ISHPEMING PUBLIC SCHOOL DISTRICT NO. 1
ISHPEMING, MICHIGAN

AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Ishpeming Public School District No. 1
319 E. Division Street
Ishpeming, Michigan 49849

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 Ishpeming Public School District No. 1 (the School District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2022, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 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 School District's basic financial statements. The accompanying Other Supplemental Information, as listed in the table of contents, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplemental Information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2022, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Anderson, Tackman & Company, PLC
Certified Public Accountants

October 28, 2022

Our discussion and analysis of Ishpeming Public School District No. 1 (School District) financial performance provides an overview of the School District's financial activities for the year ended June 30, 2022. Please read it in conjunction with the financial statements, which begin as listed in the table of contents.

FINANCIAL HIGHLIGHTS

- Net position for the School District as a whole was reported at ($4,477,344). Net position is comprised of 100% governmental activities.

- During the year, the School District expenses were $10,907,349, while revenues from all sources totaled $12,309,808, resulting in an increase in net position of $1,402,459.

- The General Fund reported a net increase of $797,351. This is $646,244 more than the forecasted increase of $151,107. This was a result of revenues being $499,112 more than forecasted, expenses being $160,271 less than forecasted, other financing sources being $2,261 more than forecasted, and other financing uses being $15,400 more than forecasted.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District financially as a whole. The *District-wide Financial Statements* Statement of Net Position and the Statement of Activities, as listed in the table of contents, provide information about the activities the School District as a whole and present a longer-term view of those finances. The fund financial statements present the next level of detail and start as listed in the table of contents. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. The fund financial statements also report the School District's operations in more detail than the district-wide statements by providing information about the School District's most significant funds, as listed in the notes to the financial statements, with all other funds presented in one column as non-major funds. The remaining statement, the statement of fiduciary net position, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Reporting the School District as a Whole – *District-wide Financial Statements*

Our analysis of the School District as a whole begins below. One of the most important questions asked about the School District's finances is "As a whole, what is the School District's financial condition as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the School District as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net position and changes in it. The School District's net position – the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources – is one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net position – as reported in the Statement of Activities – is an indicator of whether its financial health *is* improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as private-sector companies do.

One must consider other non-financial factors, such as the quality of education provided, the safety of the schools and the condition of the School District's capital assets, to assess the overall financial health of the School District.

The Statement of Net Position and Statement of Activities report the governmental activities for the School District, which encompass all the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

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

Our analysis of the School District's major funds begins on the pages below. The fund financial statements begin as listed in the table of contents and provide detailed information on the most significant funds – not the School District as a whole. Some funds are required to be established by State law, and by bond covenants. However, the School District's Board of Education has established other funds to help it control and manage money for particular purposes. The School District has only governmental funds which use the following accounting method.

Governmental Fund Types

- *Governmental Funds* – All of the School District's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.

Proprietary Fund Types

- *Internal Service Funds*: Internal Service Funds are used to account for the financing of services provided by one department to another department within the governmental entity. The School District's Internal Service Fund pays for various retirement benefits through user charges.

The School District as Trustee – Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for the Scholarship Trust Fund. All of the School District's fiduciary activities are reported in separate statements of fiduciary net position. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

The School District as a Whole

Table 1 provides a summary of the School District's net position as of June 30, 2022 and 2021:

Table 1
Net Position

	Governmental Activities – 2022	Governmental Activities – 2021
Current and other assets	$11,454,782	$7,961,360
Capital assets, net	11,761,668	12,249,956
Total Assets	23,216,450	20,211,316
Deferred outflows of resources	3,210,207	4,049,182
Current liabilities	1,884,282	2,172,403
Long-term liabilities	22,486,777	25,153,771
Total Liabilities	24,371,059	27,326,174
Deferred inflows of resources	6,532,942	2,814,127
Net Position:		
Net investment in capital assets	3,880,887	3,919,961
Restricted	6,898,068	4,586,007
Unrestricted	(15,256,299)	(14,385,771)
Total Net Position	($4,477,344)	($5,879,803)

The School District's net position was ($4,477,344) at June 30, 2022. Net investment in capital assets of $3,880,887, compares the original cost, less depreciation of the School District's capital assets to long-term debt, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net position for day-to-day operations. There is an unrestricted net position balance of ($15,256,299).

