

**AUDITED FINANCIAL STATEMENTS  
REQUIRED SUPPLEMENTAL INFORMATION  
OTHER FINANCIAL INFORMATION  
AND SUPPLEMENTAL REPORTS**

**IRONWOOD AREA SCHOOLS OF GOGEBIC COUNTY  
IRONWOOD, MICHIGAN**

**June 30, 2023**

## CONTENTS

Audited Financial Statements:	
Independent Auditor's Report .....	Page 4
Management's Discussion and Analysis .....	7
Basic Financial Statements:	
District-wide Financial Statements:	
Statement of Net Position .....	16
Statement of Activities .....	17
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	18
Reconciliation of the Governmental Funds Balance Sheet with the Statement of Net Position .....	19
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	20
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances with the Statement of Activities .....	21
Notes to Financial Statements .....	23
Required Supplementary Information:	
Budgetary Comparison Schedule – General Fund .....	57
Michigan Public Schools Employees Retirement Plan:	
Schedule of the Reporting Unit's Proportionate Share of Net Pension Liability and Related Notes .....	58
Schedule of the Reporting Unit's Pension Contributions and Related Notes .....	59
Schedule of the Reporting Unit's Proportionate Share of Net OPEB Liability and Related Notes .....	60
Schedule of the Reporting Unit's OPEB Contributions and Related Notes .....	61

CONTENTS (CONTINUED)

Other Financial Information:

General Fund:

Detail of Revenues - Budget and Actual .....	63
Detail of Expenditures - Budget and Actual .....	64

Nonmajor Governmental Funds:

Combining Balance Sheet .....	66
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	67
Summary of 2022 Tax Levy .....	68
Detail of Delinquent Taxes Receivable .....	68
Schedule of Expenditures of Federal Awards .....	69
Notes to Schedule of Expenditures of Federal Awards .....	71

Supplemental Reports:

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 <i>Government Auditing Standards</i> .....	A-1
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance .....	B-1
Schedule of Findings and Questioned Costs .....	C-1
Summary Schedule of Prior Year Audit Findings .....	C-5

**MAKELA, POLLACK & AHONEN, P.L.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS  
301 N. SUFFOLK STREET  
IRONWOOD, MICHIGAN 49938-2027

**K. T. AHONEN, C.P.A.**  
**L. M. TREGEMBO, C.P.A.**  
**MEMBERS**

TELEPHONE  
**(906) 932-4430**  
FAX  
**(906) 932-0677**  
EMAIL  
[mpa@ironwoodcpa.com](mailto:mpa@ironwoodcpa.com)

INDEPENDENT AUDITOR'S REPORT

President and Members, Board of Education  
Ironwood Area Schools of Gogebic County  
Ironwood, Michigan

***Opinions***

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

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

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ironwood Area Schools of Gogebic County 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 these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

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

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

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

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplemental information on pages 7 through 14 and 57 through 61 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 Ironwood Area Schools of Gogebic County's basic financial statements. The accompanying Other Financial Information, as identified in the table of contents, including the Schedule of Expenditures of Federal Awards, as required Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Financial Information, including the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2023, on our consideration of Ironwood Area Schools of Gogebic County's internal control over financial reporting and 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 Ironwood Area Schools of Gogebic County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ironwood Area Schools of Gogebic County's internal control over financial reporting and compliance.

*Makela, Pollock + Ahonen, PLLC*

Certified Public Accountants

Ironwood, Michigan  
October 5, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS  
IRONWOOD AREA SCHOOLS OF GOGEBIC COUNTY

Year ended June 30, 2023

---

**Management's Discussion and Analysis**

This section of the Ironwood Area Schools of Gogebic County (School District) annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2023. It is to be read in conjunction with the School District's financial statements, which immediately follow and is intended to provide the financial results for the fiscal year ended June 30, 2023.

**District-wide Financial Statements**

The District-wide financial statements appear first in the financial report. These financial statements include the statement of net position and the statement of activities. They report information about the School District as a whole. The statements are prepared using the accrual basis of accounting which is the method of accounting used by most private sector businesses. The statement of net position includes all of the School District's assets, liabilities and deferred outflows and inflows of resources. All current year revenues and expenses are reported in the statement of activities. The two statements report the governmental activities of the School District that include all services performed by the School District including but not limited to instruction, support services, food services, athletics and debt service. These activities are funded mostly by State aid as determined by pupil counts, federal and state grants and local property taxes.

The statement of net position shows the School District's assets, liabilities and deferred outflows and inflows of resources. The corresponding balance between the assets plus deferred outflows of resources and liabilities plus deferred inflows of resources equals the net position or deficit of the School District. A deficit occurs when there are more liabilities than there are assets to pay those liabilities. This statement measures the financial strength of the School District; the greater the net asset figure, generally the healthier the School District's financial strength. This shows if the School District will be able to fund their current obligations and shows what they have available for future use.

The statement of activities shows the current year change in net position on a revenue less expense basis. It generally shows the operating results for a given year of the School District. Any excess of revenues over expenses results in a surplus for the year that in turn increases the net position (or reduces a deficit) available to fund future needs of the School District.

### **Fund Financial Statements**

The School District's fund financial statements show detail of funds that are determined to be significant, called major funds. The General Fund, which is the operating fund of the School District, is the only fund considered to be major by the School District. All other funds of the School District are considered nonmajor and are reported as one column. Separate funds are often required to be set up and separately recorded due to state or federal statutes or by bond covenants or other contractual agreements. The School District may also choose to set up separate funds to better control and track certain monies. All of the School District's services are reported in governmental fund types. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows, fund balances, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The School District has the following nonmajor governmental funds. The School District operates two Special Revenue Funds - the Food Services Fund, which accounts for the breakfast and hot lunch programs and the Student/School Activities Fund, which accounts for the various student and other activity groups. The School District had four Debt Service Funds which record the activity to pay off debt from bond issues; 2010 School Building and Site – Series II, 2019 Refunding Bonds and the 2018 School Building and Bus Bonds, along with the Capital Project fund set up to record the activity of bonds issued for building improvements and buses. The fund balance of the Capital Project remaining as of June 30, 2022 was expended during the year ended June 30, 2023.

Governmental funds are accounted for by using an accounting method called modified accrual accounting (flow of current financial resources measurement focus). This method records revenues when all applicable eligibility requirements are met and resources are available to finance expenditures of the fiscal period. Expenditures are recorded when the related liability is incurred. The governmental fund financial statements show detail of operations for a given year according to this method of accounting. The fund financial statements help determine what financial resources are available on a short-term basis to fund operations.

Since the District-wide financial statements and the fund financial statements use different methods of accounting to report the School District's financial condition, a reconciliation is included in the financial statements showing the differences between the two types of statements.



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

**District-wide Financial Statements – Condensed Financial Information**

**Statements of Net Position**

The following table shows the condensed statements of net position as of June 30, 2023 and 2022, with a detailed analysis of the statements below.

	Governmental Activities	
	June 30,	
	2023	2022
<b>ASSETS</b>		
Cash and investments	\$ 3,584,098	\$ 2,377,567
Accounts receivable	1,528,307	3,817,617
Other current assets	32,135	84,018
Capital assets, net of accumulated depreciation	7,094,255	7,421,776
Total Assets	\$ 12,238,795	\$ 13,700,978
<b>DEFERRED OUTFLOW OF RESOURCES</b>		
Related to pensions and other postemployment benefits	\$ 7,189,991	\$ 3,504,301
<b>LIABILITIES</b>		
Short-term State aid anticipation notes payable		\$ 880,000
Other current liabilities	\$ 1,882,660	2,014,244
Long-term liabilities	1,685,931	2,155,046
Net pension liability	17,453,706	10,893,244
Net other postemployment benefit liability	1,030,934	683,873
Total Liabilities	\$ 22,053,231	\$ 16,626,407
<b>DEFERRED INFLOW OF RESOURCES</b>		
Related to pensions and other postemployment benefits	\$ 3,797,909	\$ 7,347,580
	\$ 3,797,909	\$ 7,347,580
<b>NET POSITION</b>		
Investment in capital assets, net of related debt	\$ 5,036,824	\$ 4,646,321
Restricted	328,868	395,546
Unrestricted	(11,788,046)	(11,810,575)
Total Net Position	\$ (6,422,354)	\$ (6,768,708)

**District-wide Financial Statements – Condensed Financial Information (Continued)**

**Statements of Net Position (Continued)**

The previous table shows the School District's net position is (\$6,422,354) as of June 30, 2023. This is an increase of \$346,354 from the prior year's balance of (\$6,768,708). Capital assets, net of related debt, are \$5,036,824. This figure is derived by taking the original costs of the School District's capital assets, subtracting accumulated depreciation to date and comparing this figure to the amount of long-term debt used to finance the acquisition of those assets. This amount increased by \$390,203 from last year. Most of the debt related to the capital assets will be repaid from voter-approved property taxes collected as the debt service comes due.

Restricted net position of \$328,868 consists of donor restricted funds in the General Fund and restricted funds in the Food and Debt Service Funds. The net position is restricted, as it is not allowed to be used for daily School District operations.

The unrestricted net position is (\$11,788,046) as of June 30, 2023. This is the net accumulated results of past years' operations. The unrestricted net position shows that the School District, with the implementation of GASB Statement No.'s 68, 71 and 75 does not have enough assets to fund its liabilities. The School District's operating results impact the unrestricted net position on a yearly basis.

**Statement of Activities**

The results of operations for the School District as a whole are reported in the statement of activities. This statement shows the changes in net position for the fiscal years ended June 30, 2023 and 2022.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

**District-wide Financial Statements – Condensed Financial Information (Continued)**

**Statement of Activities (Continued)**

	Governmental Activities	
	Year ended June 30,	
	2023	2022
Revenue:		
Program Revenue:		
Charges for services	\$ 74,413	\$ 67,197
Operating/capital grants and contributions	616,581	4,508,357
State categoricals	540,350	306,249
General Revenue:		
Property taxes	2,640,872	2,599,999
State aid	6,495,739	5,771,016
Other	342,877	200,440
Total Revenue	\$ 10,710,832	\$ 13,453,258
Functions/Program Expenses:		
Instruction	\$ 5,810,182	\$ 4,987,062
Supporting services	3,255,679	2,640,055
Supporting services - Central	21,887	30,157
Outgoing transfers and other		28,303
Food services	560,044	493,445
Student/school activities	136,623	104,043
Athletics	51,327	44,313
Other	3,277	1,700
Interest	141,346	178,927
Depreciation (unallocated)	384,113	413,517
Total Expenses	\$ 10,364,478	\$ 8,921,522
Change in Net Position	\$ 346,354	\$ 4,531,736

The School District had an overall increase in net position of \$346,354 for the year ended June 30, 2023. This increase is consistent with years prior to the year ended June 30 2022, which had a large increase attributable to the increased COVID funding from the Federal government. The School District had, until the implementation of GASB Statements No's. 68, 71 and 75, maintained a positive net position because of good financial planning and total collaboration between the School District and its union staff members.

The School District's revenues totaled \$10,710,832 for the year ended June 30, 2023. Of this amount, unrestricted state aid accounts for 61% of total revenues, or \$6,495,739. Property taxes assessed to the residents of the School District not restricted for other purposes totaled \$1,912,985. This accounts for 18% of total revenue to be spent on general education and operating needs. In the prior year the unrestricted state aid accounted for 43% and the taxes assessed accounted for 14%. The tax base increased by approximately \$54,361,000 from the previous year. There was an increase in homestead property value of \$2,348,000 and the non-homestead property, which accounts for a large portion of the School District operating tax revenue, increased by \$2,013,000. However, increases in local property taxes only result in corresponding decreases in state aid.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

---

### **District-wide Financial Statements – Condensed Financial Information (Continued)**

#### **Statement of Activities (Continued)**

The School District's total cost to fund all governmental activities was \$10,364,478 for the year ended June 30, 2023. Approximately 12% of these costs, \$1,231,344, were financed by those who benefited from the service or funded by grants from other governmental agencies. Last year approximately 55% was funded by these sources. The decrease is attributable to the additional COVID funding from the Federal government last year. The School District expended approximately \$8.4 million on General Fund wages and fringes, which was 83% of the Fund's total expenditures. Last year 87% of the General Fund expenditures were expended on wages and fringes. This shows the importance of budgeting and continuing to determine how many employees the School District will fund with unrestricted revenues on a yearly basis, and how much compensation per employee is affordable.

