



Engadine Consolidated Schools

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Mackinac County, Michigan

Annual Financial Report

For the year ended June 30, 2023

ENGADINE CONSOLIDATED SCHOOLS
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For the year ended June 30, 2023

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

October 27, 2023

The Board of Education
Engadine Consolidated Schools

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Engadine Consolidated Schools as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the Engadine Consolidated Schools' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Engadine Consolidated Schools, as of June 30, 2023, and the respective changes in financial position and the respective budgetary comparison for the General Fund, 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 Engadine Consolidated Schools 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 Engadine Consolidated Schools' 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 auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America 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 Engadine Consolidated Schools' 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 Engadine Consolidated Schools' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information as 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Engadine Consolidated Schools' basic financial statements. The accompanying combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Emphasis of Matter

Changes in Accounting Principle

As discussed in Note K to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements* and No. 101 *Compensated Absences* for the fiscal year June 30, 2023. Our opinion is not modified in respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2023, on our consideration of the Engadine Consolidated Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Engadine Consolidated Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Engadine Consolidated Schools' internal control over financial reporting and compliance.



Certified Public Accountants
Grand Rapids, Michigan

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MANAGEMENT'S DISCUSSION AND ANALYSIS



ENGADINE CONSOLIDATED SCHOOLS
Management's Discussion and Analysis
June 30, 2023

As management of the Engadine Consolidated Schools (“the District”), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with the District’s financial statements, which immediately follow this section.

Overview of the Financial Statements

This annual report consists of four parts: Management's Discussion and Analysis (this section), the Basic Financial Statements, Required Supplementary Information, and Supplementary Information. The Basic Financial Statements include two kinds of statements that present different views of the 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 District’s overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the 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 Notes to Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data; Required Supplementary Information includes pension and OPEB information schedules; Other Supplementary Information follows and includes combining and individual fund statements and schedules.

District-wide Financial Statements

The district-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the 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 District’s net position, and how it has changed. Net position - the difference between the District’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources - is one way to measure the District’s financial health or position.

- Over time, increases or decreases in the District’s net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District’s overall health, one should consider additional non-financial factors such as changes in the District’s property tax-base, economic factors that might influence state aid revenue, and the condition of school buildings and other facilities.



ENGADINE CONSOLIDATED SCHOOLS
Management's Discussion and Analysis
June 30, 2023

In the district-wide financial statements, the District's activities are presented as follows:

- *Governmental activities:* The District's basic services are included here, 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.

New Accounting Pronouncement Implemented

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)* and No. 101 *Compensated Absences* during the fiscal year ended June 30, 2023. These Statements enhance the relevance and consistency of information about governments' subscription-based information technology arrangements and compensated absences. See Note K for additional information.

Condensed District-Wide Financial Information

The Statement of Net Position provides financial information on the District as a whole.

	<u>2023</u>	<u>2022</u>
Assets		
Current assets	\$ 2,532,385	\$ 2,186,689
Net capital assets	<u>2,734,153</u>	<u>2,758,180</u>
Total Assets	<u>5,266,538</u>	<u>4,944,869</u>
Deferred Outflows of Resources	<u>3,304,574</u>	<u>2,202,141</u>
Liabilities		
Current liabilities	970,315	796,293
Long-term liabilities	386,154	558,511
Net pension liability	8,478,818	5,425,997
Net OPEB liability	<u>471,655</u>	<u>350,574</u>
Total Liabilities	<u>10,306,942</u>	<u>7,131,375</u>
Deferred Inflows of Resources	<u>1,391,568</u>	<u>3,535,428</u>
Net Position		
Net investment in capital assets	2,379,153	2,227,359
Restricted	285,680	270,187
Unrestricted (deficit)	<u>(5,792,231)</u>	<u>(6,017,339)</u>
Total Net Position	<u>\$ (3,127,398)</u>	<u>\$ (3,519,793)</u>



ENGADINE CONSOLIDATED SCHOOLS
Management's Discussion and Analysis
June 30, 2023

The Statement of Activities presents changes in net position from operating results:

	<u>2023</u>	<u>2022</u>
Program Revenues		
Charges for services	\$ 92,188	\$ 69,002
Operating grants	3,302,130	3,045,398
General Revenues		
Property taxes	2,339,717	2,277,154
State school aid, unrestricted	928,524	755,966
Interest and investment earnings	31,246	2,923
Other	203,299	223,045
Total Revenues	<u>6,897,104</u>	<u>6,373,488</u>
Expenses		
Instruction	3,249,051	2,774,356
Supporting services	2,280,671	2,009,273
Community services	552,739	404,686
Food service	218,027	146,510
Interest on long-term debt	15,433	21,196
Depreciation - unallocated	188,788	171,940
Total Expenses	<u>6,504,709</u>	<u>5,527,961</u>
Increase (Decrease) in net position	392,395	845,527
Net Position, Beginning of Year	<u>(3,519,793)</u>	<u>(4,365,320)</u>
Net Position, End of Year	<u>\$ (3,127,398)</u>	<u>\$ (3,519,793)</u>

Financial Analysis of the District as a Whole

Total revenues exceeded expenses by \$392,395 on the Statement of Activities, increasing total net position from a deficit of \$3,519,792 at June 30, 2022, to a deficit of \$3,127,398 at June 30, 2023. Unrestricted net position increased by \$225,108 to a deficit of \$5,792,231 at June 30, 2023. The District's net pension liability, including deferred outflows and inflows of resources, increased by \$187,336, during the fiscal year. In addition, the District's net OPEB liability, including outflows and inflows of resources, decreased by \$259,727 during the fiscal year.

The District's total revenues were \$6.9 million. Property taxes and unrestricted State aid accounted for a significant portion of the District's revenues, contributing 47% of the total. The remainder came from State and federal aid for specific programs (48%), fees charged for services, interest earnings, and other local sources.

The total cost of all programs was \$6.5 million. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (59%). The District's administrative and business services accounted for 10% of total costs, and operation and maintenance services accounted for 7% of total costs.



ENGADINE CONSOLIDATED SCHOOLS
Management's Discussion and Analysis
June 30, 2023

The current position of the District's finances can be credited to careful monitoring of economic changes and appropriate cost-cutting measures to maintain programs during these challenging economic times. Despite the ongoing uncertainty of funding revenue from the State of Michigan, the District has endeavored to maintain a positive fund balance.

- The District has conducted a thorough budget analysis and has broken the budget down into specific components and their related expenses. This has allowed the District to prioritize expenses, and also to identify where cuts could occur if necessary.
- Periodic updates were provided to the Board of Education during the school year. This information is also presented to the community via the District's website transparency reporting.
- Collaboration with the surrounding districts has helped reduce expenditures in many areas including special education, special education transportation, technology, and business services. The nineteen school districts and academies as well as the Intermediate School District in the Eastern Upper Peninsula have historically collaborated in many areas and continue to find more ways to collaborate to provide the most services while maximizing efficiencies.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. As a general rule, fund balances from one fund are prohibited from being expended on expenditures of another fund.

The District utilizes one kind of fund:

- *Governmental funds:* Most of the 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 the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information following the governmental funds' statements explain the relationship (or differences) between them.

Financial Analysis of the District's Funds

The District uses funds to record and analyze financial information. Engadine Consolidated Schools' funds are described as follows:

Major Funds

- The General Fund includes our primary operating fund. The operating fund had total revenues of \$4,367,295, and total expenditures of \$4,389,355. The operating fund ended the fiscal year with a fund balance of \$453,401, down from \$475,461 at June 30, 2022.



ENGADINE CONSOLIDATED SCHOOLS
Management's Discussion and Analysis
June 30, 2023

- Engadine Consolidated Schools is the fiscal agent for Consolidated Community School Services (CCSS), which is a consortium of seven local districts that provides alternative, adult, and community education programs. CCSS is presented as a blended component-unit and is included in the General Fund. CCSS had total revenues of \$1,987,982 and total expenditures of \$1,810,562. CCSS ended the fiscal year with a fund balance of \$1,072,989, up from \$895,569 at June 30, 2022.

Nonmajor Funds

- The Food Service Fund, which administers the hot lunch program of the District, had total revenues of \$240,405 and total expenditures of \$216,449. The Food Service Fund ended the fiscal year with a fund balance of \$117,362, up from \$93,406 at June 30, 2022.
- The Public Purpose Trust Fund is operating as a Special Revenue Fund of the District. The fund had total revenues of \$200 and total expenditures of \$175. The Public Purpose Trust Fund ended the fiscal year with a fund balance of \$56,938, up from \$56,913 at June 30, 2023.
- The Student/School Activity Fund is used to account for transactions of student groups for school and school related purposes. The fund had total revenues of \$109,344 and total expenditures of \$119,240. The Student/School Activity Fund ended the fiscal year with a fund balance of \$79,336, down from \$89,232 at June 30, 2022.
- The District operates one Debt Service Fund to finance the repayment of general obligation bonds. Total revenues were \$186,808 and total expenditures were \$186,250. The Debt Service Fund ended the fiscal year with a fund balance of \$33,819, up from \$33,261 at June 30, 2022.

General Fund Budgetary Highlights

During the course of the year, the District continuously reviews the annual operating budget after the June adoption. Changes in the budget are due to the following:

- Changes made in the fall to account for the final student enrollment, which determines how much state foundation grant will be received during the fiscal year.
- Final amendments are made in June for increases in appropriations to prevent budget overruns and reductions in expenses put into place by the administration.

Consolidated Community School Service became a part of Engadine Consolidated Schools in 2017-18. Previously, CCSS was a part of Pickford Public Schools. CCSS is part of the combined General Fund. The CCSS budget included revenues of \$1.96 million and expenditures of \$1.96 million. CCSS provides adult education, alternative education and enrichment opportunities to the Eastern Upper Peninsula.



