Gogebic, Ontonagon and Houghton Counties, Michigan

Annual Financial Report

For the year ended June 30, 2023

GOGEBIC-ONTONAGON INTERMEDIATE SCHOOL DISTRICT
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Hungerford Nichols CPAs + Advisors
Where good ideas add up

INDEPENDENT AUDITOR'S REPORT

October 18, 2023

The Board of Education
Gogebic-Ontonagon Intermediate School District

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Emphasis of Matter

Change in Accounting Principle

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2023, on our consideration of the Gogebic-Ontonagon Intermediate School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Gogebic-Ontonagon Intermediate School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gogebic-Ontonagon Intermediate School District's internal control over financial reporting and compliance.

Hungerford Nichols

Certified Public Accountants
Grand Rapids, Michigan

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Gogebic-Ontonagon Intermediate School District ("the District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which immediately follow this section.

Overview of the Financial Statements

This annual report consists of four parts: Management's Discussion and Analysis (this section), the Basic Financial Statements, Required Supplementary Information, and Supplementary Information. The Basic Financial Statements include two kinds of statements that present different views of the District:

- The first two statements, the Statement of Net Position and the Statement of Activities, are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.

- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.

  - *Governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

The Basic Financial Statements also include Notes to Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data; Required Supplementary Information includes pension and OPEB information schedules; Other Supplementary Information follows and includes combining and individual fund statements and schedules.

District-wide Statements

The District-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position, and how it has changed. Net position - the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.

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

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

Governmental activities: The District's basic services are included here, such as regular and special education, instructional support, transportation, administration, community services, food service and athletics. State aid and property taxes finance most of these activities.

New Accounting Pronouncement Implemented

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. This Statement enhances the relevance and consistency of information about governments' subscription-based information technology arrangements. In addition, the District implemented GASB Statement No. 101 *Compensated Absences* during the fiscal year ended June 30, 2023. This Statement will provide more consistent application for recognizing liability related to compensated absences, which is expected to potentially eliminate comparability issues between governments that offer different types of leave and enhance the relevance and reliability of information for compensated absences. See Note K for additional information.

Condensed District-wide Financial Information

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

	2023	2022
Assets		
Current assets	$ 17,933,973	$ 14,955,517
Net capital assets	701,085	673,178
Total Assets	**18,635,058**	**15,628,695**
Deferred Outflows of Resources	**7,665,884**	**3,898,426**
Liabilities		
Current liabilities	12,113,368	11,490,660
Long-term liabilities	112,945	116,979
Net pension liability	14,690,808	7,996,662
Net OPEB liability	883,456	550,124
Total Liabilities	**27,800,577**	**20,154,425**
Deferred Inflows of Resources	**1,872,595**	**4,759,309**
Net Position		
Net investment in capital assets	701,085	673,178
Restricted	3,967,212	2,459,999
Unrestricted (deficit)	(8,040,527)	(8,519,790)
Total Net Position	**$ (3,372,230)**	**$ (5,386,613)**

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

	2023	2022
Program Revenues		
Charges for services	$ 23,960	$ 5,245
Operating grants	16,130,035	8,968,422
General Revenues		
Property taxes	3,309,730	3,197,293
State school aid, unrestricted	345,494	328,417
Federal Medicaid reimbursement	640,198	427,913
Interest and investment earnings	545,831	26,989
Other	172,048	180,283
Total Revenues	21,167,296	13,134,562
Expenses		
Instruction	1,821,093	1,376,283
Supporting services	10,786,759	8,563,688
Community services	285,369	205,518
Intergovernmental	6,171,187	2,096,222
Other	-	45,183
Depreciation - unallocated	88,505	79,724
Total Expenses	19,152,913	12,366,618
Increase in net position	2,014,383	767,944
Net Position, Beginning of Year	(5,386,613)	(6,154,557)
Net Position, End of Year	$ (3,372,230)	$ (5,386,613)

Financial Analysis of the District as a Whole

Total revenues exceeded expenses by $2,014,383, increasing total net position from a deficit of $5,386,613 at June 30, 2022, to a deficit of $3,372,230 at June 30, 2023. Unrestricted net position increased by $479,263 to a deficit of $8,040,527 at June 30, 2023. The District's net pension liability, including deferred outflows and inflows of resources, increased by $898,042. The net OPEB liability, including deferred outflows and inflows of resources, decreased by $524,736.

The District's total revenues increased 61.16% to $21.2 million at June 30, 2023. State and federal aid for specific programs accounted for most of the District's revenue, contributing 76.2% of the total. Another 17.3% came from property taxes and unrestricted State aid, and the remainder from fees charged for services, interest earnings and miscellaneous sources.

Per the Statement of Activities, the total cost of all programs and services increased 54.87% to $19.2 million at June 30, 2023. The District's expenses are predominantly related to instructing (10%), intergovernmental payments (32%) to local school district within the Gogebic-Ontonagon Intermediate School District's boundaries, and various supporting services (56%), including instructional staff support and pupil services.

Fund Financial Statements

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

The District utilizes two kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information following the governmental funds' statements explain the relationship (or differences) between them.

Financial Analysis of the District's Funds

The District uses funds to record and analyze financial information. Gogebic-Ontonagon Intermediate School District's funds are described as follows:

Major Funds

General Fund
The General Fund is the District's primary operating fund. The General Fund had total revenues of $12,932,391 and total expenditures of $12,065,856. The fund balance at year end was $1,889,393, an increase of $866,535 from the June 30, 2022 balance.