The ($15,256,299) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net position for fiscal years 2022 and 2021.

Table 2
Statement of Activities

	Governmental Activities – 2022	Governmental Activities – 2021
Revenues:		
Program Revenues:		
Charges for services	$369,807	$240,148
Operating grants and contributions	5,096,379	3,433,267
General Revenues:		
Property taxes	2,171,955	2,137,525
State sources not restricted to specific program	4,454,655	4,563,819
Investment earnings	123,009	401,582
Gain (loss) on sale of capital assets	-	-
Miscellaneous	94,003	81,742
Total Revenues	12,309,808	10,858,083
Program Expenses:		
Instruction	4,368,255	5,123,168
Supporting services	4,414,981	3,218,162
Community services	115,880	76,463
Food services	252,519	243,371
School activities	330,330	217,620
Payments to other governmental agencies	-	-
Interest on long-term debt	363,408	284,725
Facilities acquisition	209,087	18,066
Depreciation – unallocated	852,889	829,692
Total Expenses	10,907,349	10,011,267
Increase (decrease) in net position	1,402,459	846,816
Net position, beginning	(5,879,803)	(6,373,220)
Prior period adjustments	-	(353,399)
Net position, beginning, as restated	(5,879,803)	(6,726,619)
Net Position, Ending	($4,477,344)	($5,879,803)

As reported in the Statement of Activities, the cost of all of our governmental activities this year was $10,907,349. Certain activities were partially funded from those who benefited from the programs $369,807 or by other governments and organizations that subsidized certain programs with grants and contributions $5,096,379. We paid for the remaining "public benefit" portion of our governmental activities with $2,171,955 in property taxes, $4,454,655 in State Aid, and with our other revenues, such as interest and general entitlements.

The School District experienced an increase in net position for the year of $1,402,459.

Key reasons for the change in net position were as follows:

- Net change in governmental fund balances of $3,640,124.
- Depreciation charged to expense of ($852,889).
- Purchase of capital assets in the amount of $364,601.
- Net book value of disposed assets of $-0-.
- Proceeds from borrowing totaling ($3,993,725).
- Principal payment on debt in the amount of $791,912.
- Amortization of deferred gain on defeased bonds of $8,572.
- Amortization of deferred amounts on debt of $4,895.
- Change in accrued interest of ($17,440).
- Change in pension expense of $535,855.
- Change in OPEB expense of $755,270.
- Activity from internal service funds of $165,284

Table 3 presents the cost of each of the School District's largest activities as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the School District's operation.

Table 3
Governmental Activities

	Total Cost of Services	Net Cost (Benefit) of Services
Instruction	$4,368,255	($120,198)
Supporting services	4,414,981	3,765,681
Food services	252,519	(75,914)

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

The School District's Funds

As noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed the year, its governmental funds (as presented in the balance sheet as listed on the table of contents) reported a combined fund balance of $9,480,108, an increase of $3,640,124 from the beginning of the year. A majority of the increase has to do with the School District issuing bonds in March 2022. The bond sold for a premium, which infused the School District with $3,899,336 in cash for various building renovation projects. At the end of the fiscal year only a fraction of the proceeds were spent, which left an increase in the new 2022 Bond Capital Project Fund. The General Fund saw an increase in fund balance of $797,351 during the current year which is discussed in further detail below. At the end of the fiscal year the School District transferred the Pat Potter Scholarship account to a 3rd party to administer and as such the Scholarship Fund shows a significant decrease in fund balance of $1,427,616 during the year.