ENGADINE CONSOLIDATED SCHOOLS
Management's Discussion and Analysis
June 30, 2023

Capital Asset and Debt Administration

Capital Assets

By the end of fiscal year 2023, the District had a \$6,180,765 investment in a broad range of capital assets, including land improvements, school buildings, athletic facilities, administrative offices, furniture and equipment, and vehicles. (More detailed information about capital assets can be found in Note D in the Notes to Basic Financial Statements.)

At June 30, 2023, the District's investment in capital assets (net of accumulated depreciation), was \$2,734,153. Net capital asset additions totaled \$174,111 for the fiscal year with net accumulated depreciation decreasing \$425,573, leaving a net decrease in the book value of capital assets of \$24,027.

The District's net investment in capital assets, including land improvements, buildings and improvements, vehicles and furniture and equipment, is detailed as follows:

Building and improvements	\$ 2,262,717
Land improvements	-
Furniture and equipment	213,490
Vehicles	<u>257,946</u>
Net Capital Assets	<u><u>\$ 2,734,153</u></u>

Long-term Obligations

At year end, the District had \$636,154 in general obligation bonds and other long-term debt outstanding – a net decrease of \$173,178 from June 30, 2022.

The District's bond rating for general obligation debt was affirmed by Moody's as Baa2 with a stable outlook. The State limits the amount of general obligation debt that schools can issue to 15% of the assessed value of all taxable property within a District's boundaries.

The District's other obligations include accumulated sick/vacation leave. We present more detailed information about our long-term liabilities in Note F in the Notes to Basic Financial Statements.



ENGADINE CONSOLIDATED SCHOOLS
Management's Discussion and Analysis
June 30, 2023

Factors Bearing on the District's Future

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

- Cost increases exceeding the general rate of inflation continues to be expected for pension contribution obligations. These costs represent a significant portion of the District's budget and their rate of increase is a concern to management.
- The District and the Teacher's bargaining unit negotiated a one-year agreement expiring at the end of the 2023-24 school year. The District has settled with the professional staff with a 10% average increase (the wage scale has been revamped) with steps. The District and the Support Staff successfully bargained a 2-year contract ending June 30, 2024. The District implemented a \$1.05 wage increase for support staff in the current contract. The current contract provides health insurance through MESSA. Employees have the choice of Pak A Choices, Pak D Choices 2, Pak C ABC Plan, Pak E ABC Plan 2. With all of the plans, the excess premium cost over the state mandated cap is borne by the employee. Recent months have seen a lot of legislative activity in the areas of teacher tenure, seniority and layoffs, teacher and administrator evaluations, student achievement and employee contributions to health insurance. The District is determined to keep up with all the changes even with a reduction in the administrative work force.
- As the District continues to face the budget challenges of the current and upcoming school years, operating efficiencies and balanced budgets will be necessary. The ability to continue to operate an adequate educational system with continued less revenue and increasing expenditures is the challenge of the future. The Board of Education continues to be aware of the importance of fiscal oversight, fiscal responsibility, and financial planning.
- The COVID-19 pandemic has impacted Engadine Consolidated Schools in multiple ways. There have been numerous grant funds available to support the District with technology and connectivity student supports. The funds not used for those purposes are a topic of discussion with the Board of Education. They are discussing ways to utilize those funds for the maximum benefit for the students. The district is now at the end of these grants, while smaller grants are still available, the majority of the available COVID funding to this district has been expended.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Engadine Consolidated Schools, W13920 Melville Street, Engadine, Michigan 49827.

BASIC FINANCIAL STATEMENTS

ENGADINE CONSOLIDATED SCHOOLS
Statement of Net Position
June 30, 2023

	Governmental Activities
Assets	
Cash	\$ 100
Cash equivalents, deposits and investments (Note B)	1,685,536
Accounts receivable	147
Due from other governmental units (Note C)	845,368
Inventory	1,234
Capital assets being depreciated, net (Note D)	2,734,153
	5,266,538
Deferred Outflows of Resources	
Deferred pension amounts	2,607,501
Deferred OPEB amounts	697,073
	3,304,574
Liabilities	
Accounts payable	75,884
Due to other governmental units	197,061
Payroll withholdings payable	56,303
Accrued expenses	17,536
Accrued interest payable	1,775
Salaries payable	232,618
Unearned revenue	139,138
Long-term liabilities (Note F):	
Due within one year	250,000
Due in more than one year	386,154
Net pension liability	8,478,818
Net OPEB liability	471,655
	10,306,942
Deferred Inflows of Resources	
Deferred pension amounts	302,048
Deferred OPEB amounts	1,089,520
	1,391,568
Net Position	
Net investment in capital assets	2,379,153
Restricted for:	
Debt service	32,044
Food service	117,362
Public purpose trust	56,938
Student/school activities	79,336
Unrestricted (deficit)	(5,792,231)
	\$ (3,127,398)

See accompanying notes to basic financial statements.

ENGADINE CONSOLIDATED SCHOOLS
Statement of Activities
For the year ended June 30, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Position
		Charges for Services	Operating Grants	
Governmental Activities				
Instruction	\$ 3,249,051	\$ 5,306	\$ 2,529,985	\$ (713,760)
Supporting services	2,280,671	24,668	550,219	(1,705,784)
Community services	552,739	39,758	-	(512,981)
Food service	218,027	22,456	216,979	21,408
Interest on long-term debt	15,433	-	4,947	(10,486)
Depreciation - unallocated*	188,788	-	-	(188,788)
Total Governmental Activities	\$ 6,504,709	\$ 92,188	\$ 3,302,130	(3,110,391)
General Revenues				
Taxes:				
Property taxes, levied for general operations				2,159,565
Property taxes, levied for debt service				180,152
State school aid, unrestricted				928,524
Interest and investment earnings				31,246
Other				203,299
Total General Revenues				3,502,786
Change in Net Position				392,395
Net Position - Beginning of Year				(3,519,793)
Net Position - End of Year				\$ (3,127,398)

*This amount excludes direct depreciation expenses of the various programs.

See accompanying notes to basic financial statements.

ENGADINE CONSOLIDATED SCHOOLS
Balance Sheet
Governmental Funds
June 30, 2023

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Assets			
Cash	\$ 100	\$ -	\$ 100
Cash equivalents, deposits and investments (Note B)	1,393,756	291,780	1,685,536
Accounts receivable	-	147	147
Due from other governmental units (Note C)	844,093	1,275	845,368
Inventory	-	1,234	1,234
Total Assets	<u>\$ 2,237,949</u>	<u>\$ 294,436</u>	<u>\$ 2,532,385</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 75,884	\$ -	\$ 75,884
Due to other governmental units	196,067	994	197,061
Payroll withholdings payable	56,303	-	56,303
Accrued expenditures	17,536	-	17,536
Salaries payable	229,243	3,375	232,618
Unearned revenue	136,526	2,612	139,138
Total Liabilities	<u>711,559</u>	<u>6,981</u>	<u>718,540</u>
Fund Balances (Note A)			
Nonspendable	-	1,234	1,234
Restricted	1,072,989	286,221	1,359,210
Unassigned	453,401	-	453,401
Total Fund Balances	<u>1,526,390</u>	<u>287,455</u>	<u>1,813,845</u>
Total Liabilities and Fund Balances	<u>\$ 2,237,949</u>	<u>\$ 294,436</u>	<u>\$ 2,532,385</u>

See accompanying notes to basic financial statements.

ENGADINE CONSOLIDATED SCHOOLS
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2023

Total governmental fund balances		\$ 1,813,845
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$6,180,765 and accumulated depreciation is \$3,446,612.		2,734,153
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
General obligation bonds	\$ (355,000)	
Accumulated sick/vacation leave	<u>(281,154)</u>	(636,154)
Accrued interest on long-term debt is not included as a liability in governmental funds.		(1,775)
Net pension liability and related deferred outflows/inflows of resources are not included as assets/liabilities in governmental funds:		
Net pension liability	(8,478,818)	
Deferred outflows	2,607,501	
Deferred inflows	<u>(302,048)</u>	(6,173,365)
Net OPEB liability and related deferred outflows/inflows of resources are not included as assets/liabilities in governmental funds:		
Net OPEB liability	(471,655)	
Deferred outflows	697,073	
Deferred inflows	<u>(1,089,520)</u>	(864,102)
Total net position - governmental activities		<u><u>\$ (3,127,398)</u></u>

See accompanying notes to basic financial statements.

ENGADINE CONSOLIDATED SCHOOLS
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2023

	General	Nonmajor	Total
Revenues			
Local sources	\$ 2,346,549	\$ 314,831	\$ 2,661,380
Non-educational entity sources	104,228	-	104,228
State sources	2,679,471	15,476	2,694,947
Federal sources	762,465	206,450	968,915
Interdistrict sources	462,564	-	462,564
Total Revenues	<u>6,355,277</u>	<u>536,757</u>	<u>6,892,034</u>
Expenditures			
Current:			
Instruction	3,280,346	-	3,280,346
Supporting services	2,298,698	119,415	2,418,113
Community services	558,230	-	558,230
Food service	-	216,449	216,449
Capital outlay	61,859	-	61,859
Debt service:			
Principal repayment	751	170,000	170,751
Interest and fiscal charges	33	16,250	16,283
Total Expenditures	<u>6,199,917</u>	<u>522,114</u>	<u>6,722,031</u>
Net Change in Fund Balances	155,360	14,643	170,003
Fund Balances, Beginning of Year	<u>1,371,030</u>	<u>272,812</u>	<u>1,643,842</u>
Fund Balances, End of Year	<u>\$ 1,526,390</u>	<u>\$ 287,455</u>	<u>\$ 1,813,845</u>

See accompanying notes to basic financial statements.