Special Education Special Revenue Fund
The District operates one major special revenue fund, the Special Education Fund. During the fiscal year the fund had total revenues of $6,853,327 and total expenditures of $5,455,322. The fund balance at year end was $3,332,641, an increase of $1,398,005 from the June 30, 2022 balance.

Nonmajor Fund

Vocational Education Special Revenue Fund
The District operates one nonmajor Special Revenue Fund, the Vocational Education Fund. During the fiscal year the fund had total revenues of $1,381,578 and total expenditures of $1,272,370. The fund balance at year end was $634,571, an increase of $109,208 from the June 30, 2022 balance.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget two times after the June 2022 adoption.

- Changes were adopted in February 2023 to adjust revenue for additional state and federal grants and to bring expenses in line with the additional grant funding.

- In June 2023 changes were adopted to account for the final annual adjustments of revenue, general supplies, and expenditures anticipated at fiscal year-end.

- The District's final budget for the General Fund anticipated that revenues would exceed expenditures by $675,606 resulting in an increase to the fund balance. The actual increase to the general fund was $866,535, resulting in the fund balance of $1,889,393. A portion of this increase is due to federal grant revenue in the amount of $189,405 that was classified as deferred revenue due to the timing of the grant cash draws in 2021-22. The expenses resulting from these grants were recorded during the 2021-22 year. The grant revenue was realized in the 2022-23 year causing a surplus in federal revenue.

- The District's final budget for the Special Education Fund anticipated that revenues would exceed expenditures by $943,227 resulting in an addition to the fund balance. The final numbers revealed an increase to the fund balance of $1,398,005, resulting in the fund balance of $3,332,641. A portion of the increase is due to federal grant revenue in the amount of $435,636 that was classified as deferred revenue due to the timing of the grant cash draws 2021-22. The expenses resulting from these grants were recorded during the 2021-22 year. The grant revenue was realized in the 2022-23 year causing a surplus in federal revenue. The 2022-23 fiscal year marks the end of the American Rescue Plan federal funds awarded to the Gogebic Ontonagon ISD. The federal fund portion of the budget for 2023-24 will be decreased due to the final spend out of these funds in 2022-23.

Capital Asset and Debt Administration

Capital Assets

By the end of 2023, the District had invested $2.198 million in a broad range of capital assets, including school buildings, vehicles, computer equipment and software, and administrative offices (More detailed information about capital assets can be found in Note E in the notes to basic financial statements.) Total depreciation expense for the year was $88,505.

At June 30, 2023, the District's investment in capital assets (net of accumulated depreciation), including land, land improvements, buildings and improvements, furniture and equipment, and vehicles was $701,085. This represents a net increase of $27,907 from June 30, 2022.

Land	$	42,500
Land improvements		12,142
Buildings and improvements		452,126
Furniture and equipment		29,515
Vehicles		164,802
Total Capital Assets	$	701,085

Long-term Obligations

The District's only long-term obligations include compensated absences and early retirement incentive obligations for employees of the district, which totaled $148,945 as of June 30, 2023. We present more detailed information about our long-term liabilities in Note F in the Notes to the Basic Financial Statements.

Factors Bearing on the District's Future

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

- The Gogebic-Ontonagon Intermediate School District (GOISD) has been expanding programs and services to local districts over the past several years, resulting in an increase in staff. Over the past three years, GOISD has started providing business office services to some constituent school districts and has added two positions to support the work being performed for local districts. Revenue generated from contracts with districts receiving business office services has supported those positions. Business service contracts have been reviewed and renewed with districts. Additional staff have been hired in General Education utilizing funding from multiple state sources of revenue, including 31n(6), which has been used to hire school social workers and therapists. The GOISD also received funding to hire two school nurses through HRA funds made available by the state. Special Education staffing has increased as a result of growth in the student population needing special education services. In addition to the above mentioned staff, GOISD is in the process of assuming operation of an Early Childhood Center Preschool and Daycare in Ironwood, Michigan.

- GOISD continues to fiscally manage several large state grants. These grants provide an indirect revenue sources that the district uses to supplement existing programming and to provide new services to students in GOISD programs and in local school districts.

- Although the economy has shown to be stable to strong, it is believed that it is slowing. It is anticipated the State will continue to be cautious with the overall budget and remain conservative in funding growth for schools. GOISD will continue its practice of conservative budget development and fiscal policies.

- Regionally, enrollment projections indicate a stable to slightly decreasing number of students enrolled in local districts served by the GOISD. As local district budgets become more strained due to declining enrollment, districts tend to seek assistance from GOISD to support programming.

- Negotiations with bargaining unit staff resulted in a two-year agreement with an annual increase of 3% each year of the agreement. A recruitment and retention incentive was added to the agreement and an early retirement incentive was modified to become an employee service incentive. Two weeks of paid child care leave for infants and adopted children was included and a reduction in childcare fees at the early childhood center operated by the GOISD was offered to staff. The total package included in the new two-year agreement attempts to make the GOISD a destination employer.

- GOISD continues to develop and expand partnerships with community agencies, industry partners and our local community college to grow programs and opportunities for students. The district's Career and Technical Education Department (CTE) has increased participation in the Early College Program and has developed a Less Than Class Size program model to expand course offerings to students who do not have access to CTE courses at the community college due to the geographic distance from campus.