#### **Fund Financial Statements**

The governmental funds fund balance totaled \$3,734,969 as of June 30, 2023. It decreased for all governmental funds by \$372,166 for the year. The General Fund reported a decrease in fund balance of \$305,892, as part of a five year plan to continue funding reduced class sizes and the nonmajor funds decreased by \$66,274, mostly due to assessing less taxes to spend down the prior year debt service funds balances.

The debt service funds fund balance decreased for the year. Cash reserves were built up due to the tax collection issues from prior years being used to pay down debt in the current year. The food services fund balance had a slight decrease for the year.

#### **General Fund Budgetary Items**

During the year, the School District revised its budget to match changes in the school funding environment and current needs of students and faculty. State law requires that budgets be amended during the year so that actual expenditures do not exceed appropriations. The initial budget for the year ended June 30, 2023 was adopted by the Board of Education on June 27, 2022 and reflected a fund balance of \$2,856,117. The financial team monitored the budget throughout the year and amended the budget on June 26, 2023, reflecting a fund balance of \$3,322,864. The School District actually ended the year with a General Fund positive fund balance of \$3,220,280. A schedule showing the School District's original budget as compared to the final budget and final actual expenditures is included as required supplemental information in the financial section of the audit report.

#### **Capital Assets**

As of June 30, 2023, the School District had \$7,094,255 invested in capital assets. This is a net decrease during the past fiscal year of \$327,521, consisting of additions totaling \$56,592 and depreciation charges of \$384,113. There were no disposals during the year. The additions consist of land adjacent to the School District and some copiers.

## **Debt**

As of June 30, 2023, the School District had \$2,153,644 of long-term debt, including \$467,713 due in the next fiscal year. This includes bonds issued for construction, notes for buses, and employee related benefits such as early retirement incentives, health insurance and sick pay accruals. The long-term debt decreased by \$736,839 during the year. This decrease is due to required bond payments per the bond documents. The state allows districts to issue general obligation debt up to 15% of the assessed value of all taxable property within the School District's boundaries. The School District is under this limit by a considerable amount. The notes to the financial statements provide detail of each long-term debt issue.

## **Future Considerations**

The future of the School District continues to be filled with promise and potential. With the COVID pandemic essentially over, dealing with the impacts of the prolonged disruption to our educational system while the pandemic was at its height leaves an ongoing challenge. There are several ongoing positive changes taking place in the school and the community that seem to be pointing toward growth and stability for the School District. Our fund balance will allow us to implement our plan to have a larger than normally sustainable staff complement for the next few years, intended to provide additional support to students as we continue to recover from the pandemic.

Enrollment in our district often fluctuates throughout the school year but has remained in the mid-to-low 700's for the past few years. We projected an increase in state aid for the 2023-2024 school year, based on the budget passed for this fiscal year. With per pupil funding improved, we extend our ability to meet the needs of our students. The State continues to signal plans for ongoing increases to K-12 school funding in the coming years.

The School District is following the 4 year Strategic Plan (Plan) facilitated last year by MASB. The Plan includes specific goals to address improvements in academics, communication and community engagement, learning environment, personnel and leadership, and operations. We have already accomplished several goals and project initiatives outlined in the Plan and have a schedule to address the remaining aspirations in a timely manner.

The School District continues to have a well-functioning administrative team, instrumental in developing the work plans to achieve the goals in the Plan. Working in collaboration with educational staff and parents, the team continues the implementation of several upgrades to the instructional delivery system for students to maximize student achievement. This administration is continuing to improve partnerships within the school and community organizations that will be an important part of supporting a stable support network for the School District going forward.

**Future Considerations (Continued)**

As indicated in the opening paragraph, we are operating in a 'post-pandemic' stance. This means that many aspects of our daily operations resemble the processes we used prior to March 2020. In other areas, there are changes that are a departure from pre-pandemic practices, many of which are positive. One example would be the significant amount of federal funding our district received. We were able to secure these funds in a way that will allow us to continue to have more staff available to support children than we would using only our standard state aid. This additional staff complement will be sustained for 3-5 years by these additional funds. As the mid and long term impacts of the pandemic are experienced by our students and community, the additional staff supports will allow us to help them in areas that we would not have been able to without the additional funding.

At the end of August 2022, the School District purchased 1.625 acres of property adjacent to the school from the county tax sale. Plans are being discussed to make the best use of this additional space for learning in the District.

As we move into the future, our focus remains on maintaining a safe and orderly school environment where academic achievement of all students is supported. Individual student growth continues to be our priority. To best achieve our maximum student growth and achievement levels, the School District continues to implement various processes and programs that support students' social and emotional learning needs as well as providing a high level of academic rigor.

**Contacting the School District**

If you have any questions about this report or need additional information, contact the Superintendent's office at the Ironwood Area Schools, 650 E. Ayer Street, Ironwood, MI 49938.

BASIC  
FINANCIAL  
STATEMENTS

STATEMENT OF NET POSITION  
IRONWOOD AREA SCHOOLS OF GOGEBIC COUNTY

June 30, 2023

	Governmental Activities
<b>ASSETS</b>	
Cash	\$ 641,886
Investments	2,942,212
Delinquent taxes receivable	7,540
Accounts receivable:	
State of Michigan	1,467,122
Other	53,645
Inventories	32,135
Capital assets not being depreciated	411,781
Capital assets, net of accumulated depreciation	<u>6,682,474</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 12,238,795</u></b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>	
Related to pensions	\$ 5,539,837
Related to other postemployment benefits	<u>1,650,154</u>
	<b><u>\$ 7,189,991</u></b>
<b>LIABILITIES</b>	
Accounts payable	\$ 72,392
Interest payable	18,998
Accrued salaries, benefits and related withholdings	1,181,771
Unearned revenue	141,786
Long-term debt:	
Due in one year	467,713
Due in more than one year	1,685,931
Net pension liability	17,453,706
Net other postemployment benefit liability	<u>1,030,934</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 22,053,231</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to pensions	\$ 191,442
Related to other postemployment benefits	2,268,568
State aid funding for pension	<u>1,337,899</u>
	<b><u>\$ 3,797,909</u></b>
<b>NET POSITION</b>	
Investment in capital assets, net of related debt	\$ 5,036,824
Restricted for:	
Debt service	194,794
Food service	118,828
Building improvements	15,246
Unrestricted	<u>(11,788,046)</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ (6,422,354)</u></b>

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



STATEMENT OF ACTIVITIES  
 IRONWOOD AREA SCHOOLS OF GOGEBIC COUNTY  
 Year ended June 30, 2023

		<u>Program Revenues</u>			<u>Governmental Activities</u>
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grant	Net (Expense) Revenue and Changes in Net Assets
<b>GOVERNMENTAL FUNCTIONS</b>					
Current:					
Instruction	\$ 5,810,182	\$ 56,306	\$ 473,756		\$ (5,280,120)
Supporting services	3,255,679				(3,255,679)
Supporting services - Central	21,887				(21,887)
Food services	560,044	18,107	575,144		33,207
Student/school activities	136,623				(136,623)
Athletics	51,327		6,414		(44,913)
Other	3,277		11,178		7,901
Interest on long-term debt	141,346		90,439		(50,907)
Depreciation (unallocated)	<u>384,113</u>				<u>(384,113)</u>
<b>TOTAL GOVERNMENTAL FUNCTIONS</b>	<b>\$ 10,364,478</b>	<b>\$ 74,413</b>	<b>\$ 1,156,931</b>	<b>\$ 0</b>	<b>\$ (9,133,134)</b>
<b>GENERAL REVENUES</b>					
Property taxes:					
General purposes					\$ 1,912,985
Debt service					727,887
Student/school activities					123,662
State aid not restricted for specific purposes					6,495,739
Interest and investment earnings					124,728
Other					<u>94,487</u>
<b>TOTAL GENERAL REVENUES</b>					<b>\$ 9,479,488</b>
<b>CHANGE IN NET POSITION FOR THE YEAR</b>					<b>\$ 346,354</b>
Net position at July 1, 2022					<u>(6,768,708)</u>
Net position at June 30, 2023					<u><u>\$ (6,422,354)</u></u>

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

BALANCE SHEET - GOVERNMENTAL FUNDS

IRONWOOD AREA SCHOOLS OF GOGEBIC COUNTY

June 30, 2023

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash	\$ 302,694	\$ 339,192	\$ 641,886
Investments	2,942,212		2,942,212
Delinquent taxes receivable	5,620	1,920	7,540
Accounts receivable:			
State of Michigan	1,467,122		1,467,122
Other	28,049	11,974	40,023
Due from other funds		151,814	151,814
Inventories	<u>14,679</u>	<u>17,456</u>	<u>32,135</u>
	<u>\$ 4,760,376</u>	<u>\$ 522,356</u>	<u>\$ 5,282,732</u>
<b>LIABILITIES AND FUND EQUITY</b>			
Accounts payable	\$ 64,725	\$ 7,667	\$ 72,392
Accrued salaries, benefits and related withholdings	1,181,771		1,181,771
Unearned revenue	141,786		141,786
Due other funds	<u>151,814</u>	<u>                    </u>	<u>151,814</u>
<b>TOTAL LIABILITIES</b>	<b>\$ 1,540,096</b>	<b>\$ 7,667</b>	<b>\$ 1,547,763</b>
Fund Equity:			
Fund balances:			
Nonspendable for inventories	\$ 14,679	\$ 17,456	\$ 32,135
Restricted for:			
Debt service		200,168	200,168
Food service		118,828	118,828
Building improvements	15,246		15,246
Committed	552,872	178,237	731,109
Unassigned	<u>2,637,483</u>	<u>                    </u>	<u>2,637,483</u>
<b>TOTAL FUND EQUITY</b>	<b>\$ 3,220,280</b>	<b>\$ 514,689</b>	<b>\$ 3,734,969</b>
	<u>\$ 4,760,376</u>	<u>\$ 522,356</u>	<u>\$ 5,282,732</u>

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
WITH THE STATEMENT OF NET POSITION  
IRONWOOD AREA SCHOOLS OF GOGEBIC COUNTY

June 30, 2023

---

Total fund equity of governmental funds	\$	3,734,969
---	----	-----------

Amounts reported for governmental activities in the statement of net position are different because:

Additions:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
The cost of the capital assets is	\$ 15,828,624	
Accumulated depreciation is	<u>(8,734,369)</u>	7,094,255
Deferred outflow of resources:		
Related to pensions	\$ 5,539,837	
Related to other postemployment benefits	<u>1,650,154</u>	7,189,991
Interest subsidy receivable from the Federal Government is not a financial resource and is not reported as an asset of governmental funds.		13,622

Reductions:

Deferred inflows of resources:		
Related to pensions	\$ (191,442)	
Related to other postemployment benefits	(2,268,568)	
Related to state aid funding for pension	<u>(1,337,899)</u>	(3,797,909)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.		(2,153,644)
Accrued interest payable on long-term debt is not included as a liability in governmental activities.		(18,998)
Net pension liability		(17,453,706)
Net other postemployment benefit liability		<u>(1,030,934)</u>

Total net position of governmental funds	\$	<u>(6,422,354)</u>
--	----	--------------------