ENGADINE CONSOLIDATED SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2023

Net change in fund balances - total governmental funds \$ 170,003

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays.

	Capital outlays	\$ 174,111	
	Depreciation expense	<u>(188,788)</u>	(14,677)

In the Statement of Activities, the only gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale(s) increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the assets sold/retired. (9,350)

Bond premium is amortized over the life of the new bond issue on the Statement of Activities. 4,627

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not effect the Statement of Activities:

General obligation bonds	170,000	
Financed purchase agreements	<u>1,194</u>	171,194

Interest on long-term liabilities in the Statement of Activities differs from the amount reported on the governmental funds because interest is recorded as an expenditure in the funds when it is due and paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is paid. 850

In the Statement of Net Position, accumulated sick/vacation leave is measured by the amount earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amount of these benefits earned exceed the amount used/paid by \$2,643. (2,643)

The changes in net pension liability and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds. (187,336)

The changes in net OPEB liability and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds. 259,727

Total changes in net position - governmental activities \$ 392,395

See accompanying notes to basic financial statements.

ENGADINE CONSOLIDATED SCHOOLS
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2023

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Local sources	\$ 2,122,863	\$ 2,322,073	\$ 2,346,549	\$ 24,476
Non-educational entity sources	1,352,654	86,000	104,228	18,228
State sources	816,500	2,712,294	2,679,471	(32,823)
Federal sources	571,647	670,587	762,465	91,878
Interdistrict sources	309,706	391,979	462,564	70,585
Total Revenues	<u>5,173,370</u>	<u>6,182,933</u>	<u>6,355,277</u>	<u>172,344</u>
Expenditures				
Current:				
Instruction:				
Basic programs	2,141,543	2,466,286	2,382,159	84,127
Added needs	678,012	835,740	818,061	17,679
Adult/continuing education	78,240	79,107	80,126	(1,019)
Supporting services:				
Pupil services	212,614	209,356	211,715	(2,359)
Instructional staff services	232,397	355,849	346,796	9,053
General administrative services	199,945	214,233	221,626	(7,393)
School administrative services	191,820	252,570	241,582	10,988
Business services	114,883	151,488	165,385	(13,897)
Operation and maintenance services	397,325	442,502	447,989	(5,487)
Pupil transportation services	327,550	352,995	375,443	(22,448)
Central services	122,556	167,874	197,252	(29,378)
Other supporting services	83,465	95,275	90,910	4,365
Community services	493,355	612,017	558,230	53,787
Capital outlay	41,000	94,393	61,859	32,534
Debt service:				
Principal repayment	1,350	14,350	751	13,599
Interest and other fiscal charges	-	-	33	(33)
Total Expenditures	<u>5,316,055</u>	<u>6,344,035</u>	<u>6,199,917</u>	<u>144,118</u>
Net Change in Fund Balances	(142,685)	(161,102)	155,360	316,462
Fund Balances, Beginning of Year	<u>1,371,030</u>	<u>1,371,030</u>	<u>1,371,030</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 1,228,345</u>	<u>\$ 1,209,928</u>	<u>\$ 1,526,390</u>	<u>\$ 316,462</u>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

ENGADINE CONSOLIDATED SCHOOLS
Notes to Basic Financial Statements
June 30, 2023

Note A – Summary of Significant Accounting Policies

Engadine Consolidated Schools (the “District”) was organized under the School Code of the State of Michigan, and services a population of approximately 338 students. The District is governed by an elected Board of Education consisting of seven members and administered by a Superintendent who is appointed by the aforementioned Board. The District provides a comprehensive range of educational services as specified by state statute and Board of Education policy. These services include elementary education, secondary education, pre-school programs, athletic activities, special education, community services and general administrative services. The Board of Education also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America 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 District’s significant accounting policies are described below.

1. Reporting Entity

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments. The Consolidated Community School Services (CCSS) program provides adult education and community recreation to seven school districts in the Eastern Upper Peninsula Intermediate School District. Engadine Consolidated Schools is the fiscal agent for the CCSS program. Due to this relationship, CCSS is considered a blended component unit of the District’s reporting entity and is included in the accompanying financial statements as part of the General Fund.

2. District-wide and Fund Financial Statements

District-wide Financial Statements – The district-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. The District does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District does not have any *business-type activities*.

The Statement of Net Position is reported on the full accrual, economic resources basis, which recognizes all long-term assets as well as all long-term debt and obligations. The District’s net position is reported in three parts: net investment in capital assets, restricted net position, and unrestricted net position.

ENGADINE CONSOLIDATED SCHOOLS
Notes to Basic Financial Statements
June 30, 2023

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, unrestricted state aid, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The General Fund (which includes Consolidated Community School Services) is the District's only major fund. Nonmajor funds are aggregated and presented in a single column.

Fund Financial Statements – Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the district-wide level. Reconciliations between the two sets of statements are provided separately.

Revenues are recognized when susceptible to accrual, i.e., 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 District considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt is recognized when due.

Revenues susceptible to accrual are property taxes, state aid, federal and interdistrict revenues and investment income. Other revenues are recognized when received. Unearned revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of the qualifying expenditures.

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

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a State-wide formula. The foundation allowance is funded from a combination of State and local sources. Revenues from State sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenues in accordance with State law and accounting principles generally accepted in the United States of America.

ENGADINE CONSOLIDATED SCHOOLS
Notes to Basic Financial Statements
June 30, 2023

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of a school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

Major Fund:

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources, except those required to be accounted for in another fund. Included are all transactions related to the current operating budget. The General Fund also includes the activity of Consolidated Community School Services (CCSS), for which the District serves as the fiscal agent. CCSS is a consortium of seven local school districts that provides alternative, adult, and community education programs. Individual detail of Engadine Consolidated Schools' and CCSS's operating fund is presented in the General Fund Combining Statements in the Supplementary Information section of the report.

Nonmajor Funds:

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

School Service Funds—School Service Funds are used to segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. A school district maintains full control of these funds. The School Service Funds maintained by the District are the Food Service, Public Purpose Trust, and Student/School Activity Special Revenue Funds.

Debt Service Funds—Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt (bonds, notes, loans, leases and school bond loan) principal, interest, and related costs.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted as they are needed.

4. Budgets and Budgetary Accounting

State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act) requires that the General Fund of a school district be under budgetary control and that both budgeted and actual financial results do not incur a deficit. Engadine Consolidated Schools has also adopted budgets for its Special Revenue Funds. A school district's Budget Appropriations Act (the "budget") must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from a district's budget may occur without a corresponding amendment to the budget. A school district has the ability to amend the budget provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year end. A school district may also permit the chief administrative or fiscal officer to execute transfers between line items, within defined dollar or percentage limits, without prior approval of the Board of Education. Expenditures may not legally exceed budgeted appropriations at the function level. All appropriations lapse at the end of the fiscal year.

ENGADINE CONSOLIDATED SCHOOLS
Notes to Basic Financial Statements
June 30, 2023

Engadine Consolidated Schools utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- Starting in the spring, District administrative personnel and department heads work with the Superintendent and Business Manager to establish proposed operating budgets for the fiscal year commencing the following July 1.
- In June, preliminary operating budgets are submitted to the Board of Education. These budgets include proposed expenditures and the means of financing them.
- Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budgets.
- After the budgets are finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.
- The original General and Special Revenue Funds budgets were amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act).
- Budgets for the General and Special Revenue Funds were adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

5. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. There were no substantial encumbrances outstanding at year end.

6. Investments

Investments are recorded at fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

7. Inventory/Prepaid Items

Inventories are valued at cost (first-in, first-out), and are accounted for using the consumption method. Inventories of the Food Service Fund consist of food, and other nonperishable supplies. Disbursements for inventory-type items are recorded as expenditures at the time of use for each fund. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. The cost of prepaid items is recorded as expenses/expenditures when consumed rather than when purchased.

8. Capital Assets

Capital assets, which include land improvements, buildings and improvements, textbooks and library books, vehicles, and furniture and equipment, 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 fair value at the date of donation.

ENGADINE CONSOLIDATED SCHOOLS
Notes to Basic Financial Statements
June 30, 2023

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.

Land improvements, buildings and improvements, furniture and equipment, textbooks and library books, and vehicles are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	10 - 20 years
Buildings and improvements	40 - 50 years
Furniture and equipment	3 - 10 years
Textbooks and library books	3 - 5 years
Vehicles	5 - 10 years

9. 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. Bonds payable are reported net of the applicable bond premium or discount.

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.

10. Accumulated Sick and Vacation Leave

Accumulated sick and vacation leave at June 30, 2023 have been computed and recorded in the basic financial statements of the District. Employees who leave the District are entitled to reimbursement for a portion of their unused sick and vacation days. At June 30, 2023, the accumulated liabilities, including salary related payments, for accumulated sick and vacation leave amounted to \$281,154.

11. Retirement Plan

Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, were implemented by the District during the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditures. For defined benefit pensions, the Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Cost sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans – pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

ENGADINE CONSOLIDATED SCHOOLS
Notes to Basic Financial Statements
June 30, 2023

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

12. Postemployment Benefits Other Than Pensions

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was implemented by the District during the fiscal year ended June 30, 2018. This Statement establishes standards for recognizing and measuring (OPEB) liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB plans, the Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about OPEB are also addressed. Distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet specific criteria. Cost-sharing employers are those whose employees are provided with defined benefit OPEB through cost-sharing multiple-employer OPEB plans—OPEB plans in which the OPEB obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides OPEB through the OPEB plan.