- The administration and Board of Education of the Gogebic-Ontonagon ISD is optimistic about the future and the role that our organization will continue to play in education and the economy of our region, as GOISD is viewed as a vital partner by local industry, community organizations, higher education institutions, and our constituent districts.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Gogebic Ontonagon Intermediate School District, 906-575-3438 x100, via e-mail to the attention of Tammy Gibson, Director of Business and Finance tgibson@goisd.org.

BASIC FINANCIAL STATEMENTS

GOGEBIC-ONTONAGON INTERMEDIATE SCHOOL DISTRICT
Statement of Net Position
June 30, 2023

	Governmental Activities
Assets	
Cash equivalents and investments (Note B)	$ 15,702,520
Accounts receivable	28,744
Due from other governmental units (Note C)	2,202,709
Capital assets not being depreciated (Note E)	42,500
Capital assets being depreciated, net (Note E)	658,585
Total Assets	18,635,058
Deferred Outflows of Resources	
Deferred pension amounts	5,935,744
Deferred OPEB amounts	1,730,140
Total Deferred Outflows of Resources	7,665,884
Liabilities	
Accounts payable	2,140,246
Due to other governmental units	315,261
Salaries payable	545,308
Unearned revenue	9,076,553
Long-term liabilities (Note F):	
Due within one year	36,000
Due in more than one year	112,945
Net pension liability	14,690,808
Net OPEB liability	883,456
Total Liabilities	27,800,577
Deferred Inflows of Resources	
Deferred pension amounts	68,121
Deferred OPEB amounts	1,804,474
Total Deferred Inflows of Resources	1,872,595
Net Position	
Net investment in capital assets	701,085
Restricted for:	
Special education	3,332,641
Vocational education	634,571
Unrestricted (deficit)	(8,040,527)
Total Net Position	$ (3,372,230)

See accompanying notes to basic financial statements.

GOGEBIC-ONTONAGON INTERMEDIATE SCHOOL DISTRICT
Statement of Activities
For the year ended June 30, 2023

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Net (Expense) Revenue and Changes in Net Position
Governmental Activities				
Instruction	$ 1,821,093	$ -	$ 14,805,137	$ 12,984,044
Supporting services	10,786,759	23,960	1,234,556	(9,528,243)
Community services	285,369	-	90,342	(195,027)
Intergovernmental	6,171,187	-	-	(6,171,187)
Depreciation - unallocated*	88,505	-	-	(88,505)
Total Governmental Activities	$ 19,152,913	$ 23,960	$ 16,130,035	(2,998,918)
	General Revenues			
	Taxes:			
	Property taxes, levied for general operations			290,153
	Property taxes, levied for special education			2,105,087
	Property taxes, levied for vocational education			914,490
	State school aid, unrestricted			345,494
	Federal Medicaid reimbursement			640,198
	Interest and investment earnings			545,831
	Other			172,048
	Total General Revenues			5,013,301
	Change in Net Position			2,014,383
	Net Position - Beginning of Year			(5,386,613)
	Net Position - End of Year			$ (3,372,230)

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

See accompanying notes to basic financial statements.

GOGEBIC-ONTONAGON INTERMEDIATE SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2023

	General Fund	Special Education	Nonmajor	Total
Assets				
Cash equivalents and investments (Note B)	$ 12,110,372	$ 2,874,915	$ 717,233	$ 15,702,520
Accounts receivable	28,744	-	-	28,744
Due from other funds	16,869	133,815	17,181	167,865
Due from other governmental units	1,240,633	818,818	143,258	2,202,709
Total Assets	$ 13,396,618	$ 3,827,548	$ 877,672	$ 18,101,838
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 2,096,219	$ 20,650	$ 23,377	$ 2,140,246
Due to other funds	150,996	14,793	2,076	167,865
Due to other governmental units	109,487	188,565	17,209	315,261
Accrued payroll liabilities	119,071	73,100	20,456	212,627
Salaries payable	109,726	188,646	34,309	332,681
Unearned revenue	8,921,726	9,153	145,674	9,076,553
Total Liabilities	11,507,225	494,907	243,101	12,245,233
Fund Balances				
Restricted	-	3,093,503	596,920	3,690,423
Assigned - equipment and recapture reserves	100,264	239,138	37,651	377,053
Unassigned	1,789,129	-	-	1,789,129
Total Fund Balances	1,889,393	3,332,641	634,571	5,856,605
Total Liabilities and Fund Balances	$ 13,396,618	$ 3,827,548	$ 877,672	$ 18,101,838

See accompanying notes to basic financial statements.

GOGEBIC-ONTONAGON INTERMEDIATE SCHOOL DISTRICT
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2023

Total governmental fund balances		$ 5,856,605
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is $2,198,490 and accumulated depreciation is $1,497,405.		701,085
Long-term liabilities, including compensated absences and early retirement incentives, are not due and payable in the current period and therefore are not reported as as liabilities in the funds. Long-term liabilities at year end consist of:		
Compensated absences	$ (112,945)	
Early retirement incentive	(36,000)	(148,945)
Net pension liability and related deferred outflows/inflows of resources are not included as assets/liabilities in governmental funds:		
Net pension liability	(14,690,808)	
Deferred outflows	5,935,744	
Deferred inflows	(68,121)	(8,823,185)
Net OPEB liability and related deferred outflows/inflows of resources are not included as assets/liabilities in governmental funds:		
Net OPEB liability	(883,456)	
Deferred outflows	1,730,140	
Deferred inflows	(1,804,474)	(957,790)
Total Net Position - Governmental Activities		$ (3,372,230)

See accompanying notes to basic financial statements.