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS

IRONWOOD AREA SCHOOLS OF GOGEBIC COUNTY

Year ended June 30, 2023

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Local sources:			
Property taxes	\$ 1,912,985	\$ 727,887	\$ 2,640,872
Food services		18,107	18,107
Other	251,607	440	252,047
Student/school activities		123,662	123,662
State sources	7,151,736	59,244	7,210,980
Federal sources	474,556	608,750	1,083,306
Other school districts	<u>61,066</u>	<u>        </u>	<u>61,066</u>
<b>TOTAL REVENUES</b>	<b>\$ 9,851,950</b>	<b>\$ 1,538,090</b>	<b>\$ 11,390,040</b>
<b>EXPENDITURES</b>			
Current:			
Instruction	\$ 6,495,257		\$ 6,495,257
Supporting services	3,532,632	\$ 1,267	3,533,899
Support services - Central	21,887		21,887
Food services		599,397	599,397
Student/school activities		136,623	136,623
Athletics	51,327		51,327
Debt service:			
Principal		720,000	720,000
Interest	147	143,800	143,947
Other		3,277	3,277
Capital outlay	<u>56,592</u>	<u>        </u>	<u>56,592</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ 10,157,842</b>	<b>\$ 1,604,364</b>	<b>\$ 11,762,206</b>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>\$ (305,892)</b>	<b>\$ (66,274)</b>	<b>\$ (372,166)</b>
Fund balances at July 1, 2022	<u>3,526,172</u>	<u>580,963</u>	<u>4,107,135</u>
<b>FUND BALANCES AT JUNE 30, 2023</b>	<b>\$ 3,220,280</b>	<b>\$ 514,689</b>	<b>\$ 3,734,969</b>

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES WITH THE STATEMENT OF ACTIVITIES  
IRONWOOD AREA SCHOOLS OF GOGEBIC COUNTY  
Year ended June 30, 2023

Deficiency of revenues over expenditures - governmental funds		\$ (372,166)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or construct capital assets are reported as expenditures in governmental funds. For governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlay expense in the period.		
Capital outlay	\$ 56,592	
Depreciation expense	<u>(384,113)</u>	(327,521)
Interest subsidy receivable from the Federal Government is not a financial resource and is not reported in the governmental funds.		(2,411)
Repayment of bond and loan principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.		720,000
Bond discounts are recorded as expenditures in the year they are paid in governmental funds. These costs are capitalized and amortized over the life of the bond issue in the statement of net position with annual amortization recorded in the statement of activities as interest expense.		(1,976)
Interest on long-term debt in the statement of activities is recorded as the interest accrues regardless of when it is paid. In the governmental funds, interest is recorded as an expenditure when it is paid. The reduction of interest recorded in the statement of activities is due to the decrease in the accrued interest amount.		4,577
In the statement of activities operating expenses for compensated absences and early retirement incentives are measured by amounts earned during the year while the governmental funds report expenditures as amounts are paid. This year the amount paid for compensated absences and early retirement incentives paid were less than the amount earned.		18,813
Revenue earned and recognized in the prior year statement of activities was received and reported in the current year governmental funds.		(20,800)
In the statement of activities operating expenses for pension and other postemployment related items are measured by amounts earned during the year while the governmental funds report expenditures as amounts are paid. This year the amount paid for pension and other postemployment related items was more than the amount earned.		983,835
In the statement of activities, revenue related to Section 147c pension contributions are measured by amounts earned during the year while other governmental funds report revenue that is deferred to offset the deferred outflows related to Section 147c pension contributions subsequent to the measurement period.		<u>(655,997)</u>
Change in net position of governmental activities		<u>\$ 346,354</u>

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

NOTES TO  
FINANCIAL  
STATEMENTS

NOTES TO FINANCIAL STATEMENTS  
IRONWOOD AREA SCHOOLS OF GOGEBIC COUNTY

June 30, 2023

---

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Ironwood Area Schools of Gogebic County (School District) have been prepared as prescribed by the Michigan Department of Education. These policies are in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies.

Reporting Entity

In conformity with generally accepted accounting principles, other autonomously operated governmental organizations are not considered to be part of the School District entity for financial reporting purposes, nor is the School District a component unit of another entity. The criteria established for determining the various governmental organizations to be included in the School District's financial statements include oversight responsibility, scope of public service and special financing relationships. Based upon the application of these criteria, the financial statements of the School District contain all the funds controlled by the School District's Board of Education as no other entity meets the criteria to be considered a blended component unit or a discretely presented component unit of the School District.

Basis of Presentation

District-wide Financial Statements

The School District-wide financial statements (Statement of Net Position and Statement of Activities) report information on all of the activities of the School District except for the fiduciary activities. All of the School District's activities are considered to be governmental activities. Interfund activity including operating transfers between activities and amounts due to and from governmental activities has been eliminated in the School District-wide statements.

Fund-based Financial Statements

Separate financial statements are provided on the basis of funds, each of which is considered a separate fiscal and accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows, fund equity, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various fund types are grouped in the financial statements as major funds or nonmajor funds. The School District reports the following major governmental fund:

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Basis of Presentation (Continued)

##### Fund-based Financial Statements (Continued)

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

All other governmental funds are considered to be nonmajor. They include:

Special Revenue Funds – are used by the School District to account for food service and student/school activities.

Debt Service Funds – 2010 School Building and Site Bonds – Series II, 2019 Refunding Bonds and the 2018 School Building and Bus Bonds are used to account for the payment of principal and interest on each series of school building, bus and site bonds payable.

2018 Capital Projects Fund – was used to account for the proceeds from the issuance of the 2018 School Building and Bus Bonds and the remaining funds were expended during the year ended June 30, 2023.

#### Basis of Accounting

##### District-wide Financial Statements

The District-wide financial statements report all financial and capital assets, short and long-term liabilities, deferred outflows/inflows of resources, revenues, expenses, gains and losses using the economic resources measurement focus and the accrual basis of accounting. All revenue is recorded when earned and expenses are recorded when a liability is incurred.

The statement of net position includes all of the School District's assets, liabilities and deferred outflows and inflows of resources.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Basis of Accounting (Continued)

##### District-wide Financial Statements (Continued)

The Statement of Activities reports net cost information based on the School District's functions. Direct expenses are listed by function with program revenues for each function offset against those expenses. Program revenues include charges for services that are fees and other charges to the users or recipients of the services the School District provides. Program revenues also include operating grants and contributions that are restricted for a particular purpose. Property taxes, nonrestricted state aid and other revenues that are not program revenues are reported as general revenues.

##### Fund-based Financial Statements

The governmental funds and fiduciary funds are accounted for by using the modified accrual basis of accounting as required by the Michigan Department of Education. Under the modified accrual basis of accounting, revenue is recognized when the revenue is subject to accrual, eligibility requirements are met and the revenues are available to finance expenditures of the fiscal period. Revenue is considered available when the revenue has been collected in the current period or soon enough after the end of the period to be used to pay current period liabilities. The School District considers revenues to be available if collected within 60 days of the end of the period. Expenditures are recorded when the related liability is incurred. Exceptions to this general rule include certain compensated absences and principal and interest on long-term debt, both of which are recognized when due. Property taxes are recognized in the fiscal year for which the taxes have been levied. Restricted assets are considered to be applied first.

Any residual balances outstanding at year end are reported as due to/from other funds and transfers of resources between funds are reported at gross amounts as transfers in/out. While reported in the fund-based financial statements they are eliminated in the preparation of the District-wide financial statements. During the course of operations the School District has financial activity between funds for various purposes.

#### Property Taxes

Property taxes attach as an enforceable lien on property as of December 31st. School taxes are levied on the ensuing July 1st, with summer collections due by August 15th and winter collections due by February 15th from the respective governmental units. Current property taxes are collected for the School District by the City of Ironwood and the Townships of Ironwood and Erwin. Delinquent real property taxes of the School District are purchased annually by the County of Gogebic.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### State Foundation Revenue

The State of Michigan follows a foundation grant approach, which provides for a specific annual amount of revenue per student based on a state wide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information regarding average pupil membership supplied by the districts. The funds received in July and August 2023 are State appropriations for the year ended June 30, 2023, and, as such, are recorded as accounts receivable.

#### State Categorical Revenue

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

#### Federal Revenue

Expenditure-driven grants are recognized as revenue when revenue is available, the qualifying expenditures have been incurred and all other grant requirements have been met.

#### Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposit accounts at local financial institutions.

#### Investments

State statutes authorize the School District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation or National Credit Union Administration, respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The School District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks and mutual funds composed of investments outlined above. Investments are stated at fair market value.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet of the fund-based financial statements.

#### Restricted Assets

Restricted assets consist of cash and cash equivalents required to be set aside for future bond principal and interest payments, for food services and for building improvements.

#### Inventories and Prepaid Expenses

Inventories are stated at cost and consist principally of supplies, heating fuel and bus fuel. Inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

#### Capital Assets and Depreciation

Capital assets include land and improvements, buildings, furniture and fixtures, equipment, school buses and vehicles and are reported in the School District-wide financial statements. Capital assets are defined by the School District as assets with an acquisition cost of more than \$5,000 or betterments totaling \$20,000 with an estimated useful life in excess of five years. Assets meeting this criteria are recorded at historical cost or estimated historical costs if the amount is not known. Any donated capital assets are recorded at estimated fair market value at the date of donation. The costs of capital assets are charged to expense using an annual allocation of depreciation expense. Taking the depreciable cost of an asset and dividing that cost by its estimated useful life calculates the annual expense. The expense is recorded on the District-wide statement of activities and included as a direct expense of an identifiable function if the assets sole purpose can be identified as being for that function. Depreciation expense (unallocated) is the amount of depreciation expense that cannot be charged to any particular function.

Capital assets are depreciated using the straight-line method with a half-month depreciation taken for assets purchased after the fifteenth of each month over the following useful lives (land excluded as not depreciable):

Land improvements	20 years
Buildings	25-50 years
Furniture, fixtures and other equipment	5-20 years
School buses and vehicles	8 years

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Impairment of Long-lived Assets

Management reviews long-lived assets held and used by the School District for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the event that facts and circumstances indicate that the cost of any long-lived assets may be impaired, an evaluation of recoverability would be performed.

#### Defined Benefit Plan

For purposes of measuring the net pension and other postemployment benefit liability, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefits expense, information about the fiduciary net position of the Michigan Public 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. Investments are reported at fair value.

#### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and balance sheet 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 periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has two items that qualify for reporting in this category. Deferred outflows are recognized for pension and other postemployment benefit related items which are expensed in the plan year in which it applies.

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 periods and so will not be recognized as an inflow of resources (revenue) until that time. The School District has three items that qualify for reporting in this category. The School District has future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation and state funding to offset pension costs. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Compensated Absences

The liability for accumulated vacation and sick pay amounts is recorded in the District-wide statement of net position. The liability for these amounts, including related benefits, is reported in the Fund-based balance sheet only if they have matured, for example, as a result of employee leave, resignations or retirements. Compensated absences and termination benefits are primarily paid from General Fund resources.

#### Unemployment Insurance

The School District reimburses the Michigan Employment Security Commission for the actual amount disbursed on behalf of the School District.

#### Long-Term Obligations

The School District reports long-term debt and other long-term obligations in the District-wide statement of net position. Amounts are recorded at face value along with any accrued interest to June 30, 2023.

#### Investment in Capital Assets, Net of Related Debt

This is a portion of the net position of the School District that consists of capital assets, net of accumulated depreciation and reduced by long-term liabilities for notes, bonds and other debt attributable to the acquisition, construction or improvement of those assets.

#### Restricted Net Position

Net position is restricted when there are constraints placed on their use by external parties or by statute.

#### Unrestricted Net Position

Net position not meeting either criteria above is considered unrestricted.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Fund Balance Policies

Fund balance measures the net financial resources available to finance expenditures of future periods. Fund balance is the difference between assets and liabilities reported in a governmental fund. The School District's Unassigned General Fund Balance will be maintained to provide the School District with sufficient working capital and a margin of safety to address local emergencies without unnecessary borrowing. The Unassigned General Fund Balance may only be appropriated by resolution of the School District's Board of Education (Board). It is recognized that it will not always be possible to avoid borrowing to provide cash flow.

Fund Balances of the District may be committed for a specific source by formal action of the Board. Amendments or modifications to the Committed Fund Balance must also be approved by formal action of the Board. Committed Fund Balance does not lapse at year end.

The Board delegates authority to assign fund balance for a specific purpose to the Superintendent. Assigned Fund Balance does not lapse at year end.

Restricted fund balances are those amounts that can only be spent for the specific purposes stipulated by external resource providers.

Nonspendable Fund Balances include amounts that are not in a spendable form. The School District reports inventories as a Nonspendable Fund Balance.

For purposes of fund balance classification, expenditures are to be spent from Restricted Fund Balance first (when appropriate), followed in order by Committed Fund Balance, Assigned Fund Balance and lastly, Unassigned Fund Balance.

