



Gabridge & Company, PLC
Grand Rapids, MI
October 31, 2023

Grass Lake Community Schools

FINANCIAL STATEMENT FINDINGS

2023-001 - Material Audit Adjustments and Preparation of Governmental Financial Statements (repeat finding)

Finding Type:	Material weakness in internal controls over financial reporting.
Criteria:	All governmental units in Michigan are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of the management. The preparation of financial statements in accordance with GAAP requires internal controls over both: 1) recording, processing, and summarizing accounting data (i.e. maintaining internal accounting records), and 2) reporting government-wide and fund financial statements, including the related notes to the financial statements (i.e. external financial reporting).
Condition:	During our audit, we identified and proposed several material adjustments (which were approved and posted by management) to adjust the School District's general ledger to the appropriate balances. The accounts affected were due from other governments and revenues.
Cause:	This condition was the result of management oversight.
Effect:	As a result of this condition, the School District's accounting records were initially misstated by amounts that were material to the financial statements.
Recommendation:	We recommend that the Business Manager continues to seek continuing education opportunities to develop her skills and knowledge and monitor the financial statements closely, specifically at year end to minimize auditor adjustments in the future.
View of Responsible Officials:	The District is committed to maintaining the highest professional standards within our Business office and will continue to work to minimize adjustments in the future.

2023-002 - Budgetary Control

Finding Type:	Material weakness in internal controls over financial reporting.
Criteria:	The State of Michigan requires that school districts adopt budgets for the general fund and all special revenue funds. Expenditures may not be incurred in any of those funds prior to formal authorization through the approval or amendment of the budget.

Grass Lake Community Schools

FINANCIAL STATEMENT FINDINGS

Condition:	During our audit we noted that multiple departments and funds had material actual expenditures in excess of the amounts appropriated.
Cause:	Budget amendments were not made for all special revenue funds, including the food service fund, and the budget amendments within the general fund were not sufficient to cover the actual expenditures.
Effect:	As a result of the condition, the School District has material appropriations in excess of the amounts budgeted.
Recommendation:	We recommend that the School District perform a detailed analysis of actual expenditures for each special revenue fund, at a minimum by department, throughout the year and, as it becomes known that budgeted expenditures are no longer realistic, that the Board take action to amend the budget(s) accordingly.
View of Responsible Officials:	Management concurs with the finding and will work to amend the budget accordingly in the future.

October 31, 2023

To the Board of Education
Grass Lake Community Schools
Grass Lake, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Grass Lake Community Schools (the "School District") 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*, 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 Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in Note 1 to the financial statements. There were no new accounting policies adopted during the fiscal year ended June 30, 2023. We noted no transactions entered into by the School District 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 the School District's financial statements were:

- Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability.
- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

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. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

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 School District'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 School District'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 management's discussion and analysis, the pension and OPEB schedules, and the budgetary comparison 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.

Restriction on Use

This information is intended solely for the use of the Board of Education and management of the School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being a simple loop.

Gabridge & Company, PLC
Grand Rapids, MI