GOGEBIC-ONTONAGON INTERMEDIATE SCHOOL DISTRICT
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2023

	General Fund	Special Education	Nonmajor	Total
Revenues				
Local sources	$ 734,477	$ 2,360,677	$ 956,415	$ 4,051,569
Non-education sources	51,844	-	38,498	90,342
State sources	8,841,780	2,508,751	265,926	11,616,457
Federal sources	1,197,741	1,983,899	120,739	3,302,379
Interdistrict sources	2,106,549	-	-	2,106,549
Total Revenues	12,932,391	6,853,327	1,381,578	21,167,296
Expenditures				
Current:				
Instruction	89,718	1,745,134	-	1,834,852
Supporting services	5,602,595	3,707,180	1,199,927	10,509,702
Community services	275,736	2,071	-	277,807
Interdistrict	16,423	937	72,443	89,803
Payments to other governments	6,081,384	-	-	6,081,384
Total Expenditures	12,065,856	5,455,322	1,272,370	18,793,548
Net Change in Fund Balances	866,535	1,398,005	109,208	2,373,748
Fund Balances, Beginning of Year	1,022,858	1,934,636	525,363	3,482,857
Fund Balances, End of Year	$ 1,889,393	$ 3,332,641	$ 634,571	$ 5,856,605

See accompanying notes to basic financial statements.

GOGEBIC-ONTONAGON INTERMEDIATE SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the year ended June 30, 2023

Net change in fund balances - total governmental funds			$ 2,373,748
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:			
	Capital outlays	$ 116,412	
	Depreciation expense	(88,505)	27,907
In the Statement of Net Position, early retirement incentive pay and compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amount of the benefits earned exceeded the amounts used/paid.			(13,966)
The changes in net pension liability and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds.			(898,042)
The changes in net OPEB liability and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds.			524,736
Total change in net position - governmental activities			$ 2,014,383

See accompanying notes to basic financial statements.

GOGEBIC-ONTONAGON INTERMEDIATE SCHOOL DISTRICT
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2023

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Local sources	$ 416,628	$ 695,428	$ 734,477	$ 39,049
Non-educational sources	-	48,679	51,844	3,165
State sources	1,847,449	9,137,743	8,841,780	(295,963)
Federal sources	246,000	999,798	1,197,741	197,943
Interdistrict sources	291,000	2,240,078	2,106,549	(133,529)
Total Revenues	2,801,077	13,121,726	12,932,391	(189,335)
Expenditures				
Current:				
Instruction:				
Basic programs	-	51,874	39,870	12,004
Added needs	-	52,425	49,848	2,577
Supporting services:				
Pupil services	-	1,102,912	1,129,828	(26,916)
Instructional staff services	1,709,466	3,041,546	2,870,033	171,513
General administrative services	260,506	420,454	400,090	20,364
Business services	308,161	630,743	623,468	7,275
Operation and maintenance services	84,150	131,554	120,485	11,069
Central services	27,983	423,477	423,316	161
Other supporting services	-	36,515	35,375	1,140
Community services	-	289,961	275,736	14,225
Interdistrict	433,276	16,423	16,423	-
Payment to other governments	-	6,248,236	6,081,384	166,852
Total Expenditures	2,823,542	12,446,120	12,065,856	380,264
Net Change in Fund Balances	(22,465)	675,606	866,535	190,929
Fund Balances, Beginning of Year	1,022,858	1,022,858	1,022,858	-
Fund Balances, End of Year	$ 1,000,393	$ 1,698,464	$ 1,889,393	$ 190,929

See accompanying notes to basic financial statements.

GOGEBIC-ONTONAGON INTERMEDIATE SCHOOL DISTRICT
Special Education Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2023

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Local sources	$ 2,047,083	$ 2,302,285	$ 2,360,677	$ 58,392
State sources	1,540,000	2,435,634	2,508,751	73,117
Federal sources	1,200,500	1,891,929	1,983,899	91,970
Interdistrict sources	264,000	550	-	(550)
Total Revenues	5,051,583	6,630,398	6,853,327	222,929
Expenditures				
Current:				
Instruction:				
Added needs	1,629,751	1,815,044	1,745,134	69,910
Supporting services:				
Pupil services	1,979,692	2,586,088	2,515,822	70,266
Instructional staff services	112,146	276,752	270,934	5,818
General administrative services	383,613	22,555	19,584	2,971
Business services	97,909	112,732	108,891	3,841
Operation and maintenance services	142,430	181,980	169,428	12,552
Pupil transportation services	296,000	288,242	282,143	6,099
Central services	163,459	339,772	324,012	15,760
Other supporting services	-	55,028	16,366	38,662
Community services	-	2,364	2,071	293
Interdistrict	93,299	6,614	937	5,677
Total Expenditures	4,898,299	5,687,171	5,455,322	231,849
Net Change in Fund Balances	153,284	943,227	1,398,005	(454,778)
Fund Balances, Beginning of Year	1,934,636	1,934,636	1,934,636	-
Fund Balances, End of Year	$ 2,087,920	$ 2,877,863	$ 3,332,641	$ (454,778)

See accompanying notes to basic financial statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies

Gogebic-Ontonagon Intermediate School District ("the District") was organized under the School Code of the State of Michigan, and services a population of approximately 56 students. The District is governed by an elected Board of Education consisting of seven members and administered by a Superintendent who is appointed by the aforementioned Board. The District provides a comprehensive range of educational services as specified by state statute and Board of Education policy, including instruction, pupil support services, special education, vocational education and general administrative services. The Board of Education also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District's significant accounting policies are described below.