#### Subsequent Events

Subsequent events have been evaluated through the date of the audit report, the date the financial statements were available to be issued.

#### Use of Estimates

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

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

### NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### Budgets

The School District follows these procedures in establishing the budgetary data reflected in the financial statements for the General and Special Revenue Fund. The School District is not legally required to adopt budgets for the Debt Service and Capital Projects Funds.

1. Prior to July 1, the School District Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is held to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted at a regular meeting by Board of Education approval.
4. Any revisions to the budgeted amounts must be approved by the Board of Education.
5. Budgets for the General and Special Revenue Fund are adopted on a basis consistent with generally accepted accounting principles. These budgets lapse at the end of each year.
6. Budgeted amounts presented in the financial statements are as originally adopted, or as amended, by the Board of Education prior to June 30, 2023.

#### Public Act 621 of 1978 Disclosures

Public Act 621 of 1978 requires local units of government (including school districts) to prepare and to monitor their fiscal year budgets in accordance therewith. The Act provides that a school district must amend its budget if it becomes apparent that the school district's actual revenues will deviate from those budgeted, or if the school district's expenditures will exceed the amounts appropriated. During the year ended June 30, 2023, the School District monitored and amended its budget and was in substantial compliance with the Act, except the expenditures for Supporting Services – Instructional were more than appropriated by \$74,711.

#### Public Act 275 of 1980 Disclosure

There were no deficits in any of the School District's fund-based financial statements as of June 30, 2023.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE C – CASH AND INVESTMENTS

The carrying amount of various deposits presented in the statement of net position as “Cash” and “Investments” were made in financial institutions whose deposits are covered by federal depository insurance or in a municipal investment fund. All deposits were made in accordance with State of Michigan statutes and under authorization of the Board of Education.

At June 30, 2023, cash and investments on deposit in financial institutions totaled \$3,608,625, of which \$264,392 was covered by depository insurance, \$402,021 was uninsured and \$2,942,212 was deposited in uninsured municipal investment funds with Michigan Liquid Asset Fund. The Fund is invested in accordance with Sections 622, 1221 and 1223 of the Michigan School Code and is recorded at fair market value. These deposits are short-term, highly liquid investments that are readily convertible to known amounts of cash and mature in short periods of time so that their values are effectively immune from changes in interest rates. The School District places its deposits and investments with, what it believes to be, high quality financial institutions. Although some deposits and investments were in uninsured funds, they are, in the opinion of the School District, subject to minimal risk.

Transactions for governmental fund-types are recorded separately; however, the School District uses a common bank account to deposit and disburse cash of the General Fund and Food Service Fund.

NOTE D – CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2023, were as follows:

	Balance at July 1, <u>2022</u>	<u>Additions</u>	<u>Disposals</u>	Balance at June 30, <u>2023</u>
Land (not depreciated)	\$ 370,479	\$ 41,302		\$ 411,781
Land improvements	176,134			176,134
Buildings	11,875,895			11,875,895
Furniture, fixtures and equipment	2,337,418	15,290		2,352,708
School buses	964,388			964,388
Vehicles	<u>47,718</u>			<u>47,718</u>
	\$ 15,772,032	\$ 56,592	\$ 0	\$ 15,828,624
Accumulated depreciation:				
Land improvements	\$ 147,765	\$ 1,658		\$ 149,423
Buildings	5,630,314	268,220		5,898,534
Furniture, fixtures and equipment	1,943,044	54,247		1,997,291
School buses	612,923	54,737		667,660
Vehicles	<u>16,210</u>	<u>5,251</u>		<u>21,461</u>
	\$ <u>8,350,256</u>	\$ <u>384,113</u>	\$ 0	\$ <u>8,734,369</u>
Net Capital Assets	\$ <u>7,421,776</u>	\$ <u>(327,521)</u>	\$ 0	\$ <u>7,094,255</u>



NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D – CAPITAL ASSETS (CONTINUED)

All depreciation expense was not allocable to specific functions. The land is a non-depreciable asset.

NOTE E – LONG-TERM LIABILITIES

Long-term liability balances and activity for the year ended June 30, 2023, were as follows:

	Balance at July 1, <u>2022</u>	<u>Additions</u>	<u>Deductions</u>	Balance at June 30, <u>2023</u>	<u>Current Portion</u>
General obligation bonds:					
Direct borrowing and direct placements:					
School building and site bonds:					
2010 Series II	\$ 1,820,000		\$ 355,000	\$ 1,465,000	\$ 360,000
2018 school building and bus bonds	265,000		265,000	0	
2019 refunding bond	<u>700,000</u>		<u>100,000</u>	<u>600,000</u>	<u>100,000</u>
Total direct borrowing / direct placement	\$ 2,785,000	\$ 0	\$ 720,000	\$ 2,065,000	\$ 460,000
Deferred compensation payable	5,383		5,383	0	
Accumulated sick leave payable	109,645		13,432	96,213	9,689
Bond discount	<u>(9,545)</u>		<u>(1,976)</u>	<u>(7,569)</u>	<u>(1,976)</u>
	<u>\$ 2,890,483</u>	<u>\$ 0</u>	<u>\$ 736,839</u>	<u>\$ 2,153,644</u>	<u>\$ 467,713</u>

The deferred compensation and accumulated sick leave are paid by the General and Food Service Funds. The various school building and site bonds payments are paid by the Debt Service Funds.

The aggregate amounts of long-term debt principal and interest maturities (excluding deferred compensation payable, accumulated sick leave payable and bond discount) for the five years ending June 30, 2028, and in five-year increments after until maturity are:

	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 460,000	\$ 111,880	\$ 571,880
2025	465,000	86,070	551,070
2026	470,000	59,840	529,840
2027	470,000	33,190	503,190
2028	100,000	6,440	106,440
2029-2033	<u>100,000</u>	<u>3,270</u>	<u>103,270</u>
	<u>\$ 2,065,000</u>	<u>\$ 300,690</u>	<u>\$ 2,365,690</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E – LONG-TERM LIABILITIES (CONTINUED)

Deferred Compensation Payable

Deferred compensation payable consists of early retirement incentives that the School District negotiated with various teachers and administration personnel. The early retirement incentives were fully paid in the year ending June 30, 2023.

Accumulated Sick Leave Payable

Compensated absences consist of amounts due employees for unused accumulated sick leave upon termination of their employment. Members of the various groups of employees can accumulate up to a maximum number of days at an established rate per day for this unused sick leave. The number of days and rate per day are determined by contracts with the individual groups.

Following is a summary of compensated absences due at June 30, 2023:

	<u>Maximum Days per Employee</u>	<u>Rate</u>	<u>Amount Due</u>
Teachers and school administrators	180	\$50 per day	\$ 83,698
Support staff	180	\$82.50 for 1/2 of days	<u>12,515</u>
			<u>\$ 96,213</u>

2009 and 2010 School Building and Site Bonds

On May 5, 2009, the qualified electors of the School District approved the issuance of bonds in an aggregate amount not to exceed \$6,870,000 for the purpose of erecting, furnishing and equipping an addition to the high school building; partially remodeling, refurbishing and re-equipping school buildings; acquiring and installing educational technology improvements; purchasing school buses; and developing and improving playgrounds, play fields, and athletic facilities and the sites. All transactions were in accordance with the provisions of the *Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan* issued by the Michigan Department of Treasury, specifically Section 1351a of Act 451, Public Acts of Michigan 1976. The bonds are general obligation, unlimited tax obligations of the School District and were issued in two series, 2009 School Building and Site Bonds – Series I and 2010 School Building and Site Bonds – Series II, as described in the following schedules.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E – LONG-TERM LIABILITIES (CONTINUED)

2009 School Building and Site Bonds - Series I

The 2009 School Building and Site Bonds, Series I, dated October 1, 2009, were refunded on May 23, 2019 with the issuance of the 2019 Refunding Bonds.

2010 School Building and Site Bonds - Series II

The 2010 School Building and Site Bonds - Series II, dated June 8, 2010, are Qualified School Construction Bonds (QSCB), and include serial and term bonds bearing remaining interest rates of 5.35% to 6.40%. The QSCB's are issued pursuant to Section 54F of the Internal Revenue Code and the School District has irrevocably elected under Code Section 6431 to receive a direct payment from the United States Treasury in an amount which is the lesser of the interest paid on each Bond or the tax credit rate as determined by the United States Treasury. The payments are expected to approximate 85% of the interest payable and will be deposited in the Debt Service Fund. A summary of annual principal and interest requirements, due each May 1, to maturity follows:

<u>Year ending June 30,</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	6.00 %	\$ 360,000	\$ 93,760	\$ 453,760
2025	6.40	365,000	70,720	435,720
2026	6.40	370,000	47,360	417,360
2027	6.40	<u>370,000</u>	<u>23,680</u>	<u>393,680</u>
		<u>\$ 1,465,000</u>	<u>\$ 235,520</u>	<u>\$ 1,700,520</u>

The bonds maturing on May 1, 2027, are term bonds subject to mandatory redemption, in part, by lot, on the redemption dates and in the principal amounts set forth below and at a redemption price equal to the principal amount thereof, without premium together with accrued interest thereon to the date fixed for redemption.

<u>Bonds due May 1, 2027</u>	
<u>Redemption Dates</u>	<u>Principal Amounts</u>
May 1, 2024	\$ 360,000
May 1, 2025	365,000
May 1, 2026	370,000
May 1, 2027 (maturity)	370,000

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

### NOTE E – LONG-TERM LIABILITIES (CONTINUED)

#### 2010 School Building and Site Bonds - Series II (Continued)

If for any reason other than one attributable to the action or inaction of the School District, the School District does not receive all or part of the interest rate subsidy with respect to the bonds, the School District has the right to redeem and retire all or part of the principal amount of the bonds then outstanding in multiples of \$5,000 within a single maturity in such order of maturity as the School District shall determine and within a single maturity by lot on any date at a redemption price of 103% of par plus accrued interest to the redemption date.

The bonds or portions of the bonds in multiples of \$5,000 within a single maturity in such order of maturity as the Issuer shall determine and with a single maturity by lot, are subject to extraordinary mandatory redemption within 90 days after the later of (a) the third anniversary of the delivery date of the bonds or (b) the Extension Period Expiration Date, at par, plus accrued interest to the date of redemption, in a total amount equal to the unexpended available proceeds of the sale of the bonds plus such amount as shall be necessary to permit the bonds to be redeemed in multiples of \$5,000 within a single maturity, but only to the extent available proceeds of the bonds, including available proceeds held by the Issuer, are not expended by the later of (i) the third anniversary of the delivery date of the bonds or (ii) the Extension Period Expiration Date.

#### 2018 School Building and Bus Bonds

On September 27, 2018, the School District issued 2018 School Building and Bus Bonds in the amount of \$735,000 for the purpose of remodeling, furnishing and refurbishing and equipping and re-equipping a school building; acquiring and installing instructional technology and instruction technology equipment for a school building; and purchasing school buses. The bond proceeds and expenditures are accounted for in the 2018 Capital Projects Fund. All transactions were in accordance with the provisions of the *Bulletin For School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan* issued by the Michigan Department of Treasury, specifically Section 1351a of Act 451, Public Acts of Michigan 1976. The bonds are general obligation, unlimited tax obligations of the School District. Bonds are not subject to redemption prior to maturity. The bonds were paid in full during the year ended June 30, 2023.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E – LONG-TERM LIABILITIES (CONTINUED)

2019 Refunding Bond

The 2009 School Building and Site Bonds, Series I, dated October 1, 2009, were refunded by the 2019 Refunding Bonds dated May 23, 2019. The 2019 Refunding Bond includes serial bonds bearing interest rates of 2.67% to 3.27%. All transactions were in accordance with the provisions of the *Bulletin For School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan* issued by the Michigan Department of Treasury, specifically Section 1351a of Act 451, Public Acts of Michigan 1976. The bonds are general obligation, unlimited tax obligations of the School District. Bonds are not subject to redemption prior to maturity. A summary of annual principal and interest requirements to maturity with interest due November 1 and interest and principal due May 1 follows:

<u>Year ending June 30,</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	2.77 %	\$ 100,000	\$ 18,120	\$ 118,120
2025	2.87	100,000	15,350	115,350
2026	2.97	100,000	12,480	112,480
2027	3.07	100,000	9,510	109,510
2028	3.17	100,000	6,440	106,440
2029	3.27	100,000	3,270	103,270
		\$ 600,000	\$ 65,170	\$ 665,170

NOTE F – RETIREMENT AND POST RETIREMENT BENEFITS

Plan Description

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

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.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

NOTE F – RETIREMENT AND POST RETIREMENT BENEFITS (CONTINUED)

Benefits Provided - Overview

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the pension plans offered by MPSERS is as follows:

<u>Plan Name</u>	<u>Plan Type</u>	<u>Plan Status</u>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Benefits Provided - Pension

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

Prior to Pension Reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (MIP). Basic Plan member's contributions range from 0% to 4%. On January 1, 1987, the MIP was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contribution rates from 3% to 7%.