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

13. Deferred Outflows/Inflows 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 future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has two such items that qualify for reporting in this category: the deferred outflows of resources relating to the recognition of net pension liability on the financial statements and the deferred outflows of resources relating to the recognition of net OPEB liability on the financial statements.

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 future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has two such items that qualify for reporting in this category: the deferred inflows of resources relating to the recognition of net pension liability on the financial statements and the deferred inflows of resources relating to the recognition of net OPEB liability on the financial statements.

ENGADINE CONSOLIDATED SCHOOLS
Notes to Basic Financial Statements
June 30, 2023

14. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net position is reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws or regulations from other governments.

15. Fund Balance

The District had adopted Governmental Accounting Standards Board (GASB) Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. The stated objective of GASB Statement No. 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds, detailed as follows:

- Nonspendable – resources that cannot be spent because they are either (a) not in spendable form (inventories and prepaid amounts) or (b) legally or contractually required to be maintained intact (the principal of a permanent fund).
- Restricted – resources that cannot be spent because of (a) constraints externally imposed by creditors (debt covenants), grantors, contributors, or laws or regulations or (b) imposed by law through constitutional provisions or enabling legislation and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.
- Committed – resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority (Board of Education). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified uses by taking the same type of action it employed to previously commit those amounts. Committed fund balance does not lapse at year end.
- Assigned – resources that are constrained by the government’s *intent* to be used for specific purposes but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body or official to which the governing body has designated the authority to assign amounts to be used for specific purposes. Assigned fund balance does not lapse at year end.
- Unassigned – unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

As of June 30, 2023, Engadine Consolidated Schools had not established a policy for its use of unrestricted fund balance amounts; it considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used, but reserves the right to selectively spend unassigned resources first to defer the use of other classified funds.

ENGADINE CONSOLIDATED SCHOOLS
Notes to Basic Financial Statements
June 30, 2023

16. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses.

17. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note B – Cash Equivalents, Deposits, and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this State under the laws of this State or the United States.
- 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 day of purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- United States government or Federal agency obligation repurchase agreements.
- Banker's acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a school district in Michigan.
- 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 in Michigan.

ENGADINE CONSOLIDATED SCHOOLS
Notes to Basic Financial Statements
June 30, 2023

Balances at June 30, 2023 related to cash equivalents, deposits and investments are detailed in the Basic Financial Statements as follows:

Statement of Net Position:	
Governmental activities	<u>\$ 1,685,536</u>

Cash Equivalents and Deposits

Depositories actively used by the District during the year are detailed as follows:

1. First National Bank of St. Ignace
2. Tahquamenon Area Credit Union
3. Central Savings Bank

Cash equivalents consist of bank public funds checking and savings accounts, and deposits consist of certificates of deposit.

June 30, 2023 balances are detailed as follows:

Cash equivalents	\$ 1,607,403
Deposits	<u>75,408</u>
Total	<u><u>\$ 1,682,811</u></u>

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to the District. Protection of District cash equivalents and deposits is provided by the Federal Deposit Insurance Corporation, and the National Credit Union Administration. At year end, the carrying amount of the District's cash equivalents and deposits was \$1,682,811, and the bank balance was \$1,893,757. Of the bank balance, \$599,124 was covered by federal depository insurance, and \$1,294,633 was uninsured and uncollateralized.

Investments

As of June 30, 2023 the District had the following investments:

Surplus Funds Investment Pool Accounts:	
Michigan Liquid Asset Fund (MILAF+) – Cash Management Class	\$ 1,074
Michigan Liquid Asset Fund (MILAF+) – MAX Class	<u>1,651</u>
	<u><u>\$ 2,725</u></u>

The Michigan Liquid Asset Fund Plus (MILAF+) is an external pooled investment fund that includes qualified investments in accordance with the applicable sections of the School Code. MILAF+ is not regulated or registered with the Securities Exchange Commission and reported the same value of the pool shares as the fair value of the District's investments at June 30, 2023. The MILAF+ is rated AAAM by Standard and Poor's and is carried at amortized cost. The MILAF+ MAX Class requires a 14-day redemption notice.

ENGADINE CONSOLIDATED SCHOOLS
Notes to Basic Financial Statements
June 30, 2023

Custodial Credit Risk Related to Investments

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District will minimize custodial credit risk by limiting investments to the types of securities allowed by State statute.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The District's investment policy does not specifically address credit risk but minimizes its credit risk by limiting investments to the types allowed by the State.

Interest Rate Risk

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

Concentration of Credit Risk

The District minimizes concentration of credit risk which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The District's investment policy places no restrictions on the amount or percentage that may be invested in any one type of security.

Foreign Currency Risk

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

Note C – State School Aid/Property Taxes

On March 15, 1994, the voters of the State of Michigan approved Proposal A, which increased the State Sales and Use Tax rates from 4% to 6% and established a State Education Tax at a rate of 6 mills on all property, except that which is exempt by law from ad valorem property taxes, and dedicated the additional revenues generated to Michigan school districts.

These additional State revenues pass through to Michigan school districts in the form of a per pupil "Foundation Allowance" paid on a "blended count" of District pupil membership in February 2022 and October 2022. The 2022-23 "Foundation Allowance" for Engadine Consolidated Schools was \$9,150 for 334 "Full Time Equivalent" students, generating \$2,101,864 in state aid payments to the District of which \$382,140 was paid to the District in July and August 2023 and included in "Due From Other Governmental Units" of the General and Food Service Special Revenue Funds of the District.

Property taxes for the District are levied December 1 (the tax lien date) by the Townships of Garfield, Hendricks, Hudson, Newton and Portage, and are due 75 days after the levy date. The taxes are then collected by each governmental unit and remitted to the District. The County of Mackinac, through its Delinquent Tax Revolving Fund, advances all delinquent real property taxes at March 1 to the District each year prior to June 30.

ENGADINE CONSOLIDATED SCHOOLS
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Section 1211(1) of 1993 PA 312 states that beginning in 1994, the board of a school district shall levy not more than 18 mills, if approved by voters, for school operating purposes, or the number of mills levied in 1993, whichever is less, on non-homestead property only, in order to be eligible to receive funds under the State School Aid Act of 1979. After 1996, electors may approve a 3 mill "Local Enhancement Millage" which must be shared between all local districts in each respective county intermediate district.

As Engadine Consolidated Schools' electors had previously (November 6, 2018) approved an operating millage extension, the 18 mill non-homestead property tax was levied in the District for 2022.

The District levied 1.1 mills for debt service purposes in 2022, applied on all taxable property in the District.

Taxable property in the District is assessed initially at 50% of true cash value by the assessing officials of the various units of government that comprise the District. These valuations are then equalized by the county and finally by the State of Michigan, generating the State Equalized Valuation. Taxable valuation increases will be limited, or capped (known as capped valuation), at 5% or the rate of inflation, whichever is less. With the implementation of Proposal A and Public Act 36, taxable property is now divided into two categories: PRE and NPRE.

A principal residence exemption property (PRE) is exempt from the 18 mill "School Operating" tax. It is not exempt from the 6 mill "State Education" tax, any voted "Local Enhancement Millage" nor any additional voted millage for the retirement of debt.

Non-principal residence exemption property (NPRE) is subject to all District levies. However, since Public Act 36, establishing the Michigan Business Tax, was signed into law, Public Acts 37-40 of 2007 now exempt Industrial Personal Property from the 6 mill State Education Tax and up to 18 mills of local school district operating millage (includes property under Industrial Facilities Tax exemptions); and exempt Commercial Personal Property from up to 12 mills of local school district operating millage (exceptions may apply).

The District is subject to tax abatements granted by the County of Mackinac with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended, provides a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assists in the building of new facilities, and promotes the establishment of high tech facilities. An Industrial Facilities Exemption (IFE) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term up to 12 years as determined by the local unit of government. The agreements entered into by each local unit include claw back provisions should the recipient of the tax abatement fail to fully meet its commitments, such as employment levels and timelines for relocation. The tax abated property taxes are calculated by applying half the local property tax millage rate on the total IFT taxable value. This amounts to a reduction in property tax revenue of approximately 50%.

For the year ended June 30, 2023, there were no businesses located within the Engadine Consolidated School District boundaries with an active IFE certificate.

ENGADINE CONSOLIDATED SCHOOLS
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June 30, 2023

Note D – Capital Assets

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

	<u>Balances July 1, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances June 30, 2023</u>
Capital assets being depreciated:				
Land improvements	\$ 140,009	\$ -	\$ -	\$ 140,009
Buildings and improvements	5,155,244	124,553	187,000	5,092,797
Furniture and equipment	635,083	49,558	382,851	301,790
Textbooks and library books	104,392	-	-	104,392
Vehicles	595,637	-	53,860	541,777
Total capital assets being depreciated	<u>6,630,365</u>	<u>\$ 174,111</u>	<u>\$ 623,711</u>	<u>6,180,765</u>
Less accumulated depreciation for:				
Land improvements	140,009	\$ -	\$ -	140,009
Buildings and improvements	2,883,748	123,982	177,650	2,830,080
Furniture and equipment	455,011	16,140	382,851	88,300
Textbooks and library books	104,392	-	-	104,392
Vehicles	289,025	48,666	53,860	283,831
Total accumulated depreciation	<u>3,872,185</u>	<u>\$ 188,788</u>	<u>\$ 614,361</u>	<u>3,446,612</u>
Net Capital Assets	<u>\$ 2,758,180</u>			<u>\$ 2,734,153</u>

Depreciation expense for the District was \$188,788. The District determined that it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.