Non-major governmental funds saw a change in fund balance of $678,319. This mostly related to the General Fund transferring $500,000 to create a new Capital Projects Fund in the current year. Additionally, property taxes in the Debt Service Fund and Sinking Fund were greater than expenditures by $44,001 and $108,311, respectively. Non-major Special Revenue Funds had increases in Food Service Fund of $41,912, School Activities Fund of $105,961 and the Auditorium Fund of $892, which was offset by a decrease in the Special Needs Fund of $123,061.

In accordance with the requirements of the School Meals Program if the School Lunch Fund is determined to have an Excess Fund Balance the School District will be required to spend down the funds for the benefit of the School Meals Program. At June 30, 2022, fund balance in the School Lunch is $129,880 with an Allowable Fund Balance of $84,173 (as determine by taking total program costs not including capital outlay, divided by nine (9) months and multiplied by three (3) months). Accordingly, the School District has adopted a fiscal year 2022-2023 budget that will spend down some of the excess fund balance.

General Fund Budgetary Highlights

Over the course of the year, the School District's Board revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

Changes to the General Fund original budget occurred during the annual budget reviews in February and June 2022.

BUDGETED REVENUES

General Fund revenues changed from original to final budget during the year as follows:

	Revenues		Increase (Decrease)	
	Original Budget	Final Budget	Amount	Percentage
Total revenues	$8,114,124	$9,777,847	$1,663,723	20.50%

The original budget conservatively anticipated an increase in the foundation allowance and a reduction by 17 students. It also did not account for the full estimated allocation of Elementary and Secondary School Emergency Relief (ESSER) Funds.

BUDGETED EXPENDITURES

General Fund expenditures changed from the original to final budget during the year as follows:

	Expenditures		Increase (Decrease)	
	Original Budget	Final Budget	Amount	Percentage
Total expenditures	$8,681,196	$9,062,286	$381,090	4.39%

General Fund budgeted original to final expenditures increased are due to a number of factors, the most significant factor was the addition of the Committed to Work Stipend given to all staff members.

ACTUAL REVENUES

The General Fund actual revenues differed from the final budget as follows:

	Revenues		Variance Positive / (Negative)	
	Final Budget	Actual	Amount	Percentage
Total revenues	$9,777,847	$10,276,959	$499,112	5.10%

Total actual revenues came in higher than the final forecast budgeted due to unanticipated changes in state and federal funding as well as a clerical error when inputting the final budget amendments.

ACTUAL EXPENDITURES

General Fund actual expenditures differed from the final budget as follows:

	Expenditures		Variance Positive / (Negative)	
	Final Budget	Actual	Amount	Percentage
Total expenditures	$9,062,286	$8,902,015	$160,271	1.77%

Actual expenditures as compared to the final budget were less due to decreased spending on basic instructional programs.

Enrollment

The School District's 2021-2022 State aid blended membership enrollment from the fall count totaled 672. This is a decrease of 14 students from the previous year. The School District has been declining in enrollment for several years and projects the decline to continue in coming years.

Enrollment changes over the last five years can be illustrated as follows:

Fiscal Year	Student FTE (Fall Count)	Increase (Decrease)
2021-2022	672	(14)
2020-2021	686	(39)
2019-2020	725	(37)
2018-2019	762	(27)
2017-2018	789	(10)

Student enrollment is important to the financial health of the School District because state funding is based on a per pupil formula.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2022, the School District had $11,761,668 invested in a variety of capital assets including land, construction in progress, land improvements, buildings and improvements, machinery and equipment, and buses and other vehicles. (See Table 4 below)

Table 4
Capital Assets at Year-End
(Net of depreciation)

	Governmental Activities – 2022	Governmental Activities – 2021
Land	$64,301	$64,301
Construction in progress	200,498	50,576
Land improvements	521,571	588,054
Buildings and improvements	10,698,071	11,245,973
Equipment	47,902	54,885
Buses and other vehicles	229,325	246,167
Total	$11,761,668	$12,249,956

This year's additions were $364,601, which included the purchase of a new school bus, completion of the science lab, and beginning of construction related to the 2022 Bond projects, which include replacing the auxiliary gymnasium floors among other things.