Pension Reform 2010

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

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

### NOTE F – RETIREMENT AND POST RETIREMENT BENEFITS (CONTINUED)

#### Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013. Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund. The amount is determined by the member's election of Option 1, 2, 3, or 4 described below.

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

### NOTE F – RETIREMENT AND POST RETIREMENT BENEFITS (CONTINUED)

#### Pension Reform 2012 (Continued)

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

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

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

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

#### Pension Reform of 2017

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



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

### NOTE F – RETIREMENT AND POST RETIREMENT BENEFITS (CONTINUED)

#### Benefits Provided – Other Postemployment Benefit (OPEB)

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

#### Retiree Healthcare Reform of 2012

Public Act 300 of 2012 granted all active members of the 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 deferred compensation account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions will be deposited into their 401(k) accounts.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

### NOTE F – RETIREMENT AND POST RETIREMENT BENEFITS (CONTINUED)

#### Regular Retirement (no reduction factor for age)

Eligibility – A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60<sup>th</sup> birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

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

#### Member Contributions

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

#### Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F – RETIREMENT AND POST RETIREMENT BENEFITS (CONTINUED)

Employer Contributions (Continued)

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

	<u>Pension</u>	<u>Postemployment Benefit</u>
October 1, 2022 - September 30, 2023	13.75% - 20.16%	7.21% - 8.07%
October 1, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%

The District’s pension contributions for the year ended June 30, 2023 were equal to the required contribution total. Total pension contributions were approximately \$1,580,000.

The District’s OPEB contributions for the year ended June 30, 2023 were equal to the required contribution total. Total OPEB contributions were approximately \$370,800.

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

Pension Liabilities

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

<u>MPSERS (Plan) Non-university Employers</u>	<u>September 30, 2021</u>	<u>September 30, 2022</u>
Total pension liability	\$ 86,392,473,395	\$ 95,876,795,620
Plan fiduciary net position	\$ 62,717,060,920	\$ 58,268,076,344
Net pension liability	\$ 23,675,412,475	\$ 37,608,719,276
Proportionate share	0.046011%	0.046409%
Net pension liability for the District	\$ 10,893,244	\$ 17,453,706

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F – RETIREMENT AND POST RETIREMENT BENEFITS (CONTINUED)

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 approximately \$2,083,000.

At June 30, 2023, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Changes in assumptions	\$ 2,999,172	
Net difference between projected and actual earnings on pension plan investment earnings	40,929	
Differences between expected and actual experience	174,598	\$ (39,025)
Changes in proportion and differences between employer contributions and proportionate share of contributions	186,426	(152,417)
Reporting unit's contributions subsequent to the measurement date	<u>2,138,712</u>	<u>                    </u>
	<u>\$ 5,539,837</u>	<u>\$ (191,442)</u>

\$2,138,712 reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2024.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F – RETIREMENT AND POST RETIREMENT BENEFITS (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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

Year ending September 30,

2023	\$	931,963
2024		682,018
2025		582,797
2026		<u>1,012,905</u>
	\$	<u>3,209,683</u>

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

OPEB Liabilities

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

<u>MPSERS (Plan) Non-university employers:</u>	<u>September 30, 2021</u>	<u>September 30, 2022</u>
Total OPEB liability	\$ 12,046,393,511	\$ 12,522,713,324
Plan fiduciary net position	\$ 10,520,015,621	\$ 10,404,650,683
Net OPEB liability	\$ 1,526,377,890	\$ 2,118,062,641
Proportionate share	0.044804%	0.048673%
Net OPEB liability for the District	\$ 683,873	\$ 1,030,934

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F – RETIREMENT AND POST RETIREMENT BENEFITS (CONTINUED)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

For the year ended June 30, 2023, the District recognized OPEB benefit of approximately \$408,000.

At June 30, 2023, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Changes in assumptions	\$ 918,905	\$ (74,822)
Net difference between projected and actual earnings on OPEB plan investment earnings	80,576	
Differences between expected and actual experience		(2,019,205)
Changes in proportion and differences between employer contributions and proportionate share of contributions	288,037	(174,541)
Reporting unit's contributions subsequent to the measurement date	<u>362,636</u>	<u>                    </u>
	<u>\$ 1,650,154</u>	<u>\$ (2,268,568)</u>

\$362,636 reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

NOTE F – RETIREMENT AND POST RETIREMENT BENEFITS (CONTINUED)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

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

<u>Year ending September 30,</u>	
2023	\$ (379,507)
2024	(313,848)
2025	(284,885)
2026	(24,629)
2027	13,319
Thereafter	<u>8,500</u>
	<u>\$ (981,050)</u>

Actuarial Assumptions

Investment rate of return for Pension – 6.00% a year, compounded annually net of investment and administrative expenses for the MIP, Basic, Pension Plus and Pension Plus 2 Plan groups.

Investment rate of return for OPEB – 6.00% a year, compounded annually net of investment and administrative expenses

Salary increases – The rate of pay increase used for individual members is 2.75% to 11.55%, including wage inflation at 2.75%.

Inflation – 3.0%

Mortality assumptions:

*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:* 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.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

### NOTE F – RETIREMENT AND POST RETIREMENT BENEFITS (CONTINUED)

#### Actuarial Assumptions (Continued)

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

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

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

Healthcare cost trend rate for other postemployment benefit – Pre 65, 7.75% for year one and graded to 3.5% in year fifteen. Post 65, 5.25% for year one and graded to 3.5% in year fifteen.

Additional assumptions for other postemployment benefit only – Applies to individuals hired before September 4, 2012:

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

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

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



NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F – RETIREMENT AND POST RETIREMENT BENEFITS (CONTINUED)

Actuarial Assumptions (Continued)

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

<u>Investment Category</u>	<u>Target Location</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	25.00%	5.10%
International Equity Pools	15.00%	6.70%
Private Equity Pools	16.00%	8.70%
Real Estate and Infrastructure Pools	10.00%	5.30%
Fixed Income Pools	13.00%	(0.20%)
Absolute Return Pools	9.00%	2.70%
Real Return/Opportunistic Pools	10.00%	5.80%
Short Term Investment Pools	<u>2.00%</u>	(0.50%)
	<u>100.00%</u>	

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F – RETIREMENT AND POST RETIREMENT BENEFITS (CONTINUED)

Actuarial Assumptions (Continued)

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	<u>Pension</u>		
	1% Decrease <u>(5.0%)</u>	Discount Rate <u>(6.0%)</u>	1% Increase <u>(7.0%)</u>
Reporting Unit's proportionate share of net pension liability	\$ <u>23,032,408</u>	\$ <u>17,453,706</u>	\$ <u>12,856,605</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

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

	<u>Other Post Employment Benefit</u>		
	1% Decrease <u>(5.0%)</u>	Discount Rate <u>(6.0%)</u>	1% Increase <u>(7.0%)</u>
Reporting Unit's proportionate share of net OPEB liability	\$ <u>1,729,293</u>	\$ <u>1,030,934</u>	\$ <u>442,829</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F – RETIREMENT AND POST RETIREMENT BENEFITS (CONTINUED)

Sensitivity to the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the Reporting Unit’s proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate, as well as what the Reporting Unit’s proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>Other Post Employment Benefit</u>		
	<u>1% Decrease</u>	Current Healthcare Cost <u>Trend Rates</u>	<u>1% Increase</u>
Reporting Unit's proportionate share of net OPEB liability	\$ <u>431,706</u>	\$ <u>1,030,934</u>	\$ <u>1,703,579</u>

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB plan’s fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2022 Comprehensive Annual Financial Report.

Payable to the Pension and OPEB Plan

At June 30, 2023, the School District is current on all required pension and other OPEB plan payments. Amounts accrued at year end for accounting purposes were \$604,817 and included in the financial statements liability titled accrued salaries, benefits, and related withholdings. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers, and the contributions due from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

NOTE G – UNEARNED REVENUE AND DEFERRED OUTFLOW/INFLOW OF RESOURCES

The School District’s unearned revenue reported in the governmental funds balance sheet at June 30, 2023 consisted of unspent grant monies from the Michigan Department of Education and non-profit organizations. The deferred outflow/inflow of resources related to pensions and other postemployment benefits is discussed in Note F – Retirement and Post Retirement Benefits.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

### NOTE H – INTERFUND RECEIVABLES AND PAYABLES – FUND-BASED FINANCIAL STATEMENTS

The amount of interfund receivables and payables is comprised of the interfund receivable/payable between the General Fund and Food Service Fund of \$114,521 which is due to the use of a common cash account and the General Fund and Debt Service Funds of \$37,293 due to tax collections not being transferred as of June 30, 2023.

### NOTE I – OTHER POST EMPLOYMENT BENEFITS

In addition to the retirement and post retirement benefits described in Note F, the School District has offered early retirement incentives to teachers and administrators eligible to retire from the School District. During the year ended June 30, 2018, the retired Superintendent was offered an early retirement incentive and the offer was accepted. The incentive is to be paid in annual installments of \$5,000 over five years with the first installment of \$5,000 paid in January 2019. The School District's current incentives do not include health insurance assistance. During the year ended June 30, 2023, the remaining unpaid amounts due to the retired Superintendent were paid as disclosed in Note E as Deferred Compensation Payable.

### NOTE J – RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The School District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and for workers' disability compensation. The pools are considered public entity risk pools. The School District pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. Each of the pools maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The School District has not been informed of any special assessments being required.

The School District's comprehensive general liability coverage has a \$4,000,000 per occurrence with no annual aggregate limit and no deductible amount. Property coverage is based on various stated values with a \$2,500 deductible. The workers' disability compensation coverage is based on statutory limits. The School District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

### NOTE J – RISK MANAGEMENT (CONTINUED)

All risk management activities are accounted for in the General Fund of the School District. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims against the School District as of June 30, 2023, will not materially affect the financial condition of the School District. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

### NOTE K – CAPITAL PROJECT FUND BALANCE

The capital projects were substantially complete as of December 31, 2021. The June 30, 2022, remaining fund balance was used for the purchase of equipment as allowed by the voters.

### NOTE L – SHORT-TERM NOTES PAYABLE

The short-term state aid anticipation note payable of \$880,000 as if June 30, 2022 was due and paid on August 22, 2022, with interest of .12%. There is no short-term state aid anticipation note payable as of June 30, 2023.

### NOTE M – RESTRICTED NET POSITION

At June 30, 2023, the School District's restricted net position consisted of \$194,794 to be used for future pay-off of bond obligations, \$118,828 for Food Services and \$15,246 restricted by donor for building improvements.

### NOTE N – UNION CONTRACTS

The School District has 97 employees covered during the year ending by three union contracts. The School District has contracts with all three unions for the year ending June 30, 2024.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

### NOTE O – TAX ABATEMENTS

The School District is required to disclose significant tax abatements as required by Government Accounting Standards Board (GASB) Statement No. 77 (*Tax Abatements*).

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions, Brownfield Redevelopment Agreements, and Payments in Lieu of Taxes (PILOT) granted by cities, villages and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield Redevelopment Agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties; PILOT programs apply to multiple unit housing for citizens of low income and the elderly. The property taxes abated for all funds by the municipalities in the School District's tax base are not material.

There are no abatements made by the School District.