1. Reporting Entity

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District's financial statements include the funds of those organizational entities for which its elected governing board is financially accountable.

2. District-wide and Fund Financial Statements

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

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

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

Separate financial statements are provided for governmental. Major individual governmental funds are reported as separate columns in the fund financial statements. The General Fund and the Special Education Fund are the District's major funds. Nonmajor funds are aggregated and presented in a single column.

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

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt is recognized when due.

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

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

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

Governmental Funds

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

General Fund—The General Fund is the general operating fund of a school district. It is used to account for all financial resources, except those required to be accounted for in another fund. Included are all transactions related to the current operating budget.

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

School Service Funds—School Service Funds are used to segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. A school district maintains full control of these funds. The School Service Funds maintained by the District are the Special Education Special Revenue Fund and the Vocational Education Special Revenue Fund.

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

4. Budgets and Budgetary Accounting

State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act) requires that the General Fund of a school district be under budgetary control and that both budgeted and actual financial results do not incur a deficit. Gogebic-Ontonagon Intermediate School District has also adopted budgets for its Special Revenue Funds. A school district's General Appropriations Resolution (the "budget") must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from a district's budget may occur without a corresponding amendment to the budget.

A school district has the ability to amend the budget provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year end. A school district may also permit the chief administrative or fiscal officer to execute transfers between line items, within defined dollar or percentage limits, without prior approval of the Board of Education. Expenditures may not legally exceed budgeted appropriations at the function level. All appropriations lapse at the end of the fiscal year.

Gogebic-Ontonagon Intermediate School District utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- Starting in the spring, District administrative personnel and department heads work with the Superintendent and Director of Business and Finance to establish proposed operating budgets for the fiscal year commencing the following July 1.

- In June, preliminary operating budgets are submitted to the Board of Education. These budgets include proposed expenditures and the means of financing them.

- Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budgets.

- After the budgets are finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.

- The original General and Special Revenue Fund budgets were amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act).

- Budgets for the General and Special Revenue Funds were adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

5. Encumbrances

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

6. Investments

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

7. Inventories and Prepaid Items

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

8. Capital Assets

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

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

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

Land improvements	20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 10 years

9. Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported at the total amount of bonds issued.

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

10. Early Retirement Incentive and Compensated Absences

Early retirement incentive and compensated absences, including accumulated sick and vacation pay, at June 30, 2023 have been computed and recorded in the basic financial statements of the District. Employees who leave the District are entitled to reimbursement for a portion of their unused vacation and sick days. At June 30, 2023, the accumulated liabilities, including salary related payments, for early retirement incentive and compensated absences amounted to $36,000 and $112,945, respectively.

11. Retirement Plan

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

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

12. Postemployment Benefits Other Than Pensions

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

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

13. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has two such items that qualify for reporting in this category: the deferred outflows of resources relating to the recognition of net pension liability on the financial statements and the deferred outflows of resources relating to the recognition of the net OPEB liability on the financial statements.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will *not* be recognized as in inflow of resources (revenue) until that time. The District has two types of items that qualifies for reporting in this category: the deferred inflows of resources relating to the recognition of net pension liability on the financial statements and the deferred inflows of resources relating to the recognition of net OPEB liability on the financial statements.

14. Net Position

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

15. Fund Balance

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

- Nonspendable – resources that cannot be spent because they are either (a) not in spendable form (inventories and prepaid amounts) or (b) legally or contractually required to be maintained intact (the principal of a permanent fund).

- Restricted – resources that cannot be spent because of (a) constraints externally imposed by creditors (debt covenants), grantors, contributors, or laws or regulations or (b) imposed by law through constitutional provisions or enabling legislation and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

- Committed – resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority (Board of Education). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified uses by taking the same type of action it employed to previously commit those amounts.

- Assigned – resources that are constrained by the government's *intent* to be used for specific purposes but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body or official to which the governing body has designated the authority to assign amounts to be used for specific purposes.

- Unassigned – unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

As of June 30, 2023, Gogebic-Ontonagon Intermediate School District had not established a policy for its use of unrestricted fund balance amounts; it considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

16. Interfund Activity

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

17. Estimates

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

Note B – Cash Equivalents and Investments

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

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally charted bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this state under the laws of this state or the United States.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- United States government or Federal agency obligation repurchase agreements.
- Banker’s acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a school district in Michigan.
- Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district in Michigan.

Cash Equivalents and Investments

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

Statement of Net Position:	
Governmental activities	$ 15,702,520

Cash Equivalents

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

1. Incredible Bank

Cash equivalents consist of bank public funds checking accounts.

June 30, 2023 balances are detailed as follows:

Cash equivalents	$ 1,730,641

Custodial Credit Risk Related to Bank Deposits
Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to the District. Protection of District deposits is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the District's cash equivalents was $1,730,641 and the bank balance was $1,825,113. Of the bank balance, $1,275,587 was covered by federal depository insurance and $549,526 was uninsured and uncollateralized.

Investments

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

Governmental activities:	
Michigan Liquid Asset Fund Plus (MILAF+) – Cash Management	$ 4,673
Michigan Liquid Asset Fund Plus (MILAF+) – MAX Class	13,967,206
	$ 13,971,879

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

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

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

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

Concentration of Credit Risk
The District minimizes concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The District's investment policy places no restrictions on the amount or percentage that may be invested in any one type of security. Excluding U.S. Government guaranteed investments, and mutual fund and pooled investments, no single investment exceeded 5% of total investments at June 30, 2023.