During the year the School District did not dispose of any assets.

For fiscal year 2022-2023 the School District intends on recycling three unused buses, purchasing one new bus, continuing the 2022 Bond projects, and replacing the boilers at the middle/high school.

Further information on capital assets can be found in the notes to the financial statements.

Debt

At the end of the fiscal year, the School District had $11,472,851 in bonds and notes outstanding as depicted in Table 5 below.

Table 5
Outstanding Debt at Year End

	Governmental Activities – 2022	Governmental Activities – 2021
Vehicle notes	$257,851	$255,374
General obligation bonds	11,215,000	8,065,000
Total	$11,472,851	$8,320,374

During the year the School District entered into an installment agreement for the purchase of a school bus in the amount of $94,389. Additionally, in March 2022, the School District issued building and site bonds with a face value of $3,850,000. The bonds sold at a premium of $49,336. The bonds were issued to finance various building improvements throughout the School District including renovations to the auxiliary gymnasium.

During the year the School District made principal payments on debt of $791,912.

Further information on debt can be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets

Our elected officials and administration consider many factors when setting the School District's fiscal year 2022-2023 budget. One of the most important factors affecting the budget is our student count and foundation allowance. Our original budget was based on a forecasted enrollment of 660 students for the 2022-2023 school year. The decline in student count paired with an increase in per pupil funding will result in an overall increase in revenue in the State foundation allowance. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil, the State has returned to the traditional 90/10 blend. We recognize if the reduced enrollments continue we will see a dramatic decrease in funding in future years.

The 2022-2023 fiscal year budget was adopted in June 2022, based on an estimate of students that will be enrolled in September 2022. Traditionally, approximately 70-75 percent of total General Fund revenues are from the foundation allowance. Under State law, the School District cannot assess additional property tax revenue for general obligations. As a result, the district funding is heavily dependent on the State's ability to fund local school operations. However, there has been a dramatic increase in Federal Revenue that is anticipated to continue through the 2022-2023 school year before expiring.

Since the State routinely determines the amount of foundation allowance in an untimely manner and often changes the amount mid-year, the revenue estimates do not become facts until the end of October – when an official pupil count is taken and verified. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget, if actual district resources are not sufficient to fund original appropriations.

Contacting the School District's Financial Management

This financial report is designated to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Ishpeming Public School District No. 1 Administration, 319 E. Division Street, Ishpeming, Michigan 49849.

Ishpeming Public School District No. 1

STATEMENT OF NET POSITION

June 30, 2022

	Governmental Activities
ASSETS	
Current Assets:	
Cash and cash equivalents	$ 7,230,193
Investments	2,528,038
Receivables:	
Accounts receivable	13,978
Due from other governmental units	1,609,437
Inventory	783
Prepaids	72,353
Non-current Assets:	
Capital assets:	
Land and construction in progress	264,799
Other capital assets, net	11,496,869
TOTAL ASSETS	23,216,450
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to proportionate share of net pension liability	992,814
District's contributions made subsequent to pension measurement date	1,282,650
Deferred outflows related to proportionate share of net OPEB liability	686,294
District's contributions made subsequent to OPEB measurement date	248,449
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,210,207
LIABILITIES	
Current Liabilities:	
Accounts payable	182,296
Accrued payroll and other liabilities	559,019
Accrued interest	68,467
Due to other governmental units	162,860
State aid notes payable	900,000
Unearned revenue	11,640
Non-current Liabilities:	
Due or payable within one year	
Notes payable	78,593
Bonds payable	695,000
Employee benefit obligations	15,400
Due or payable after one year	
Notes payable	179,258
Bonds payable	10,565,490
Employee benefit obligations	136,916
Proportionate share of net pension liability	10,148,645
Proportionate share of net OPEB liability	667,475
TOTAL LIABILITIES	24,371,059
DEFERRED INFLOWS OF RESOURCES	
Deferred gain on refunding bonds	-
Deferred inflows related to proportionate share of net pension liability	3,820,522
Deferred inflows related to proportionate share of net OPEB liability	2,712,420
TOTAL DEFERRED INFLOWS OF RESOURCES	6,532,942
NET POSITION	
Net investment in capital assets	3,880,887
Restricted	6,898,068
Unrestricted	(15,256,299)
TOTAL NET POSITION	$ (4,477,344)