### NOTE P – UPCOMING ACCOUNTING PRONOUNCEMENTS

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

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

### NOTE Q – CHANGE IN ACCOUNTING PRINCIPLE

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

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

### NOTE Q – CHANGE IN ACCOUNTING PRINCIPLE (CONTINUED)

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

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

REQUIRED  
SUPPLEMENTAL  
INFORMATION



BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

IRONWOOD AREA SCHOOLS OF GOGEBIC COUNTY

Year ended June 30, 2023

	Original Budget	Final Budget	Actual
<b>REVENUES</b>			
Local sources	\$ 1,995,032	\$ 2,181,164	\$ 2,164,592
State sources	6,045,337	7,219,810	7,151,736
Federal sources	371,342	474,368	474,556
Other school districts	<u>20,572</u>	<u>78,090</u>	<u>61,066</u>
<b>TOTAL REVENUES</b>	<b>\$ 8,432,283</b>	<b>\$ 9,953,432</b>	<b>\$ 9,851,950</b>
<b>EXPENDITURES</b>			
Current:			
Education:			
Instruction:			
Basic programs	\$ 4,218,306	\$ 4,751,179	\$ 4,594,964
Added needs	1,415,067	1,652,316	1,652,978
Adult continuing education	<u>265,197</u>	<u>256,006</u>	<u>247,315</u>
	\$ 5,898,570	\$ 6,659,501	\$ 6,495,257
Supporting services:			
Pupil	\$ 328,780	\$ 387,405	\$ 385,547
Instructional	258,029	276,299	351,010
General administration	505,165	471,899	479,664
School administration	519,614	604,003	603,071
Business	322,555	317,285	356,979
Operation and maintenance of plant	845,151	1,050,385	1,070,302
Pupil transportation	<u>281,458</u>	<u>286,016</u>	<u>286,059</u>
	\$ 3,060,752	\$ 3,393,292	\$ 3,532,632
Community services			
Support services - Central	15,425	14,082	21,887
Outgoing transfers and other	20,000		
Athletics	42,591	33,126	51,327
Debt Service - interest		147	147
Capital outlay	<u>65,000</u>	<u>56,592</u>	<u>56,592</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ 9,102,338</b>	<b>\$ 10,156,740</b>	<b>\$ 10,157,842</b>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>			
	\$ (670,055)	\$ (203,308)	\$ (305,892)
Fund balance at July 1, 2022	<u>3,526,172</u>	<u>3,526,172</u>	<u>3,526,172</u>
<b>FUND BALANCE AT JUNE 30, 2023</b>	<b>\$ 2,856,117</b>	<b>\$ 3,322,864</b>	<b>\$ 3,220,280</b>

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

SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE  
OF NET PENSION LIABILITY AND RELATED NOTES  
MICHIGAN PUBLIC SCHOOLS EMPLOYEES RETIREMENT PLAN  
IRONWOOD AREA SCHOOLS OF GOGEBIC COUNTY

June 30, 2023

	Year ended September 30.									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	
Reporting unit's proportion of net pension liability (%)	0.04641%	0.04601%	0.04677%	0.04587%	0.04640%	0.04784%	0.04976%	0.05024%	0.05085%	
Reporting unit's proportionate share of net pension liability	\$ 17,453,706	\$ 10,893,244	\$ 16,066,845	\$ 15,191,711	\$ 13,948,930	\$ 12,397,251	\$ 12,414,808	\$ 12,271,915	\$ 11,200,893	
Reporting unit's covered-employee payroll	\$ 4,784,880	\$ 4,095,147	\$ 4,237,681	\$ 4,028,117	\$ 3,996,581	\$ 4,086,118	\$ 4,220,908	\$ 4,256,364	\$ 4,341,769	
Reporting unit's proportionate share of net pension liability as a percentage of covered-employee payroll	364.77%	266.00%	379.14%	377.14%	349.02%	303.40%	294.13%	288.32%	257.98%	
Plan fiduciary net position as a percentage of total pension liability	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%	

Notes:

1. This schedule is presented to illustrate the School District's net pension liability in the Michigan Public School Employees Retirement Plan for the last 10 fiscal years (amounts were determined as of September 30 of each fiscal year). However, until a full 10 year trend is compiled, the School District presents information for those years for which information is available.
2. Changes of benefit terms: There were no changes of benefit terms in 2022.
3. Changes of assumptions - the assumption changes for 2022 were:  
Discount rate for MIP, Basic, and Pension Plus plans decreased to 6.00% from 6.80%

SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS  
AND RELATED NOTES  
MICHIGAN PUBLIC SCHOOLS EMPLOYEES RETIREMENT PLAN  
IRONWOOD AREA SCHOOLS OF GOGEBIC COUNTY

June 30, 2023

	Year ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	
Statutorily required contributions	\$1,579,559	\$1,381,530	\$1,285,368	\$1,218,643	\$1,261,756	\$1,224,393	\$1,134,510	\$1,131,071	\$	933,996
Contributions in relation to statutorily required contributions	<u>1,579,559</u>	<u>1,381,530</u>	<u>1,285,368</u>	<u>1,218,643</u>	<u>1,261,756</u>	<u>1,224,393</u>	<u>1,134,510</u>	<u>1,131,071</u>	<u></u>	<u>933,996</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reporting unit's covered-employee payroll	\$5,009,915	\$4,682,416	\$4,020,307	\$4,231,375	\$4,137,966	\$4,113,554	\$4,059,376	\$4,093,139	\$4,282,174	
Contributions as a percentage of covered-employee payroll	31.53%	29.50%	31.97%	28.80%	30.49%	29.76%	27.95%	27.63%	21.81%	

Notes:

1. This schedule is presented to illustrate the School District's pension contributions to the Michigan Public School Employees Retirement Plan for the last 10 fiscal years (amounts were determined as of September 30 of each fiscal year). However, until a full 10 year trend is compiled, the School District presents information for those years for which information is available.
2. Changes of benefit terms: There were no changes of benefit terms in 2022.
3. Changes of assumptions - the assumption changes for 2022 were:  
Discount rate for MIP, Basic, and Pension Plus plans decreased to 6.00% from 6.80%

SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE  
OF NET OPEB LIABILITY AND RELATED NOTES  
MICHIGAN PUBLIC SCHOOLS EMPLOYEES RETIREMENT PLAN  
IRONWOOD AREA SCHOOLS OF GOGEBIC COUNTY

June 30, 2023

	Year ended September 30,					
	2022	2021	2020	2019	2018	2017
Reporting unit's proportion of net OPEB liability (%)	0.04480%	0.04480%	0.04765%	0.04599%	0.04553%	0.04789%
Reporting unit's proportionate share of net OPEB liability	\$ 1,030,934	\$ 683,783	\$ 2,552,578	\$ 3,301,142	\$ 3,618,805	\$ 4,240,435
Reporting unit's covered-employee payroll	\$ 4,784,880	\$ 4,095,147	\$ 4,237,681	\$ 4,028,117	\$ 3,996,581	\$ 4,086,118
Reporting unit's proportionate share of net OPEB liability as a percentage of covered-employee payroll	21.55%	16.70%	60.24%	81.95%	90.55%	103.78%
Plan fiduciary net position as a percentage of total OPEB liability	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%

Notes:

1. This schedule is presented to illustrate the School District's net OPEB liability in the Michigan Public School Employees Retirement Plan for the last 10 fiscal years (amounts were determined as of September 30 of each fiscal year). However, until a full 10 year trend is compiled, the School District presents information for those years for which information is available.
2. Changes of benefit terms: There were no changes of benefit terms in 2022.
3. Changes of assumptions - the assumption changes for 2022 were:  
Discount rate decreased to 6.00% from 6.95%

SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS  
AND RELATED NOTES  
MICHIGAN PUBLIC SCHOOLS EMPLOYEES RETIREMENT PLAN  
IRONWOOD AREA SCHOOLS OF GOGEBIC COUNTY

June 30, 2023

	Year ended June 30,					
	2023	2022	2021	2020	2019	2018
Statutorily required contributions	\$ 370,762	\$ 332,598	\$ 336,638	\$ 315,780	\$ 293,303	\$ 284,920
Contributions in relation to statutorily required contributions	<u>370,762</u>	<u>332,598</u>	<u>336,638</u>	<u>315,780</u>	<u>293,303</u>	<u>284,920</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reporting unit's covered-employee payroll	\$ 5,009,915	\$ 4,682,416	\$ 4,020,307	\$ 4,231,375	\$ 4,137,966	\$ 4,113,554
Contributions as a percentage of covered-employee payroll	7.40%	7.10%	8.37%	7.46%	7.09%	6.93%

Notes:

1. This schedule is presented to illustrate the School District's OPEB contributions to the Michigan Public School Employees Retirement Plan for the last 10 fiscal years (amounts were determined as of September 30 of each fiscal year). However, until a full 10 year trend is compiled, the School District presents information for those years for which information is available.
2. Changes of benefit terms: There were no changes of benefit terms in 2022.
3. Changes of assumptions - the assumption changes for 2022 were:  
Discount rate decreased to 6.00% from 6.95%

OTHER  
FINANCIAL  
INFORMATION

DETAIL OF REVENUES - BUDGET AND ACTUAL - GENERAL FUND

IRONWOOD AREA SCHOOLS OF GOGEBIC COUNTY

Year ended June 30, 2023

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Local sources:</b>			
General property taxes		\$ 1,912,985	
Interest on delinquent taxes		901	
Tuition		15,240	
Earnings on investments		124,288	
<b>Miscellaneous revenues:</b>			
Rentals		9,000	
Recovery of taxes previously written off		474	
Other		<u>101,704</u>	
	\$ 2,181,164	\$ 2,164,592	\$ (16,572)
<b>State sources:</b>			
State aid foundation		\$ 6,117,902	
At risk		540,350	
Special Education		469,456	
Other state grants		<u>24,028</u>	
	7,219,810	\$ 7,151,736	(68,074)
<b>Federal sources:</b>			
Title I A		\$ 312,142	
Title II A		80,144	
Title IV A		23,854	
Title VI B		4,212	
Community Facilities Loans and Grants		8,000	
Emergency Connectivity Fund grant		22,000	
COVID related grants		12,906	
Schools and Roads grant		<u>11,298</u>	
	474,368	\$ 474,556	188
Other school districts - principally for shared instruction	<u>78,090</u>	<u>61,066</u>	<u>(17,024)</u>
<b>TOTAL REVENUES</b>	<u>\$ 9,953,432</u>	<u>\$ 9,851,950</u>	<u>\$ (101,482)</u>

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

DETAIL OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND

IRONWOOD AREA SCHOOLS OF GOGEBIC COUNTY

Year ended June 30, 2023

	Budget	Actual	Variance Favorable (Unfavorable)
<b>INSTRUCTION</b>			
Basic programs:			
Elementary school		\$ 2,211,241	
High school		<u>2,383,723</u>	
TOTAL BASIC PROGRAMS	\$ 4,751,179	\$ 4,594,964	\$ 156,215
Added needs:			
Special education		\$ 877,397	
Compensatory education		<u>775,581</u>	
TOTAL ADDED NEEDS	1,652,316	\$ 1,652,978	(662)
Adult continuing education	<u>256,006</u>	<u>247,315</u>	<u>8,691</u>
TOTAL INSTRUCTION	\$ 6,659,501	\$ 6,495,257	\$ 164,244
<b>SUPPORTING SERVICES</b>			
Pupil	\$ 387,405	\$ 385,547	\$ 1,858
Instructional	276,299	351,010	(74,711)
General administration:			
Board of education		\$ 82,650	
Executive administration		<u>397,014</u>	
	471,899	\$ 479,664	(7,765)
School administration	604,003	603,071	932
Business	317,285	356,979	(39,694)
Operation and maintenance of plant	1,050,385	1,070,302	(19,917)
Pupil transportation	<u>286,016</u>	<u>286,059</u>	<u>(43)</u>
TOTAL SUPPORTING SERVICES	\$ 3,393,292	\$ 3,532,632	\$ (139,340)



DETAIL OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)

	Budget	Actual	Variance Favorable (Unfavorable)
SUPPORT SERVICES - CENTRAL	14,082	21,887	(7,805)
ATHLETICS	33,126	51,327	(18,201)
DEBT SERVICE			
Interest	147	147	
CAPITAL OUTLAY			
Operation and maintenance of plant	<u>56,592</u>	<u>56,592</u>	<u>          </u>
TOTAL EXPENDITURES	<u>\$ 10,156,740</u>	<u>\$ 10,157,842</u>	<u>\$ (1,102)</u>