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

Note C – State School Aid/Property Taxes

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

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a State-wide formula. The foundation allowance is funded from a combination of State and local sources. Revenues from State sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenues in accordance with State law and accounting principles generally accepted in the United States of America. These State revenues pass through to Michigan school districts in the form of a per pupil "Foundation Allowance" paid on a "blended count" of District pupil membership in February 2022 and October 2022.

The District also receives revenue from the State to administer certain "categorical" education programs. State rules require that revenue earmarked for those programs be used for each program's specific purpose. Certain categorical funds require an accounting to the State of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

Gogebic-Ontonagon Intermediate School District's State Aid pupil membership was 56 generating $11,434,823 in "categorical" state aid payments for 2022-23 of which $941,725 was paid to the District in July and August 2023 and included in "Due From Other Governmental Units" of the General Fund, Special Education Special Revenue Fund, and Vocational Education Special Revenue Fund of the District.

Property taxes for the District are levied on July 1 and December 1 (the tax lien date) by the Counties of Gogebic, Houghton, and Ontonagon and are due 75 days after levy dates. The taxes are then collected by each governmental unit and remitted to the District.

As Gogebic-Ontonagon Intermediate School District electors had previously (November 2020) approved an operating millage extension, the 0.3183 property tax millage was levied in the District for 2023.

The District levied 2.2821 and 0.9921 mills for special and vocational education purposes in 2023, respectively, applied on all taxable property in the District.

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

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

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

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

For the year ended June 30, 2023, the District's property tax revenues were not reduced by any IFE certificates.

Note D – Interfund Receivables/Payables and Transfers

Amounts due from (to) other funds, representing interfund receivables and payables for year-end expenditure allocations not reimbursed at June 30, 2023, are detailed as follows:

	Due From	Due To
Major Funds		
General Fund:		
Special Revenue Funds:		
Special Education	$ 14,793	$ 133,815
Vocational Education	2,076	17,181
Special Revenue Funds:		
Special Education:		
General Fund	133,815	14,793
Total Major Funds	150,684	165,789
Nonmajor Fund		
Special Revenue Funds:		
Vocational Education:		
General Fund	17,181	2,076
Total All Funds	$ 167,865	$ 167,865

No amounts were transferred between funds for the year ended June 30, 2023.

Note E – Capital Assets

	Balances July 1, 2022	Additions	Deductions	Balances June 30, 2023
Capital assets not being depreciated:				
Land	$ 42,500	$ -	$ -	$ 42,500
Capital assets being depreciated:				
Land improvements	23,795	$ -	$ -	23,795
Buildings and improvements	956,809	38,498	-	995,307
Furniture and equipment	806,902	16,899	-	823,801
Vehicles	252,072	61,015	-	313,087
Total capital assets being depreciated	2,039,578	$116,412	$ -	2,155,990
Less accumulated depreciation for:				
Land improvements	11,219	$ 434	$ -	11,653
Buildings and improvements	510,888	32,293	-	543,181
Furniture and equipment	780,179	14,107	-	794,286
Vehicles	106,614	41,671	-	148,285
Total accumulated depreciation	1,408,900	$ 88,505	$ -	1,497,405
Total capital assets being depreciated, net	630,678			658,585
Net Capital Assets	$ 673,178			$ 701,085

Depreciation expense for the District was $88,505. The District determined that it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.

Note F – Long-term Obligations

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

	Debt Outstanding July 1, 2022	Debt Added	Debt Retired	Debt Outstanding June 30, 2023
Compensated absences *	$ 116,979	$ -	$ 4,034	$ 112,945
Early retirement incentive	18,000	36,000	18,000	36,000
	$ 134,979	$ 36,000	$ 22,034	$ 148,945

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

Long-term obligations at June 30, 2023 are comprised of the following:

	Outstanding Balance	Amount Due Within One Year
Compensated absences	$ 112,945	$ -
Early retirement incentive - contractual	36,000	36,000
	$ 148,945	$ 36,000

Note G – Retirement Plan

Plan Description

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

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

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

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

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements based on when the employee became a member. The age and service requirements range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years. Early retirement is computed in the same manner as a regular pension but is permanently reduced by .50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age. Certain employees have the option to participate in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

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

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

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

Contributions and Funded Status

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

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

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

Pension Contribution Rates:

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

The District's contributions to MPSERS under all pension plans for the year ended June 30, 2023, inclusive of the MSPERS UAAL Stabilization, totaled $1,476,977.

Proportionate Share of Reporting Unit's Net Pension Liability

At June 30, 2023, the District reported a liability of $14,690,808 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2021. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the System during the measurement period by the percent of the pension contributions required from all applicable employers during the measurement period. At September 30, 2022, the District's proportion was 0.03906224%, which was an increase from 0.03377623% at September 30, 2021.

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

For the year ended June 30, 2023, the District recognized pension expense of $2,396,839. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 146,959	$ 32,847
Changes of assumptions	2,524,407	—
Net difference between projected and actual earnings on pension plan investments	34,450	—
Changes in proportion and differences between District contributions and proportionate share of contributions	1,843,631	35,274
District contributions subsequent to the measurement date*	1,386,297	—
Total	$ 5,935,744	$ 68,121

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

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

Years Ending June 30	Amount
2024	$ 1,392,796
2025	1,171,973
2026	934,339
2027	982,218

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

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

Notes:

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

- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [4.3922 for non-university employers].

- Recognition period for assets in years: 5.0000.