ENGADINE CONSOLIDATED SCHOOLS
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Note E – Short term Debt

On August 24, 2022, the District borrowed \$850,000 for cash flow purposes, in anticipation of property taxes. The loan was due and paid in full May 1, 2023. The net interest cost of the loan was \$17,204, which has been recorded in the General Fund’s Other Business Services expenditure function, as required by the Michigan Department of Education.

	Outstanding July 1, 2022	Debt Added	Debt Retired	Outstanding June 30, 2023
Tax Anticipation Note	\$ -	\$ 850,000	\$ 850,000	\$ -

Note F – Long-term Obligations

Changes in long-term obligations for the year ended June 30, 2023 are summarized as follows:

	Debt Outstanding July 1, 2022	Debt Added	Debt Retired	Adjustments	Debt Outstanding June 30, 2023
General obligation bonds:					
August 26, 2015	\$ 525,000	\$ -	\$ 170,000	\$ -	\$ 355,000
Bond premium	4,627	-	4,627	-	-
Financed purchase agreements	1,194	-	751	(443)	-
Accumulated sick/vacation leave *	278,511	-	711	3,354	281,154
	\$ 809,332	\$ -	\$ 176,089	\$ 2,911	\$ 636,154

*Net change only reported, consistent with GASB Statement No. 101 implementation. See Note K.

ENGADINE CONSOLIDATED SCHOOLS
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Long-term obligations outstanding at June 30, 2023 is comprised of the following:

	Final Maturity Dates	Interest Rates	Outstanding Balance	Amount Due Within One Year
General Obligation Bonds				
\$1,300K 2015 Building and Site: Annual maturities of \$175K to \$180K	May 1, 2025	3.00	\$ 355,000	\$ 175,000
Other Obligations				
Accumulated sick/vacation leave			281,154	75,000
			\$ 636,154	\$ 250,000

The annual requirements to pay principal and interest on long-term bonds outstanding are as follows:

Years Ending June 30,	Principal	Interest	Total
2024	\$ 175,000	\$ 10,650	\$ 185,650
2025	180,000	5,400	185,400
	\$ 355,000	\$ 16,050	\$ 371,050

Note G – Retirement Plan

Plan Description

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

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

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

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

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 based on when the employee became a member. The age and service requirements range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years. Early retirement is computed in the same manner as a regular pension but is permanently reduced by .50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age. Certain employees have the option to participate in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

The System also provides disability and survivor benefits to DB plan members.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. Some members who do not receive an annual increase are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

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

Contributions and Funded Status

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

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

ENGADINE CONSOLIDATED SCHOOLS
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The schedule below summarizes pension contribution rates in effect for the plan fiscal year ended September 30, 2022.

Plan Name	Pension Contribution Rates: Plan Status	Member	District
Basic	Closed	0.0 – 4.0 %	20.14%
Member Investment Plan (MIP)	Closed	3.0 – 7.0%	20.14%
Pension Plus	Closed	3.0 – 6.4 %	17.22%
Pension Plus 2	Open	6.2%	19.93%
Defined Contribution	Open	0.0%	13.73%

The District's contributions to MPSERS under all pension plans for the year ended June 30, 2023, inclusive of the MSPERS UAAL Stabilization, totaled \$1,025,916.

Proportionate Share of Reporting Unit's Net Pension Liability

At June 30, 2023, the District reported a liability of \$8,478,818 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2021. The 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 the pension contributions required from all applicable employers during the measurement period. At September 30, 2022, the District's proportion was 0.02254482%, which was a decrease from 0.02291828% at September 30, 2021.

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

For the year ended June 30, 2023, the District recognized pension expense of \$1,191,452. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 84,818	\$ 18,958
Changes of assumptions	1,456,965	—
Net difference between projected and actual earnings on pension plan investments	19,883	—
Changes in proportion and differences between District contributions and proportionate share of contributions	75,245	283,090
District contributions subsequent to the measurement date*	970,591	—
Total	\$ 2,607,502	\$ 302,048

ENGADINE CONSOLIDATED SCHOOLS
Notes to Basic Financial Statements
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* This amount, reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

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

Years Ending June 30	Amount
2024	\$ 383,927
2025	232,739
2026	241,128
2027	477,069

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

Valuation Date:	September 30, 2021
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
MIP and Basic Plans (Non-Hybrid):	6.00% net of investment expenses
Pension Plus Plan (Hybrid):	6.00% net of investment expenses
Pension Plus 2:	6.00% net of investment expenses
Projected Salary Increases:	2.75% - 11.55%, including wage inflation of 2.75%
Cost-of-Living 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.
Disabled Retirees:	RP-2014 Male and Female Disabled Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

ENGADINE CONSOLIDATED SCHOOLS
Notes to Basic Financial Statements
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Notes:

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

Long-Term Expected Rate of Return on Investments

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:

Investment Category	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/Oppportunistic 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 investments, 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.

ENGADINE CONSOLIDATED SCHOOLS
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Discount Rate

A discount rate of 6.0% was used to measure the total pension liability (6.0% for the Pension Plus Plan , 6.0% for the Pension Plus 2 Plan, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.0% (6.0% for the Pension Plus Plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine the 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 District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 6.0%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease 5.0%	Current Single Discount Rate Assumption 6.0%	1% Increase 7.0%
District’s proportionate share of the net pension liability	\$ 11,188,890	\$ 8,478,818	\$ 6,245,597

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

Detailed information about the pension plan’s fiduciary net position is available in the separately issued Michigan Public School Employees’ Retirement System September 30, 2022 Annual Comprehensive Financial Report, available here: (www.michigan.gov/orsschools).

Payables to the Michigan Public School Employees’ Retirement System (MPERS)

Payables to the pension plan totaling \$150,976 at June 30, 2023 arise from the normal legally required contributions based on the accrued salaries payable at year end, expected to be liquidated with expendable available financial resources.

Note H – Other Postemployment Benefits

Plan Description

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

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

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

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

Benefits Provided

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

Retiree Healthcare Reform of 2012

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

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

ENGADINE CONSOLIDATED SCHOOLS
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Contributions and Funded Status

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

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

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

OPEB Contribution Rates:

Benefit Structure	Member	District
Premium Subsidy	3.0%	8.09%
Personal Healthcare Fund (PHF)	0.0 %	7.23%

Required contributions to the OPEB plan from the District were \$170,838 for the year ended June 30, 2023.

Proportionate Share of Reporting Unit's Net OPEB Liability

At June 30, 2023, the District reported a liability of \$471,655 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2021. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the System during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2022, the District's proportion was 0.02226822%, which was a decrease from 0.02296772% at September 30, 2021.

ENGADINE CONSOLIDATED SCHOOLS
Notes to Basic Financial Statements
June 30, 2023

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

For the year ended June 30, 2023, the District recognized OPEB credit of \$84,671. At June 30, 2023, the 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
Difference between expected and actual experience	\$ —	\$ 923,791
Changes of assumptions	420,401	34,231
Net difference between projected and actual earnings on OPEB plan investments	36,864	—
Changes in proportion and differences between District contributions and proportionate share of contributions	92,102	131,498
District contributions subsequent to the measurement date*	147,706	—
Total	\$ 697,073	\$ 1,089,520

* This amount, reported as deferred outflows of resources related to OPEB resulting from District 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:

Years Ending June 30	Amount
2024	\$ (137,652)
2025	(198,259)
2026	(161,607)
2027	(24,983)
2028	(16,223)
Thereafter	(1,429)

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.

ENGADINE CONSOLIDATED SCHOOLS
Notes to Basic Financial Statements
June 30, 2023

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

Valuation Date:	September 30, 2021
Actuarial Cost Method:	Entry Age, Normal
Asset Valuation Method:	Fair Value
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.00% net of investment expense
Projected Salary Increases:	2.75% - 11.55%, including wage inflation of 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.

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

Other Assumptions:

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

Notes:

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

ENGADINE CONSOLIDATED SCHOOLS
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June 30, 2023

Long-Term Expected Rate of Return on Investments

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:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	25.0%	5.1%
Private Equity Pools	16.0%	8.7%
International Equity 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/Oppportunistic 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 investments, net of OPEB plan investment expense, was (4.99)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.0% 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 6.0%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

ENGADINE CONSOLIDATED SCHOOLS
Notes to Basic Financial Statements
June 30, 2023

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

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

	1% Decrease 5.0%	Current Discount Rate 6.0%	1% Increase 7.0%
District's proportionate share of the net OPEB liability	\$ 791,156	\$ 471,655	\$ 202,596

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

The following presents the District's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the District's proportionate share of the 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
District's proportionate share of the net OPEB liability	\$ 197,506	\$ 471,655	\$ 779,392

OPEB Plan Fiduciary Net Position

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

Payables to the OPEB Plan

Payables to the OPEB plan totaling \$16,361 at June 30, 2023 arise from the normal legally required contributions based on the accrued salaries payable at year end, expected to be liquidated with expendable available financial resources.

Note I – Risk Management and Employee Benefits

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

There were no significant reductions in insurance coverage in fiscal 2022-23, and as of year ended June 30, 2023, there were no material pending claims against the District.