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

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

IRONWOOD AREA SCHOOLS OF GOGEBIC COUNTY

Year ended June 30, 2023

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>				Total
	Food Services	Student/School Activities	2010 School Building and Site Bonds Series II	2019 Refunding Bonds	2018 School Buildings and Bus Bonds	2018 Capital Projects Fund	
<b>ASSETS</b>							
Cash		\$ 178,237	\$ 117,559	\$ 2,486	\$ 40,910		\$ 339,192
Delinquent taxes receivable			866	286	768		1,920
Accounts receivable -							
Other	\$ 11,974						11,974
Due from other funds	114,521		16,810	5,565	14,918		151,814
Inventories	17,456						17,456
	<u>\$ 143,951</u>	<u>\$ 178,237</u>	<u>\$ 135,235</u>	<u>\$ 8,337</u>	<u>\$ 56,596</u>	<u>\$ 0</u>	<u>\$ 522,356</u>
<b>LIABILITIES AND FUND EQUITY</b>							
Accounts payable	\$ 7,667						\$ 7,667
Fund Equity:							
Fund balances:							
Nonspendable for inventories	\$ 17,456						\$ 17,456
Restricted for:							
Debt service			\$ 135,235	\$ 8,337	\$ 56,596		200,168
Food service	118,828						118,828
Committed		\$ 178,237					178,237
Total Fund Equity	<u>\$ 136,284</u>	<u>\$ 178,237</u>	<u>\$ 135,235</u>	<u>\$ 8,337</u>	<u>\$ 56,596</u>	<u>\$ 0</u>	<u>\$ 514,689</u>
	<u>\$ 143,951</u>	<u>\$ 178,237</u>	<u>\$ 135,235</u>	<u>\$ 8,337</u>	<u>\$ 56,596</u>	<u>\$ 0</u>	<u>\$ 522,356</u>

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

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

IRONWOOD AREA SCHOOLS OF GOGEBIC COUNTY

Year ended June 30, 2023

	Special Revenue Funds		Debt Service Funds				2018 Capital Projects Fund	Total
	Food Services	Student/ School Activities	2010 School Building and Site Bonds Series II	2019 Refunding Bonds	2018 School Buildings and Bus Bonds			
<b>REVENUES</b>								
Local sources:								
Property taxes			\$ 327,929	\$ 108,681	\$ 291,277			\$ 727,887
Food services	\$ 18,107							18,107
Earnings on investments			298	38	104			440
Student/school activities		\$ 123,662						123,662
State sources	59,244							59,244
Federal sources	<u>515,900</u>		<u>92,850</u>					<u>608,750</u>
<b>TOTAL REVENUES</b>	<b>\$ 593,251</b>	<b>\$ 123,662</b>	<b>\$ 421,077</b>	<b>\$ 108,719</b>	<b>\$ 291,381</b>	<b>\$ 0</b>		<b>\$ 1,538,090</b>
<b>EXPENDITURES</b>								
Current:								
Supporting services						\$ 1,267		\$ 1,267
Food services	\$ 599,397							599,397
Student/school activities		\$ 136,623						136,623
Debt service:								
Principal			\$ 355,000	\$ 100,000	\$ 265,000			720,000
Interest			115,060	20,790	7,950			143,800
Other			<u>700</u>	<u>1,000</u>	<u>1,577</u>			<u>3,277</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ 599,397</b>	<b>\$ 136,623</b>	<b>\$ 470,760</b>	<b>\$ 121,790</b>	<b>\$ 274,527</b>	<b>\$ 1,267</b>		<b>\$ 1,604,364</b>
<b>EXCESS (DEFICIENCY) OF</b>								
<b>REVENUES OVER EXPENDITURES</b>	<b>\$ (6,146)</b>	<b>\$ (12,961)</b>	<b>\$ (49,683)</b>	<b>\$ (13,071)</b>	<b>\$ 16,854</b>	<b>\$ (1,267)</b>		<b>\$ (66,274)</b>
Fund balance at July 1, 2022	<u>142,430</u>	<u>191,198</u>	<u>184,918</u>	<u>21,408</u>	<u>39,742</u>	<u>1,267</u>		<u>580,963</u>
<b>FUND BALANCE AT JUNE 30, 2023</b>	<b><u>\$ 136,284</u></b>	<b><u>\$ 178,237</u></b>	<b><u>\$ 135,235</u></b>	<b><u>\$ 8,337</u></b>	<b><u>\$ 56,596</u></b>	<b><u>\$ 0</u></b>		<b><u>\$ 514,689</u></b>

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

SUMMARY OF 2022 TAX LEVY  
 IRONWOOD AREA SCHOOLS OF GOGEBIC COUNTY  
 Year ended June 30, 2023

	School Operations	School Building and Site Bonds
<b>2022 TAX LEVY</b>		
City of Ironwood	\$ 1,077,048	\$ 356,183
Township:		
Ironwood	754,213	330,880
Erwin	<u>81,724</u>	<u>40,824</u>
	\$ 1,912,985	\$ 727,887
Uncollected at June 30, 2023	<u>5,620</u>	<u>1,920</u>
<b>COLLECTED</b>	<u><u>\$ 1,907,365</u></u>	<u><u>\$ 725,967</u></u>
State taxable valuation - homestead and nonhomestead:		
City of Ironwood		\$ 99,472,998
Township:		
Ironwood		92,894,237
Erwin		<u>11,481,062</u>
		<u><u>\$ 203,848,297</u></u>

DETAIL OF DELINQUENT TAXES RECEIVABLE

Year ended June 30, 2023

Year Levied	Balance at July 1, <u>2022</u>	<u>Levy</u>	<u>Collected</u>	<u>Adjustments</u>	Balance at June 30, <u>2023</u>
<b>General Fund</b>					
2022		\$ 1,912,985	\$ 1,907,365		\$ 5,620
2021	<u>\$ 3,042</u>	<u>                    </u>	<u>                    </u>	<u>\$ 3,042</u>	<u>                    </u>
	<u><u>\$ 3,042</u></u>	<u><u>\$ 1,912,985</u></u>	<u><u>\$ 1,907,365</u></u>	<u><u>\$ 3,042</u></u>	<u><u>\$ 5,620</u></u>
<b>School Building and Site Bonds</b>					
2022		\$ 727,887	\$ 725,967		\$ 1,920
2021	<u>\$ 942</u>	<u>                    </u>	<u>                    </u>	<u>\$ 942</u>	<u>                    </u>
	<u><u>\$ 942</u></u>	<u><u>\$ 727,887</u></u>	<u><u>\$ 725,967</u></u>	<u><u>\$ 942</u></u>	<u><u>\$ 1,920</u></u>

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

IRONWOOD AREA SCHOOLS OF GOGEBIC COUNTY

Year ended June 30, 2023

Federal Grantor Pass Through Grantor Program Title	Project Number	Federal ALN Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue or Inventory July 1, 2022	Adjustments	Current Year Expenditures	Current Year Cash or Inventory Receipts	Accrued (Deferred) Revenue or Inventory June 30, 2023
<u>U. S. Department of Education</u>									
Passed through the Michigan Department of Education:									
Title I A Grants to Local Educational Agencies:									
Regular 2021-22 (Note 10)	2215302122	84.010	\$ 363,866	\$ 355,843	\$ 67,829	\$ 8,023		\$ 67,829	
Regular 2022-23 (Note 11)	2315302223	84.010	<u>321,018</u>			<u>8,876</u>	<u>\$ 312,142</u>	<u>275,203</u>	<u>\$ 36,939</u>
		Total Title I A	\$ 684,884	\$ 355,843	\$ 67,829	\$ 16,899	\$ 312,142	\$ 343,032	\$ 36,939
Title II A Improving Teacher Quality:									
Regular 2021-22 (Note 10)	2205202122	84.367	\$ 58,813	\$ 17,397	\$ 17,397	\$ 41,416		\$ 17,397	
Regular 2022-23 (Note 11)	2305202223	84.367	<u>82,120</u>			<u>1,976</u>	<u>\$ 80,144</u>		<u>\$ 80,144</u>
		Total Title II A	\$ 140,933	\$ 17,397	\$ 17,397	\$ 43,392	\$ 80,144	\$ 17,397	\$ 80,144
Title IV A Student Support and Academic Enrichment:									
Regular 2021-22	2207502122	84.424	\$ 25,365	\$ 25,365	\$ 25,365			\$ 25,365	
Regular 2022-23 (Note 11)	2307502223	84.424	<u>24,008</u>			<u>\$ 154</u>	<u>\$ 23,854</u>		<u>\$ 23,854</u>
		Total Title IV A	\$ 49,373	\$ 25,365	\$ 25,365	\$ 154	\$ 23,854	\$ 25,365	\$ 23,854
Title V B Rural Education -									
Regular 2021-22 (Note 10)	2206602122	84.358	\$ 16,848	\$ 15,031	\$ 15,031	\$ 1,817		\$ 15,031	
Regular 2022-23 (Note 11)	2306602223	84.358	<u>19,971</u>			<u>15,759</u>	<u>\$ 4,212</u>		<u>\$ 4,212</u>
		Total Title V B	\$ 36,819	\$ 15,031	\$ 15,031	\$ 17,576	\$ 4,212	\$ 15,031	\$ 4,212
Education Stabilization Funds:									
COVID - 19 Elementary and Secondary School Emergency Relief Fund: (ESSER II Benchmark Assessments)									
	2137622022	84.425D	\$ 6,125				\$ 6,125	\$ 6,125	
COVID - 19 - American Rescue Plan - Elementary and Secondary School Emergency Relief Fund: (ESSER III) (Homeless Children and Youth) (Note 11)									
	2137132122	84.425U	2,565,521	\$ 2,565,521	\$ 2,565,521			2,565,521	
	2110122122	84.425W	<u>12,071</u>			<u>\$ 5,918</u>	<u>6,153</u>		<u>\$ 6,153</u>
		Total Education Stabilization Funds	\$ 2,583,717	\$ 2,565,521	\$ 2,565,521	\$ 5,918	\$ 12,278	\$ 2,571,646	\$ 6,153
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ 3,495,726	\$ 2,979,157	\$ 2,691,143	\$ 83,939	\$ 432,630	\$ 2,972,471	\$ 151,302

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Federal Grantor Pass Through Grantor Program Title	Project Number	Federal ALN Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue or Inventory July 1, 2022	Adjustments	Current Year Expenditures	Current Year Cash or Inventory Receipts	Accrued (Deferred) Revenue or Inventory June 30, 2023
<u>U.S. Department of Agriculture</u>									
Passed through the Michigan Department of Education:									
Child Nutrition Cluster:									
Non-Cash Assistance (Commodities - Notes 8 and 9):									
National School Lunch - Entitlement Commodities		10.555	\$ 34,737				\$ 34,737	\$ 34,737	
National School Lunch - Entitlement Bonus		10.555	1,913				1,913	1,913	
	Total Non-Cash Assistance		\$ 36,650				\$ 36,650	\$ 36,650	
Cash Assistance:									
School Breakfast	221970-231970	10.553	\$ 96,575				\$ 96,575	\$ 96,575	
National School Lunch	221960-231960	10.555	327,667				327,667	327,667	
National School Lunch - Supply Chain Assistance	2209102023	10.555	30,325				30,325	30,325	
Summer Food Service Program	220904-922	10.559	5,639				5,639	5,639	
Summer Food Service Program	2209001022-1122	10.559	19,044				19,044	8,956	\$ 10,088
			\$ 479,250				\$ 479,250	\$ 469,162	\$ 10,088
	Total Child Nutrition Cluster		\$ 515,900				\$ 515,900	\$ 505,812	\$ 10,088
Pandemic EBT Local Level Costs	2209802022	10.649	628				628	628	
Community Facilities Loans and Grants Cluster	2019 DRA Bus Radios	10.766	8,000				8,000	8,000	
	TOTAL U.S. DEPARTMENT OF AGRICULTURE		\$ 524,528				\$ 524,528	\$ 514,440	\$ 10,088
<u>U.S. Department of Interior</u>									
Passed through County of Gogebic, Michigan - Forest Service Schools and Roads Cluster									
	Public Act 97.258	10.666	11,298				11,298	11,298	
<u>Federal Communications Commission</u>									
Emergency Connectivity Fund Program	ECF202114282	32.009	1,200				1,200	1,200	
	TOTAL FEDERAL FINANCIAL ASSISTANCE		\$ 4,032,752	\$ 2,979,157	\$ 2,691,143	\$ 83,939	\$ 969,656	\$ 3,499,409	\$ 161,390