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

Ishpeming Public School District No. 1

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2022

Function / Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:				
Instruction	$ 4,368,255	$ 319,165	$ 4,169,288	$ 120,198
Supporting services	4,414,981	47,142	602,158	(3,765,681)
Community services	115,880	-	-	(115,880)
Food services	252,519	3,500	324,933	75,914
School activities	330,330	-	-	(330,330)
Payments to other governmental agencies	-	-	-	-
Interest on retirement of debt	363,408	-	-	(363,408)
Facilities acquisition	209,087	-	-	(209,087)
Depreciation - unallocated	852,889	-	-	(852,889)
TOTAL GOVERNMENTAL ACTIVITIES	$ 10,907,349	$ 369,807	$ 5,096,379	(5,441,163)

General Revenues:	
Taxes	
Property taxes, levied for general purposes	1,025,107
Property taxes, levied for debt services	812,141
Property taxes, levied for building and site fund	334,707
State Aid not restricted to specific purposes	4,454,655
Interest and investment earnings	123,009
Gain (loss) on sale of capital assets	-
Miscellaneous	94,003
TOTAL GENERAL REVENUES	6,843,622
CHANGES IN NET POSITION	1,402,459
Net Position, July 1	(5,879,803)
NET POSITION, JUNE 30	$ (4,477,344)

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

Ishpeming Public School District No. 1

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2022

	General Fund	Special Revenue Scholarship Fund	Capital Projects 2022 Bond Fund	Non-major Governmental Funds	Total
ASSETS					
Cash and cash equivalents	$ 1,832,974	$ 148,064	$ 3,740,143	$ 1,350,153	$ 7,071,334
Investments	105,349	2,317,167	-	105,522	2,528,038
Receivables:					-
Accounts receivable	10,548	-	-	3,430	13,978
Due from other governmental units	1,564,976	-	-	44,461	1,609,437
Due from other funds	3,168	-	-	-	3,168
Inventory	-	-	-	783	783
Prepaids	59,334	-	-	13,019	72,353
TOTAL ASSETS	3,576,349	2,465,231	3,740,143	1,517,368	11,299,091
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 3,576,349	$ 2,465,231	$ 3,740,143	$ 1,517,368	$ 11,299,091
LIABILITIES					
Accounts payable	$ 34,223	$ -	$ 148,073	$ -	$ 182,296
Accrued liabilities	559,019	-	-	-	559,019
Due to other governmental units	162,860	-	-	-	162,860
Due to other funds	-	-	-	3,168	3,168
State aid notes payable	900,000	-	-	-	900,000
Unearned revenue	-	-	-	11,640	11,640
TOTAL LIABILITIES	1,656,102	-	148,073	14,808	1,818,983
DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-
FUND BALANCES					
Non-spendable	59,334	-	-	13,802	73,136
Restricted	142,221	2,465,231	3,592,070	625,410	6,824,932
Committed	-	-	-	363,045	363,045
Assigned	319,365	-	-	500,303	819,668
Unassigned	1,399,327	-	-	-	1,399,327
TOTAL FUND BALANCES	1,920,247	2,465,231	3,592,070	1,502,560	9,480,108
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 3,576,349	$ 2,465,231	$ 3,740,143	$ 1,517,368	$ 11,299,091