ENGADINE CONSOLIDATED SCHOOLS
Notes to Basic Financial Statements
June 30, 2022

Note J – Stewardship, Compliance and Accountability

The following District funds had actual expenditures exceed final budgeted amounts for the year ended June 30, 2023, as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Instruction:			
Adult/continuing education	\$ 79,107	\$ 80,126	\$ 1,019
Supporting services:			
Pupil services	209,356	211,715	2,359
General administrative services	214,233	221,626	7,393
Business services	151,488	165,385	13,897
Operation and maintenance services	442,502	447,989	5,487
Pupil transportation services	352,995	375,443	22,448
Central services	167,874	197,252	29,378
Debt service:			
Interest and other fiscal charges	-	33	33
Student/School Activity Fund			
Other supporting services	118,332	119,240	908

The District has an unrestricted net position deficit of \$5,792,231 and a total net position deficit of \$3,127,398, as of June 30, 2023. These deficit net positions result primarily from the net pension liability of \$6,173,365 and the net OPEB liability of \$864,102 (net of deferred outflows and inflows of resources related to the pension and OPEB plans).

Note K – New Accounting Pronouncements Adopted

Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)* was adopted by the District during the fiscal year ending June 30, 2023. This statement enhances the relevance and consistency of information about governments' SBITAs by requiring recognition of right-to-use subscription assets and a corresponding subscription liability. Upon implementation, The District was not required to recognize a right-to-use subscription asset or subscription liability as of July 1, 2022. Net position as of July 1, 2022 was not required to be restated as a result of implementing the Statement.

Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* was adopted by the District during the fiscal year ended June 30, 2023. This statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability. In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

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REQUIRED SUPPLEMENTARY INFORMATION

ENGADINE CONSOLIDATED SCHOOLS
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2023

	<u>Year Ended June 30, 2023</u>	<u>Year Ended June 30, 2022</u>	<u>Year Ended June 30, 2021</u>
District's proportion of the net pension liability	0.02254482%	0.02291828%	0.02342192%
District's proportionate share of the net pension liability	\$ 8,478,818	\$ 5,425,997	\$ 8,045,684
District's covered-employee payroll	\$ 2,180,047	\$ 2,094,093	\$ 2,090,698
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	388.93%	259.11%	384.83%
Plan fiduciary net position as a percentage of the total pension liability	60.77%	72.60%	59.72%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB Statement No 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

<u>Year Ended June 30, 2020</u>	<u>Year Ended June 30, 2019</u>	<u>Year Ended June 30, 2018</u>	<u>Year Ended June 30, 2017</u>	<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2015</u>
0.02462821%	0.02195129%	0.01692188%	0.01516678%	0.01508430%	0.01418644%
\$ 8,156,035	\$ 6,598,954	\$ 4,385,178	\$ 3,783,988	\$ 3,684,344	\$ 3,124,777
\$ 2,092,550	\$ 2,202,846	\$ 1,486,951	\$ 1,322,798	\$ 1,292,427	\$ 1,245,630
389.77%	299.56%	294.91%	286.06%	285.07%	250.86%
60.31%	62.12%	63.96%	63.01%	62.92%	66.15%

ENGADINE CONSOLIDATED SCHOOLS
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net OPEB Liability
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2023

	<u>Year Ended June 30, 2023</u>	<u>Year Ended June 30, 2022</u>	<u>Year Ended June 30, 2021</u>
District's proportion of the net OPEB liability	0.02226822%	0.02296772%	0.02347834%
District's proportionate share of the net OPEB liability	\$ 471,655	\$ 350,574	\$ 1,257,797
District's covered-employee payroll	\$ 2,180,047	\$ 2,094,093	\$ 2,090,698
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	21.64%	16.74%	60.16%
Plan fiduciary net position as a percentage of the total OPEB liability	83.09%	59.44%	59.44%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB Statement No 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

<u>Year Ended June 30, 2020</u>	<u>Year Ended June 30, 2019</u>	<u>Year Ended June 30, 2018</u>
0.02390463%	0.02584953%	0.01679948%
\$ 1,715,814	\$ 2,054,767	\$ 1,487,673
\$ 2,092,550	\$ 2,202,846	\$ 1,486,951
82.00%	93.28%	100.05%
48.46%	43.10%	36.53%

ENGADINE CONSOLIDATED SCHOOLS
Required Supplementary Information
Schedule of the District Pension Contributions
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2023

	<u>Year Ended June 30, 2023</u>	<u>Year Ended June 30, 2022</u>	<u>Year Ended June 30, 2021</u>	<u>Year Ended June 30, 2020</u>
Contractually required contribution	\$ 1,025,916	\$ 786,677	\$ 699,855	\$ 654,735
Contributions in relation to the contractually required contribution	<u>1,025,916</u>	<u>786,677</u>	<u>699,855</u>	<u>654,735</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,156,996	\$ 2,095,117	\$ 1,998,938	\$ 2,117,506
Contributions as a percentage of covered employee payroll	47.56%	37.55%	35.01%	30.92%

Note: GASB Statement No 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

<u>Year Ended June 30, 2019</u>	<u>Year Ended June 30, 2018</u>	<u>Year Ended June 30, 2017</u>	<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2015</u>
\$ 661,244	\$ 578,669	\$ 408,469	\$ 379,892	\$ 395,304
<u>661,244</u>	<u>578,669</u>	<u>408,469</u>	<u>379,892</u>	<u>395,304</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,107,143	\$ 2,215,385	\$ 1,314,408	\$ 1,333,136	\$ 1,291,963
31.38%	26.12%	31.08%	28.50%	30.60%

ENGADINE CONSOLIDATED SCHOOLS
Required Supplementary Information
Schedule of District OPEB Contributions
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2023

	<u>Year Ended June 30, 2023</u>	<u>Year Ended June 30, 2022</u>	<u>Year Ended June 30, 2021</u>
Contractually required contribution	\$ 170,838	\$ 163,980	\$ 165,262
Contributions in relation to the contractually required contribution	<u>170,838</u>	<u>163,980</u>	<u>165,262</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,156,996	\$ 2,095,117	\$ 1,998,938
Contributions as a percentage of covered employee payroll	7.92%	7.83%	8.27%

Note: GASB Statement No 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

<u>Year Ended June 30, 2020</u>	<u>Year Ended June 30, 2019</u>	<u>Year Ended June 30, 2018</u>
\$ 170,604	\$ 168,953	\$ 165,629
<u>170,604</u>	<u>168,953</u>	<u>165,629</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,117,506	\$ 2,107,143	\$ 2,215,385
8.06%	8.02%	7.48%

ENGADINE CONSOLIDATED SCHOOLS
Notes to Required Supplementary Information
June 30, 2023

Note A – Net Pension Liability and Contributions

Changes of benefit terms: There were no changes of benefit terms in 2022-23.

Changes of assumptions: There were no changes of benefit assumptions in 2022-23.

Note B – Net OPEB Liability and Contributions

Changes of benefit terms: There were no changes of benefit terms in 2022-23.

Changes of assumptions: There were no changes of benefit assumptions in 2022-23.

SUPPLEMENTARY INFORMATION

GENERAL FUND

To account for resources which are traditionally associated with the general operation of the District and not required to be accounted for in another fund.

ENGADINE CONSOLIDATED SCHOOLS
Combining Balance Sheet
June 30, 2023

Assets	<u>Engadine Operating</u>	<u>CCSS</u>	<u>Intra Account Eliminations</u>	<u>General Fund Total</u>
Cash	\$ 100	\$ -	\$ -	\$ 100
Cash equivalents, deposits and investments	401,965	991,791	-	1,393,756
Due from other funds	-	157,269	(157,269)	-
Due from other governmental units	766,686	77,407	-	844,093
Total Assets	<u>\$ 1,168,751</u>	<u>\$ 1,226,467</u>	<u>\$ (157,269)</u>	<u>\$ 2,237,949</u>
 Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 57,545	\$ 18,339	\$ -	\$ 75,884
Due to other funds	157,269	-	(157,269)	-
Due to other governmental units	180,264	15,803	-	196,067
Payroll withholdings payable	49,080	7,223	-	56,303
Accrued expenditures	7,399	10,137	-	17,536
Salaries payable	179,624	49,619	-	229,243
Unearned revenue	84,169	52,357	-	136,526
Total Liabilities	<u>715,350</u>	<u>153,478</u>	<u>(157,269)</u>	<u>711,559</u>
Fund Balances				
Restricted	-	1,072,989	-	1,072,989
Unassigned	453,401	-	-	453,401
Total Fund Balances	<u>453,401</u>	<u>1,072,989</u>	<u>-</u>	<u>1,526,390</u>
Total Liabilities and Fund Balances	<u>\$ 1,168,751</u>	<u>\$ 1,226,467</u>	<u>\$ (157,269)</u>	<u>\$ 2,237,949</u>

ENGADINE CONSOLIDATED SCHOOLS
General Fund
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2023

	Engadine Operating	CCSS	General Fund Total
Revenues			
Local sources	\$ 2,235,029	\$ 111,520	\$ 2,346,549
Non-educational entity sources	17,856	86,372	104,228
State sources	1,050,426	1,629,045	2,679,471
Federal sources	621,800	140,665	762,465
Interdistrict sources	442,184	20,380	462,564
Total Revenues	4,367,295	1,987,982	6,355,277
Expenditures			
Current:			
Instruction:			
Basic programs	1,646,603	735,556	2,382,159
Added needs	750,992	67,069	818,061
Adult/continuing education	-	80,126	80,126
Supporting services:			
Pupil services	187,029	24,686	211,715
Instructional staff services	195,251	151,545	346,796
General administrative services	216,926	4,700	221,626
School administrative services	241,582	-	241,582
Business services	113,862	51,523	165,385
Operation and maintenance services	393,525	54,464	447,989
Pupil transportation services	355,205	20,238	375,443
Central services	160,611	36,641	197,252
Other supporting services	90,910	-	90,910
Community services	-	558,230	558,230
Capital outlay	36,859	25,000	61,859
Debt service:			
Principal repayment	-	751	751
Interest and fiscal charges	-	33	33
Total Expenditures	4,389,355	1,810,562	6,199,917
Net Change in Fund Balances	(22,060)	177,420	155,360
Fund Balances, Beginning of Year	475,461	895,569	1,371,030
Fund Balances, End of Year	\$ 453,401	\$ 1,072,989	\$ 1,526,390