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

IRONWOOD AREA SCHOOLS OF GOGEBIC COUNTY

Year ended June 30, 2023

---

1. Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Ironwood Area Schools of Gogebic County under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a portion of the operations of Ironwood Area Schools of Gogebic County it is not intended to and does not present the financial position of Ironwood Area Schools of Gogebic County.
2. The expenditures reported in the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
3. Ironwood Area Schools of Gogebic County has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.
4. The major federal assistance program is listed in the Schedule of Findings and Questioned Costs. Ironwood Area Schools of Gogebic County qualifies as a low risk auditee in accordance with the Uniform Guidance. Major programs, which must exceed 20% of the total federal awards expended, were selected using a risk-based approach based on auditors' risk assessments. All other federal programs are considered non-major programs.
5. The federal oversight agency for the Ironwood Area Schools of Gogebic County is the U.S. Department of Education.
6. Expenditures in this schedule do not include \$92,850 of Qualified School Construction Bond interest subsidies from the U.S. Treasury which are reported in the financial statements and the financial statements do not include \$20,800 of Emergency Connectivity Fund revenue not available to finance current obligations at the end of the prior year. The financial reports are in agreement with the financial statements except for the DS4044 Forms, which were not prepared as of October 5, 2023.
7. The amounts reported on the Grant Audit Report reconciles with this schedule.
8. The amounts reported on the Recipient Entitlement Balance Report (PAL Report) agree with this schedule for U.S.D.A. donated food commodities.
9. Expenditures include spoilage or pilferage.
10. The unexpended approved grant awards were carried over and became part of the 2022-2023 approved award or were not used.
11. The unexpended approved amount will be part of the amount carried over and spent as part of the 2023-2024 approved award or will not be used.
12. The Child Nutrition Cluster activities are reported in the Special Revenue Fund – Food Services and the remaining federal funds are reported in the General Fund.

SUPPLEMENTAL  
REPORTS



**MAKELA, POLLACK & AHONEN, P.L.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS  
301 N. SUFFOLK STREET  
IRONWOOD, MICHIGAN 49938-2027

**K. T. AHONEN, C.P.A.**  
**L. M. TREGEMBO, C.P.A.**  
**MEMBERS**

**TELEPHONE**  
**(906) 932-4430**  
**FAX**  
**(906) 932-0677**  
**EMAIL**  
[mpa@ironwoodcpa.com](mailto:mpa@ironwoodcpa.com)

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*

President and Members, Board of Education  
Ironwood Area Schools of Gogebic County  
Ironwood, Michigan

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ironwood Area Schools of Gogebic County, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Ironwood Area Schools of Gogebic County's basic financial statements and have issued our report thereon dated October 5, 2023.

**Report on Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items (2023-001 and 2023-002) that we consider to be significant deficiencies.

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

As part of obtaining reasonable assurance about whether Ironwood Area Schools of Gogebic County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item (2023-003).

### **Ironwood Area Schools of Gogebic County's Response to Findings**

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

### **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.

*Makela, Pollack + Ahonen, PLLC*

Certified Public Accountants

Ironwood, Michigan  
October 5, 2023

**MAKELA, POLLACK & AHONEN, P.L.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS  
301 N. SUFFOLK STREET  
IRONWOOD, MICHIGAN 49938-2027

**K. T. AHONEN, C.P.A.**  
**L. M. TREGEMBO, C.P.A.**  
**MEMBERS**

**TELEPHONE**  
**(906) 932-4430**  
**FAX**  
**(906) 932-0677**  
**EMAIL**  
mpa@ironwoodcpa.com

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

President and Members, Board of Education  
Ironwood Area Schools of Gogebic County  
Ironwood, Michigan

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

**Opinion on Each Major Federal Program**

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

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

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

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

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

### ***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Ironwood Area Schools of Gogebic County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in aggregate, it would influence the judgement made by a reasonable user of the report on compliance about Ironwood Area Schools of Gogebic County's compliance with requirements for 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 Ironwood Area Schools of Gogebic County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Ironwood Area Schools of Gogebic County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Ironwood Area Schools of Gogebic County's internal control over compliance. Accordingly, no such opinion is expressed.

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

## Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 have not been 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.

*Makela, Pollock & Ahonen, PLLC*

Certified Public Accountants

Ironwood, Michigan  
October 5, 2023

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

IRONWOOD AREA SCHOOLS OF GOGEBIC COUNTY

Year ended June 30, 2023

---

A. SUMMARY OF AUDITOR'S RESULTS

**Financial Statements**

Type of auditor's report issued based on financial statements prepared in accordance with generally accepted accounting principles:

*Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified?                      \_\_\_ Yes X No
- Significant deficiency(ies) identified?                      X Yes \_\_\_ No

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 200.51(a) of the Uniform Guidance                      \_\_\_ Yes X No

Identification of major programs:

ALN Number(s)

84.01

Name of Federal Program or Cluster

Title I A Grants to Local Educational Agencies

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

Auditee qualified as low-risk auditee?                      X Yes \_\_\_ No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

---

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCIES

(2023-001) Segregation of Duties

Criteria - Local units of government, including school districts, are required to have a segregation of duties among its accounting department staff in accordance with sound accounting principles.

Condition – As in prior years, it was noted that the School District has a lack of segregation of duties. One person handles almost all phases of the accounting and reporting of the School District's finances due to the small number of staff.

Cause - It has been determined not to be cost effective to hire more staff to help eliminate this lack of segregation.

Effect - The effect of this is minimal as the lack of segregation was mitigated by the Superintendent's supervision and the active oversight of the Board.

Recommendation - Although the size of the School District makes complete segregation of duties impossible, we again recommend that the accounting functions be reviewed by management on a regular basis and that the duties be periodically rotated between the staff.

Management's Response - The School District is in the process of cross training accounting staff and duties will be rotated in the absence of accounting personnel. Management will continue to closely monitor the accounting functions.

A similar item was reported in the June 30, 2022 audit.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

---

B. FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)

SIGNIFICANT DEFICIENCIES (CONTINUED)

(2023-002) Ability to Prepare Financial Statements and Related Note Disclosures

Criteria - Local units of government, including school districts, are required to possess the ability to prepare their financial statements and related note disclosures in accordance with generally accepted accounting principles.

Condition - Like many school districts of a similar size and as in prior years, financial summaries and abbreviated financial statements are made available for the Superintendent and Members of the Board of Education. The School District uses auditor intervention to assist in the formatting of the financial statements and the drafting of the related note disclosures. Members of the Board of Education and management understand, review and accept responsibility for the financial statements on behalf of the School District.

Cause - The School District's management possesses the skill and knowledge to prepare and monitor the annual budget and does understand all of the information included in the annual financial statements but the School District does not have staff familiar enough with accounting standards to be able to draft the School District's financial statements and related note disclosures in its entirety.

Effect - We consider this condition to be a significant deficiency with nominal effect as the School District's management possesses the skill and knowledge to prepare and monitor the annual budget and does understand all of the information included in the annual financial statements.

Recommendation - Due to the size and budget constraints of the School District we do not recommend any changes in procedures at this time. Members of the Board of Education and management should remain involved in the financial reporting process to provide oversight and independent review functions.

Management's Response - The School District agrees and should the current situation change, resources and staff will be allocated for education and monitoring to eliminate auditor intervention.

A similar item was reported in the June 30, 2022 audit.



SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

---

B. FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)

NONCOMPLIANCE

(2023-003) Michigan Public Act 621 of 1978 Disclosure

Criteria – Public Act 621 of 1978, as amended, provides that a local unit prepare and monitor their fiscal year budgets in accordance with the Act.

Condition – The General Fund’s actual expenditures for the Supporting Services - Instructional were more than appropriated by \$74,711 for the year ended June 30, 2023.

Cause - The School District under estimated its expenditures for the Supporting Services - Instructional while over estimating in other expenditure categories.

Effect - We consider this condition to be a noncompliance issue.

Recommendation – Members of the Board of Education should amend the budget when it becomes apparent that actual revenues will be less than budgeted revenues or actual expenditures will exceed budgeted expenditures.

Management’s Response – The School District agrees and will adopt a budget in accordance with the Act and monitor its budget throughout the year and make amendments as appropriate.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

There were no findings and questioned costs related to the federal award programs.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

IRONWOOD AREA SCHOOLS OF GOGEBIC COUNTY

Year ended June 30, 2023

---

SIGNIFICANT DEFICIENCIES

(2022-001) Segregation of Duties

Current status: The School District's lack of segregation of duties is due to having a small number of staff. It has been determined not to be cost effective to hire more staff to eliminate this condition. Management and the School Board continue oversight measures in an effort to mitigate the lack of segregation. This condition is reported again for the current year.

(2022-002) Ability to Prepare Financial Statements and Related Note Disclosures

Current status: Like many school districts of a similar size, the School District uses auditor intervention to assist in the formatting of the financial statements and the drafting of the related note disclosures. This condition is reported again for the current year.

FINDINGS AND QUESTIONED COSTS

There were no findings for questioned costs related to federal award programs in the prior year.

**MAKELA, POLLACK & AHONEN, P.L.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS  
301 N. SUFFOLK STREET  
IRONWOOD, MICHIGAN 49938-2027

**K. T. AHONEN, C.P.A.**  
**L. M. TREGEMBO, C.P.A.**  
**MEMBERS**

TELEPHONE  
**(906) 932-4430**  
FAX  
**(906) 932-0677**  
EMAIL  
mpa@ironwoodcpa.com

October 5, 2023

President and Members, Board of Education  
Ironwood Area Schools of Gogebic County  
Ironwood, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ironwood Area Schools of Gogebic County for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated August 7, 2023 and during our meeting about planning matters on September 7, 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 Ironwood Area Schools of Gogebic County are described in Note A to the financial statements. As described in Note Q to the financial statements, the Ironwood Area Schools of Gogebic County changed accounting policies related to subscription-based information technology arrangements by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 96, *Subscription-based Information Technology Arrangements*, in the year ended June 30, 2023. There is no material impact on the Ironwood Area Schools of Gogebic County's financial statements. We noted no transactions entered into by the Ironwood Area Schools of Gogebic County 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.

Our audit reported two significant deficiencies referred to as items (2023-001), (2023-002) and one instance of noncompliance referred to as item (2023-003).

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 the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were: setting of the useful lives of fixed assets, including the calculation of depreciation of fixed assets, pension and other postemployment benefit related items and estimating the liability for compensated absences.

## **MAKELA, POLLACK & AHONEN, P.L.L.C.**

Ironwood Area Schools of Gogebic County

October 5, 2023

Page 2

Management's estimate of the useful lives and related depreciation expense is based on historical experience and lives commonly used by local governments and the straight line method of depreciation. The pension and other postemployment benefit related items are based on information and actuarial calculations provided by the plan administrator. The liability for compensated absences is estimated by multiplying employees current hourly rates by a percentage of accrued hours historically paid out. We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are 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 clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### *Disagreements with Management*

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

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 5, 2023.

### *Management Consultations with Other Independent Accountants*

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

### *Other Audit Findings or Issues*

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

### Other Matters

We applied certain limited procedures to the supplementary information, which is required supplemental 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

**MAKELA, POLLACK & AHONEN, P.L.L.C.**

Ironwood Area Schools of Gogebic County

October 5, 2023

Page 3

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 Other Financial Information, which accompany the financial statements but are not RSI. With respect to the Other Financial 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 Other Financial Information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

A separate management letter was not issued.

Restriction on Use

This information is intended solely for the use of the Board of Education and management of Ironwood Area Schools of Gogebic County, Michigan and is not intended to be and should not be used by anyone other than these specified parties

Very truly yours,

*Makela, Pollack & Ahonen, PLLC*

Certified Public Accountants