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

Ishpeming Public School District No. 1

GOVERNMENTAL FUNDS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

June 30, 2022

Total Fund Balances for Governmental Funds		$ 9,480,108
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 in the funds.		
Cost of capital assets	$ 35,057,458	
Accumulated depreciation	(23,295,790)	11,761,668
Proportionate share of net pension liability and related deferred outflows and inflows is not due and payable in the current period and is not reported in the funds.		
Deferred outflows related to proportionate share of net pension liability	992,814	
District's contributions made subsequent to pension measurement date	1,282,650	
Proportionate share of net pension liability	(10,148,645)	
Deferred inflows related to proportionate share of net pension liability	(3,820,522)	(11,693,703)
Proportionate share of net OPEB liability and related deferred outflows and inflows is not due and payable in the current period and is not reported in the funds.		
Deferred outflows related to proportionate share of net OPEB liability	686,294	
District's contributions made subsequent to OPEB measurement date	248,449	
Proportionate share of net OPEB liability	(667,475)	
Deferred inflows related to proportionate share of net OPEB liability	(2,712,420)	(2,445,152)
Internal service funds are used by the School District to charge individual funds the cost of retirement benefits. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.		6,543
Long-term liabilities are not due and payable in the current period and are not reported in the funds. Long-term liabilities at year-end consist of:		
Unamortized bond discount	3,120	
Accrued interest	(68,467)	
Notes payable - current portion	(78,593)	
Notes payable - long-term portion	(179,258)	
Bonds payable - current portion	(695,000)	
Bonds payable - long-term portion	(10,520,000)	
Unamortized bond premium	(48,610)	
Deferred gain on refunding bonds	-	(11,586,808)
Net Position of Governmental Activities		$ (4,477,344)

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

Ishpeming Public School District No. 1

GOVERNMENTAL FUNDS

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended June 30, 2022

	General Fund	Special Revenue Scholarship Fund	Capital Projects 2022 Bond Fund	Non-major Governmental Funds	Total
REVENUES:					
Local sources	$ 2,040,560	$ 109,642	$ 658	$ 1,597,616	$ 3,748,476
State sources	6,341,182	-	-	13,476	6,354,658
Federal sources	1,895,217	-	-	311,457	2,206,674
TOTAL REVENUES	10,276,959	109,642	658	1,922,549	12,309,808
EXPENDITURES:					
Current:					
Instruction	5,237,899	-	-	-	5,237,899
Supporting services	3,414,086	1,537,258	-	3,442	4,954,786
Community services	132,444	-	-	3,062	135,506
Food services	-	-	-	252,519	252,519
School activities	-	-	-	330,330	330,330
Debt Service:					
Principal	91,912	-	-	700,000	791,912
Interest	14,282	-	-	271,335	285,617
Issuance costs	5,258	-	64,260	4,300	73,818
Facilities acquisition	6,134	-	243,664	177,083	426,881
TOTAL EXPENDITURES	8,902,015	1,537,258	307,924	1,742,071	12,489,268
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,374,944	(1,427,616)	(307,266)	180,478	(179,460)
OTHER FINANCING SOURCES (USES):					
Proceeds from borrowing	94,389	-	3,850,000	-	3,944,389
Premium on bonds	-	-	49,336	-	49,336
Proceeds from sale of capital assets	-	-	-	-	-
Transfers in	2,159	-	-	500,000	502,159
Transfers (out)	(674,141)	-	-	(2,159)	(676,300)
TOTAL OTHER FINANCING SOURCES (USES)	(577,593)	-	3,899,336	497,841	3,819,584
NET CHANGE IN FUND BALANCES	797,351	(1,427,616)	3,592,070	678,319	3,640,124
Fund Balance, July 1, as restated	1,122,896	3,892,847	-	824,241	5,839,984
FUND BALANCE, JUNE 30	$ 1,920,247	$ 2,465,231	$ 3,592,070	$ 1,502,560	$ 9,480,108