NONMAJOR GOVERNMENTAL FUNDS

ENGADINE CONSOLIDATED SCHOOLS
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2023

Assets	Special Revenue		
	Food Service	Public Purpose Trust	Student/School Activity
Cash equivalents and deposits	\$ 121,687	\$ 56,938	\$ 79,336
Accounts receivable	147	-	-
Due from other governmental units	1,275	-	-
Inventory	1,234	-	-
Total Assets	\$ 124,343	\$ 56,938	\$ 79,336
Liabilities and Fund Balances			
Liabilities			
Due to other governmental units	\$ 994	\$ -	\$ -
Payroll withholdings payable	-	-	-
Accrued expenditures	-	-	-
Salaries payable	3,375	-	-
Unearned Revenue	2,612	-	-
Total Liabilities	6,981	-	-
Fund Balances			
Nonspendable	1,234	-	-
Restricted	116,128	56,938	79,336
Total Fund Balances	117,362	56,938	79,336
Total Liabilities and Fund Balances	\$ 124,343	\$ 56,938	\$ 79,336

<u>Debt Service</u>	
<u>2015</u>	<u>Total</u>
\$ 33,819	\$ 291,780
-	147
-	1,275
-	1,234
<u>\$ 33,819</u>	<u>\$ 294,436</u>
\$ -	\$ 994
-	-
-	-
-	3,375
-	2,612
<u>-</u>	<u>6,981</u>
-	1,234
<u>33,819</u>	<u>286,221</u>
<u>33,819</u>	<u>287,455</u>
<u>\$ 33,819</u>	<u>\$ 294,436</u>

ENGADINE CONSOLIDATED SCHOOLS
Combining Statement of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor Governmental Funds
For the year ended June 30, 2023

	Special Revenue		
	Food Service	Public Purpose Trust	Student/School Activity
Revenues			
Local sources:			
Property taxes	\$ -	\$ -	\$ -
Interest earnings	823	200	-
Food sales	22,456	-	-
Other local sources	147	-	109,344
Total local sources	23,426	200	109,344
State sources	10,529	-	-
Federal sources	206,450	-	-
Total Revenues	240,405	200	109,344
Expenditures			
Current:			
Supporting services	-	175	119,240
Food service	216,449	-	-
Debt service:			
Principal repayment	-	-	-
Interest and fiscal charges	-	-	-
Total Expenditures	216,449	175	119,240
Net Change in Fund Balances	23,956	25	(9,896)
Fund Balances, Beginning of Year	93,406	56,913	89,232
Fund Balances, End of Year	\$ 117,362	\$ 56,938	\$ 79,336

<u>Debt Service</u>	
<u>2015</u>	<u>Total</u>
\$ 180,152	\$ 180,152
1,709	2,732
-	22,456
-	109,491
<u>181,861</u>	<u>314,831</u>
4,947	15,476
-	206,450
<u>186,808</u>	<u>536,757</u>
-	119,415
-	216,449
170,000	170,000
16,250	16,250
<u>186,250</u>	<u>522,114</u>
558	14,643
<u>33,261</u>	<u>272,812</u>
<u>\$ 33,819</u>	<u>\$ 287,455</u>

ENGADINE CONSOLIDATED SCHOOLS
Food Service Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Local sources	\$ 21,610	\$ 23,426	\$ 1,816
State sources	11,157	10,529	(628)
Federal sources	<u>187,297</u>	<u>206,450</u>	<u>19,153</u>
Total Revenues	<u>220,064</u>	<u>240,405</u>	<u>20,341</u>
Expenditures			
Current:			
Food service	<u>238,781</u>	<u>216,449</u>	<u>22,332</u>
Net Change in Fund Balances	(18,717)	23,956	42,673
Fund Balances, Beginning of Year	<u>93,406</u>	<u>93,406</u>	<u>-</u>
Fund Balances, End of Year	<u><u>\$ 74,689</u></u>	<u><u>\$ 117,362</u></u>	<u><u>\$ 42,673</u></u>

ENGADINE CONSOLIDATED SCHOOLS
Public Purpose Trust Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Local sources	\$ 1,000	\$ 200	\$ (800)
Expenditures			
Current:			
Other supporting services	1,000	175	825
Net Change in Fund Balance	-	25	25
Fund Balance, Beginning of Year	56,913	56,913	-
Fund Balance, End of Year	<u>\$ 56,913</u>	<u>\$ 56,938</u>	<u>\$ 25</u>

ENGADINE CONSOLIDATED SCHOOLS
Student/School Activity Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Local sources	<u>\$ 104,823</u>	<u>\$ 109,344</u>	<u>\$ 4,521</u>
Expenditures			
Current:			
Other supporting services	<u>118,332</u>	<u>119,240</u>	<u>(908)</u>
Net Change in Fund Balance	<u>(13,509)</u>	<u>(9,896)</u>	<u>3,613</u>
Fund Balance, Beginning of Year	<u>89,232</u>	<u>89,232</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 75,723</u></u>	<u><u>\$ 79,336</u></u>	<u><u>\$ 3,613</u></u>

ENGADINE CONSOLIDATED SCHOOLS
Mackinac County, Michigan

Additional Reports Required by
the Uniform Guidance

For the year ended June 30, 2023

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ENGADINE CONSOLIDATED SCHOOLS

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

October 27, 2023

The Board of Education
Engadine Consolidated Schools
Mackinac County, 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, the major fund, and the aggregate remaining fund information of Engadine Consolidated Schools, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Engadine Consolidated Schools’ basic financial statements, and have issued our report thereon dated October 27, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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



Certified Public Accountants
Grand Rapids, Michigan

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

October 27, 2023

The Board of Education
Engadine Consolidated Schools
Mackinac County, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

In our opinion, Engadine Consolidated Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Engadine Consolidated Schools' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Engadine Consolidated Schools' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Engadine Consolidated Schools' internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Engadine Consolidated Schools, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise of Engadine Consolidated Schools' basic financial statements. We issued our report thereon dated October 27, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Certified Public Accountants
Grand Rapids, Michigan

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

ENGADINE CONSOLIDATED SCHOOLS

For the year ended June 30, 2023

Federal Grantor Pass Through Grantor Program Title Grant Number	Assistance Listing Number	Approved Grant Award Amount
U. S. Department of Education		
Direct Awards:		
Indian Education Grants to Local Educational Agencies:	84.060	
Regular 21-22		\$ 19,367
Regular 22-23		<u>15,713</u>
Total Indian Education Grants to Local Educational Agencies		<u>35,080</u>
Passed through Michigan Department of Education (MDE):		
Adult Education - Basic Grants to States:	84.002	
Federal Adult Education ABE Instruction:		
221130, 221706 CCSS		52,245
231130, 231706 CCSS		<u>53,363</u>
Total Federal Adult Education ABE Instruction		<u>105,608</u>
Title I, Part A:	84.010	
211530 2122		88,331
221530 2122		90,414
231530 2223		<u>141,892</u>
Total Title I, Part A		<u>320,637</u>
Title II, Part A:	84.367	
220520 2122		16,598
230520 2223		<u>14,593</u>
Total Title II, Part A		<u>31,191</u>
Title IV, Part A:	84.424	
220750 2122		10,000
230750 2223		<u>10,000</u>
Total Title IV, Part A		<u>20,000</u>

See Notes to Schedule of Expenditures of Federal Awards

Accrued (Deferred) Revenue At July 1, 2022	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At June 30, 2023
\$ 6,893	\$ 19,367	\$ -	\$ 6,893	\$ -
-	-	15,713	15,713	-
6,893	19,367	15,713	22,606	-
52,245	52,245	-	52,245	-
-	-	59,575	-	59,575
52,245	52,245	59,575	52,245	59,575
4,655	4,655	-	4,655	-
19,502	90,912	-	19,502	-
-	-	141,262	80,420	60,842
24,157	95,567	141,262	104,577	60,842
457	16,598	-	457	-
-	-	14,593	4,272	10,321
457	16,598	14,593	4,729	10,321
2,730	10,000	-	2,730	-
-	-	10,000	8,872	1,128
2,730	10,000	10,000	11,602	1,128

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

ENGADINE CONSOLIDATED SCHOOLS

For the year ended June 30, 2023

Federal Grantor Pass Through Grantor Program Title Grant Number	Assistance Listing Number	Approved Grant Award Amount
Education Stabilization Fund:	84.425	
213712 20-21 ESSER Formula Funds II	84.425D	\$ 300,070
213722 2122 ESSER II - Summer Programming K-8	84.425D	22,000
213742 2122 ESSER II - Credit Recovery 9-12	84.425D	22,000
213713 2122 ARP/ESSER III	84.425U	<u>674,392</u>
Total Education Stabilization Fund		<u>1,018,462</u>
Total Passed Through MDE		<u>1,495,898</u>
Passed Through Tahquamenon Area Schools:		
Title I, Part A:	84.013	
221700 2122		<u>21,464</u>
Total Passed through Tahquamenon Area Schools		<u>21,464</u>
Passed Through Eastern Upper Peninsula Intermediate School District (EUPISD)		
Special Education Cluster:		
Special Education Grants to States:	84.027	
220450 2021		34,650
230450 2122		<u>33,300</u>
Total Special Education Cluster		<u>67,950</u>
Total Passed through EUPISD		<u>67,950</u>
Total U.S. Department of Education		<u>1,620,392</u>
Federal Communications Commission		
Passed Through the Universal Service Administrative Company:		
Emergency Connectivity Fund:	32.009	
ECF202112484		<u>6,240</u>
Total Federal Communications Commission		<u>6,240</u>