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

Long-Term Expected Rate of Return on Investments

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

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.1%
Private Equity Pools	16.0%	8.7%
International Equity Pools	15.0%	6.7%
Fixed Income Pools	13.0%	(0.2)%
Real Estate and Infrastructure Pools	10.0%	5.3%
Absolute Return Pools	9.0%	2.7%
Real Return/Opportunistic Pools	10.0%	5.8%
Short-term Investment Pools	2.0%	(0.5)%
Total	**100.0%**	

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

Rate of Return

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

Discount Rate

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

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

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

	1% Decrease 5.0%	Current Single Discount Rate Assumption 6.0%	1% Increase 7.0%
District's proportionate share of the net pension liability	$ 19,386,409	$ 14,690,808	$ 10,821,422

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

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

Payables to the Michigan Public School Employees' Retirement System (MPSERS)

Payables to the pension plan totaling $193,465 at June 30, 2023 arise from the normal legally required contributions based on the accrued salaries payable at year end, expected to be liquidated with expendable available financial resources.

Note H – Other Postemployment Benefits

Plan Description

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

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

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

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

Benefits Provided

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

Retiree Healthcare Reform of 2012

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

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

Contributions and Funded Status

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

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

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

OPEB Contribution Rates:

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

Required contributions to the OPEB plan from the District were $312,897 for the year ended June 30, 2023.

Proportionate Share of Reporting Unit's Net OPEB Liability

At June 30, 2023, the District reported a liability of $883,456 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2021. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the System during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2022, the District's proportion was 0.04171055%, which was an increase from 0.03604117% at September 30, 2021.

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

For the year ended June 30, 2023, the District recognized an OPEB credit of $214,759. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ —	$ 1,730,351
Changes of assumptions	787,452	64,119
Net difference between projected and actual earnings on OPEB plan investments	69,049	—
Changes in proportion and differences between District contributions and proportionate share of contributions	597,599	10,004
District contributions subsequent to the measurement date*	276,040	—
Total	$ 1,730,140	$ 1,804,474

* This amount, reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024.

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

Years Ending June 30	Amount
2024	$ (200,728)
2025	(160,062)
2026	(131,477)
2027	84,968
2028	44,647
Thereafter	12,278

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

Valuation Date:	September 30, 2021
Actuarial Cost Method:	Entry Age, Normal
Asset Valuation Method:	Fair Value
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.00% net of investment expense
Projected Salary Increases:	2.75% - 11.55%, including wage inflation of 2.75%
Healthcare Cost Trend Rate:	Pre-65 - 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 Post-65 – 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120
Mortality:	
Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Disabled Retirees:	RP-2014 Male and Female Disabled Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Other Assumptions:

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

Notes:

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

- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [6.2250 for non-university employers].

- Recognition period for assets in years: 5.0000.

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

Long-Term Expected Rate of Return on Investments

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

Investment Category	**Target Allocation**	**Long-term Expected Real Rate of Return***
Domestic Equity Pools	25.0%	5.1%
Private Equity Pools	16.0%	8.7%
International Equity Pools	15.0%	6.7%
Fixed Income Pools	13.0%	(0.2)%
Real Estate and Infrastructure Pools	10.0%	5.3%
Absolute Return Pools	9.0%	2.7%
Real Return/Opportunistic Pools	10.0%	5.8%
Short-term Investment Pools	2.0%	(0.5)%
Total	**100.0%**	

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

Rate of Return

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

Discount Rate

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

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

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

	1% Decrease 5.0%	Current Discount Rate 6.0%	1% Increase 7.0%
District's proportionate share of the net OPEB liability	$ 1,481,912	$ 883,456	$ 379,481

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

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	$ 369,949	$ 883,456	$ 1,459,877

OPEB Plan Fiduciary Net Position

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

Payables to the OPEB Plan

Payables to the OPEB plan totaling $25,873 at June 30, 2023 arise from the normal legally required contributions based on the accrued salaries payable at year end, expected to be liquidated with expendable available financial resources.

Note I – Risk Management and Employee Benefits

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

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

Note J – Stewardship, Compliance and Accountability

The District has an unrestricted net position deficit of $8,040,527 and a total net position deficit of $3,372,230, as of June 30, 2023. These deficit net positions result primarily from the net pension liability of $8,823,185, and net OPEB liability of $957,790 (net of deferred outflows and inflows of resources related to the pension and OPEB plans).

Note K – New Accounting Pronouncements Adopted

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

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

REQUIRED SUPPLEMENTARY INFORMATION

GOGEBIC-ONTONAGON INTERMEDIATE SCHOOL DISTRICT
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2023

	Year Ended June 30, 2023	Year Ended June 30, 2022	Year Ended June 30, 2021
District's proportion of the net pension liability	0.03906224%	0.03377623%	0.03055000%
District's proportionate share of the net pension liability	$ 14,690,808	$ 7,996,662	$ 10,493,876
District's covered-employee payroll	$ 4,092,497	$ 3,275,929	$ 2,797,673
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	358.97%	244.10%	375.09%
Plan fiduciary net position as a percentage of the total pension liability	60.77%	72.60%	59.72%

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

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

See accompanying notes to required supplementary information.

Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015
0.02939000%	0.02933000%	0.03007000%	0.02848000%	0.02759000%	0.02556000%
$ 9,735,593	$ 8,996,446	$ 7,791,941	$ 7,105,168	$ 6,740,638	$ 5,629,069
$ 2,579,727	$ 2,517,666	$ 2,605,583	$ 2,541,774	$ 2,360,235	$ 2,211,583
377.39%	357.33%	299.05%	279.54%	285.59%	254.53%
60.31%	32.36%	64.21%	63.27%	63.17%	66.20%

GOGEBIC-ONTONAGON INTERMEDIATE SCHOOL DISTRICT
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net OPEB Liability
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2023

	Year Ended June 30, 2023	Year Ended June 30, 2022	Year Ended June 30, 2021
District's proportion of the net OPEB liability	0.04171055%	0.03604117%	0.03159000%
District's proportionate share of the net OPEB liability	$ 883,456	$ 550,124	$ 1,692,247
District's covered-employee payroll	$ 4,092,497	$ 3,275,929	$ 2,797,673
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	21.59%	16.79%	60.49%
Plan fiduciary net position as a percentage of the total OPEB liability	83.09%	87.33%	59.44%

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

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

See accompanying notes to required supplementary information.

Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018
0.02950000%	0.02958000%	0.02997000%
$ 2,117,775	$ 2,351,588	$ 2,653,581
$ 2,579,727	$ 2,517,666	$ 2,605,583
82.09%	93.40%	101.84%
48.46%	42.95%	36.39%

GOGEBIC-ONTONAGON INTERMEDIATE SCHOOL DISTRICT
Required Supplementary Information
Schedule of District Pension Contributions
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2023

	Year Ended June 30, 2023	Year Ended June 30, 2022	Year Ended June 30, 2021	Year Ended June 30, 2020
Contractually required contribution	$ 1,476,977	$ 1,257,022	$ 1,003,503	$ 830,894
Contributions in relation to the contractually required contribution	1,476,977	1,257,022	1,003,503	830,894
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 3,986,501	$ 3,884,871	$ 3,108,395	$ 2,697,171
Contributions as a percentage of covered employee payroll	37.05%	32.36%	32.28%	30.81%

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

See accompanying notes to required supplementary information.

Year Ended June 30, 2019	Year Ended June 30, 2018	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015
$ 742,034	$ 758,531	$ 703,223	$ 657,298	$ 509,878
742,034	758,531	703,223	657,298	509,878
$ -	$ -	$ -	$ -	$ -
$ 2,523,211	$ 2,535,065	$ 2,370,010	$ 2,516,154	$ 233,587
29.41%	29.92%	25.76%	26.12%	21.88%

GOGEBIC-ONTONAGON INTERMEDIATE SCHOOL DISTRICT
Required Supplementary Information
Schedule of District OPEB Contributions
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2023

	Year Ended June 30, 2023	Year Ended June 30, 2022	Year Ended June 30, 2021
Contractually required contribution	$ 312,897	$ 300,552	$ 260,883
Contributions in relation to the contractually required contribution	312,897	300,552	260,883
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 3,986,501	$ 3,884,871	$ 3,108,395
Contributions as a percentage of covered employee payroll	7.85%	7.74%	8.39%

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

See accompanying notes to required supplementary information.

Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018
$ 218,358	$ 172,671	$ 184,983
218,358	172,671	184,983
$ -	$ -	$ -
$ 2,697,171	$ 2,523,211	$ 2,535,065
8.10%	6.84%	7.30%

Note A – Net Pension Liability and Contributions

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

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

Note B – Net OPEB Liability and Contributions

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

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

SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

GOGEBIC-ONTONAGON INTERMEDIATE SCHOOL DISTRICT
Vocational Education Special Revenue Fund
Balance Sheet
June 30, 2023

	2023
Assets	
Cash equivalents and investments	$ 717,233
Due from other funds	17,181
Due from other governmental units	143,258
Total Assets	$ 877,672
Liabilities and Fund Balances	
Liabilities	
Accounts payable	$ 23,377
Due to other funds	2,076
Due to other governmental units	17,209
Accrued payroll liabilities	20,456
Salaries payable	34,309
Unearned revenue	145,674
Total Liabilities	243,101
Fund Balances	
Assigned	37,651
Restricted	596,920
Total Fund Balances	634,571
Total Liabilities and Fund Balances	$ 877,672

GOGEBIC-ONTONAGON INTERMEDIATE SCHOOL DISTRICT
Vocational Education Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
June 30, 2023

	Vocational Education
Revenues	
Local sources:	
Property taxes	$ 914,490
Interest earnings	31,237
Other local sources	10,688
Total local sources	956,415
Non-educational sources	38,498
State sources	265,926
Federal sources	120,739
Total Revenues	1,381,578
Expenditures	
Current:	
Instruction	642,006
Supporting services	557,921
Interdistrict	72,443
Total Expenditures	1,272,370
Net Change in Fund Balances	109,208
Fund Balances, Beginning of Year,	525,363
Fund Balances, End of Year	$ 634,571

GOGEBIC-ONTONAGON INTERMEDIATE SCHOOL DISTRICT
Vocational Education Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2023

	Budget	Actual	Variance
Revenues			
Local sources	$ 949,460	$ 956,415	$ 6,955
Non-educational sources	38,498	38,498	-
State sources	251,993	265,926	13,933
Federal sources	120,739	120,739	-
Total Revenues	1,360,690	1,381,578	20,888
Expenditures			
Current:			
Supporting services	1,254,980	1,199,927	55,053
Payments to other public schools	72,443	72,443	-
Total Expenditures	1,327,423	1,272,370	55,053
Net Change in Fund Balances	33,267	109,208	(75,941)
Fund Balances, Beginning of Year	525,363	525,363	-
Fund Balances, End of Year	$ 558,630	$ 634,571	$ (75,941)