See Notes to Schedule of Expenditures of Federal Awards

Accrued (Deferred) Revenue At July 1, 2022	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At June 30, 2023
\$ 92,690	\$ 300,070	\$ -	\$ 92,690	\$ -
-	8,151	13,849	13,849	-
-	5,476	16,524	16,524	-
57,191	317,580	356,812	335,487	78,516
149,881	631,277	387,185	458,550	78,516
229,470	805,687	612,615	631,703	210,382
-	-	21,464	21,464	-
-	-	21,464	21,464	-
26,550	34,650	-	26,550	-
-	-	33,300	7,650	25,650
26,550	34,650	33,300	34,200	25,650
26,550	34,650	33,300	34,200	25,650
262,913	859,704	683,092	709,973	236,032
-	-	6,240	6,240	-
-	-	6,240	6,240	-

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

ENGADINE CONSOLIDATED SCHOOLS

For the year ended June 30, 2023

Federal Grantor Pass Through Grantor Program Title Grant Number	Assistance Listing Number	Approved Grant Award Amount
U.S. Department of Health and Human Services		
Direct Awards:		
Early Learning Fund:	93.577	
Communities Helping to Increase Learning Development (CHILD) Grant:		
2023		\$ 26,464
Passed Through Eastern Upper Peninsula Intermediate School District (EUPISD):		
Medicaid Cluster:		
Medical Assistance Program:	93.778	
2022 Medicaid Outreach		881
2023 Medicaid Outreach		1,354
Total Medicaid Cluster		2,235
Total U.S. Department of Health and Human Services		28,699
U.S. Department of Treasury		
Passed Through Eastern Upper Peninsula Intermediate School District (EUPISD):		
Coronavirus State and Local Fiscal Recovery Funds:	21.027	
Great Start Readiness Program: 22S439		154,000
Total U.S. Department of Treasury		154,000
U.S. Department of Agriculture		
Passed through Michigan Department of Education (MDE):		
Child Nutrition Cluster:		
Non-Cash Assistance (U.S.D.A. Commodities):	10.555	
Entitlement Commodities		10,526
Bonus Commodities		115
Total Non-Cash Assistance		10,641

See Notes to Schedule of Expenditures of Federal Awards

Accrued (Deferred) Revenue At July 1, 2022	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At June 30, 2023
\$ -	\$ -	\$ 26,464	\$ 26,464	\$ -
-	846	881	881	-
-	-	1,354	1,354	-
-	846	2,235	2,235	-
-	846	28,699	28,699	-
69,325	109,566	44,434	113,759	-
69,325	109,566	44,434	113,759	-
-	-	10,526	10,526	-
-	-	115	115	-
-	-	10,641	10,641	-

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

ENGADINE CONSOLIDATED SCHOOLS

For the year ended June 30, 2023

Federal Grantor Pass Through Grantor Program Title Grant Number	Assistance Listing Number	Approved Grant Award Amount
Cash Assistance:	10.553	
School Breakfast Program:		
221970		\$ 1,660
231970		<u>44,697</u>
Total School Breakfast Program		<u>46,357</u>
 National School Lunch Program:	 10.555	
220910		9,496
221960		3,551
230910		7,177
231960		<u>109,806</u>
Total National School Lunch Program		<u>130,030</u>
Total Cash Assistance		<u>176,387</u>
Total Child Nutrition Cluster		<u>187,028</u>
 Pandemic EBT Administrative Costs:	 10.649	
220980		<u>628</u>
Total U.S. Department of Agriculture		<u>187,656</u>
Total Federal Financial Assistance		<u>\$ 1,996,987</u>

See Notes to Schedule of Expenditures of Federal Awards

Accrued (Deferred) Revenue At July 1, 2022	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At June 30, 2023
\$ 1,660	\$ 1,660	\$ 6,912	\$ 8,572	\$ -
-	-	44,697	44,697	-
1,660	1,660	51,609	53,269	-
-	-	9,496	9,496	-
3,551	3,551	17,092	20,643	-
-	-	7,177	7,177	-
-	-	109,807	109,807	-
3,551	3,551	143,572	147,123	-
5,211	5,211	195,181	200,392	-
5,211	5,211	205,822	211,033	-
-	-	628	628	-
5,211	5,211	206,450	211,661	-
\$ 337,449	\$ 975,327	\$ 968,915	\$ 1,070,332	\$ 236,032

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

ENGADINE CONSOLIDATED SCHOOLS

For the year ended June 30, 2023

Note A – Basis of Presentation

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

Note B – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C – Indirect Cost Rate

Engadine Consolidated Schools has elected not to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

Note D – Grant Section Auditor Report

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

Note E – Non-Cash Assistance

The amounts reported on the Recipient Entitlement Balance Report, or PAL Report, agree with the schedule for USDA donated food commodities.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

ENGADINE CONSOLIDATED SCHOOLS

For the year ended June 30, 2023

Note F – Federal Income Reconciliation

	Grant Expenditures Per Schedule of Federal Financial Assistance	Federal Revenue Per Financial Statements	Difference
Indian Education Grants to Local Educational Agencies	\$ 15,713	\$ 15,713	\$ -
Early Learning Fund	26,464	26,464	-
Adult Education - Basic Grants to States	59,575	59,575	-
Title I, Part A	162,726	162,726	-
Title II, Part A	14,593	14,593	-
Title IV, Part A	10,000	10,000	-
Education Stabilization Fund	387,185	387,185	-
Special Education Cluster	33,300	33,300	-
Emergency Connectivity Fund	6,240	6,240	-
Medicaid Cluster	2,235	2,235	-
Coronavirus State and Local Fiscal Recovery Funds	44,434	44,434	-
Child Nutrition Cluster	205,822	205,822	-
Pandemic EBT Administrative Costs	628	628	-
	<u>\$ 968,915</u>	<u>\$ 968,915</u>	<u>\$ -</u>

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

ENGADINE CONSOLIDATED SCHOOLS

For the year ended June 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?

_____ Yes X No

Identification of major programs audited:

Child Nutrition Cluster:
10.553 - School Breakfast Program
10.555 - National School Lunch Program
84.425 - Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

_____ Yes X No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

ENGADINE CONSOLIDATED SCHOOLS

For the year ended June 30, 2023

Section II - Financial Statements Audit Findings

There were no findings that are required to be reported under *Government Auditing Standards*.

Section III – Major Federal Award Programs Findings and Questioned Costs

There were no findings or questioned costs.

October 27, 2023

The Board of Education
Engadine Consolidated Schools
Mackinac County, Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Engadine Consolidated Schools for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and Government Auditing Standards and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letters to you dated September 12, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Engadine Consolidated Schools are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2023. We noted no transactions entered into by the governmental unit 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 Government-Wide financial statements were:

Management's estimate of the liability of the payout for the employee compensated absences upon their retirement is based on expected payout. We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the lives of capital assets. We evaluated the key factors and assumptions used to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole. Certain amounts included in capital assets have been estimated by appraisers based on historical information for assets placed in service prior to implementation of GASB Statement No. 34.

Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. The most sensitive disclosures affecting the financial statements were related to the District's share of the net pension and net OPEB liabilities related to GASB Statements No. 68 and 75.

The disclosure of the net pension liability and the net OPEB liability in the Notes to the financial statements were recorded as of June 30, 2023 based on information received from the Michigan Office of Retirement Services. We evaluated the key factors and assumptions used to develop these liabilities in determining that it is reasonable in relation to the financial statements taken as a whole.

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 trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. No significant adjustments were derived from the audit process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as 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 27, 2023.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Per 7 CFR Part 210.14(b), and as detailed in the Michigan Department of Education (MDE) School Auditing Manual, the District must limit its net cash resources in the Food Service Fund to an amount that does not exceed 3 months average expenditures for its nonprofit school food service. Due to the impact of the COVID-19 pandemic on the School Nutrition Program, which resulted in increased reimbursement rates for meals served, many school districts in the State, including Engadine Consolidated Schools, now have an excess fund balance and must work with MDE to gain approval of a spend down plan for the subsequent school year. To assist in MDE monitoring efforts, all CPA firms performing audits of school districts in Michigan have been asked to identify districts with excess fund balance though this required communication with governance. An audit finding has not been included in the Single Audit report that accompanies this letter, as excess fund balance requirements are not detailed in the Office of Management and Budget's Compliance Supplement for the Child Nutrition Cluster of Programs.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis and Schedules related to the Proportionate Share and Contributions of the District's Net Pension Liability and Net OPEB Liability, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Other Comments

The District combined General Fund balance increased by \$155,360 to \$1,526,390 at June 30, 2023. This balance represents approximately 27.6 percent of the District's combined 2023-24 expenditure budget (up from 25.79 percent at June 30, 2022). Maintaining a fund balance of at least 10 to 20 percent of the ensuing year's expenditure budget is advisable for Engadine Consolidated Schools. This gives the District more stable operating funds during the year, helps avoid or reduce the necessity of borrowing for short-term cash flow purposes and acts as a buffer against the uncertainty of state aid revenues accruing to the District.

Engadine Consolidated Schools
Page 4
October 27, 2023

Closing

This communication is intended solely for the information and use of the Engadine Consolidated Schools Board of Education and management and is not intended to be, and should not be, used by anyone other than these specified parties. We have furnished a copy of this letter to the Michigan Departments of Education and Treasury as an enclosure with the audited financial statements as required by the State of Michigan.

Hungerford Nichols

Certified Public Accountants