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

Ishpeming Public School District No. 1

GOVERNMENTAL FUNDS

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2022

Net Change in Fund Balances - Total Governmental Funds		$ 3,640,124
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Depreciation expense	$ (852,889)	
Capital outlays	364,601	
Net book value of disposed assets	-	(488,288)
Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net position.		(3,993,725)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		791,912
Deferred gain/(loss) on refunding bonds is reported as revenue/(expenditure) in the governmental funds when incurred. However, for governmental activities it is shown in the statement of net position and amortized over the life of the bond.		
Amortized deferred gain on defeased bonds	8,572	8,572
Premium and discounts are recognized in the financial statements as other financing sources or uses but they are amortized over the term of the bonds in the government-wide financial statements.		
Amortized bond discount	(780)	
Amortized bond premium	5,675	4,895
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(17,440)
Change in proportionate share of net pension liability and net OPEB liability reported in the statement of activities does not require the use of current resources and therefore, is not reported in the fund statements until it is due for payment.		
Pension expense	535,855	
OPEB expense	755,270	1,291,125
Internal service funds are used by the School District to charge individual funds the cost of retirement benefits. The net expense of the funds is reported with governmental activities.		165,284
Change in Net Position of Governmental Activities		$ 1,402,459

Ishpeming Public School District No. 1

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

June 30, 2022

	Governmental Activities Internal Service Fund Employee Benefit Obligation Fund
ASSETS	
Current Assets:	
Cash and cash equivalents	$ 158,859
TOTAL ASSETS	158,859
DEFERRED OUTFLOWS OF RESOURCES	-
LIABILITIES	
Non-Current Liabilities:	
Portion due or payable within one year	
Employee benefit obligations	15,400
Portion due or payable after one year	
Employee benefit obligations	136,916
TOTAL LIABILITIES	152,316
DEFERRED INFLOWS OF RESOURCES	-
NET POSITION	
Unrestricted	6,543
TOTAL NET POSITION	$ 6,543

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

Ishpeming Public School District No. 1

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended June 30, 2022

	Governmental Activities Internal Service Fund Employee Benefit Obligation Fund
OPERATING REVENUES:	
Other	$ -
TOTAL OPERATING REVENUES	-
OPERATING EXPENSES:	
Retirement benefits	8,975
TOTAL OPERATING EXPENSES	8,975
OPERATING INCOME (LOSS)	(8,975)
NON-OPERATING REVENUES (EXPENSES):	
Interest income	118
INCOME (LOSS) BEFORE TRANSFERS	(8,857)
Transfers in	174,141
Transfers (out)	-
CHANGE IN NET POSITION	165,284
Net Position, July 1, as restated	(158,741)
NET POSITION, JUNE 30	$ 6,543

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

Ishpeming Public School District No. 1

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2022

	Governmental Activities Internal Service Fund Employee Benefit Obligation Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from other operating revenues	$ -
Cash payments to employees for services	(15,400)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(15,400)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Transfers in (out)	174,141
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	174,141
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on investments	118
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	118
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	158,859
Cash and cash equivalents, July 1	-
CASH AND CASH EQUIVALENTS, JUNE 30	$ 158,859
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	$ (8,975)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
Increase (decrease) in accrued liabilities	(6,425)
TOTAL ADJUSTMENTS	(6,425)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (15,400)

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

Ishpeming Public School District No. 1

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2022

	Private-Purpose Trust Fund Scholarship Trust Fund
ASSETS	
Cash and equivalents	$ 9,657
Investments	106,623
TOTAL ASSETS	116,280
DEFERRED OUTFLOWS OF RESOURCES	-
LIABILITIES	
Due to groups, organizations and activities	-
TOTAL LIABILITIES	-
DEFERRED INFLOWS OF RESOURCES	-
NET POSITION	
Held in trust for individuals, organizations, and other governments	116,280
TOTAL NET POSITION	$ 116,280

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

Ishpeming Public School District No. 1

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended June 30, 2022

	Private-Purpose Trust Fund
	Scholarship Trust Fund
ADDITIONS:	
Contributions:	
Gifts, bequests and endowments	$ 1,304
Total Contributions	1,304
Investment Income:	
Interest and dividends, net of investment expenses	(26,134)
Net Investment Income (Loss)	(26,134)
TOTAL ADDITIONS (DEDUCTIONS)	(24,830)
DEDUCTIONS:	
Payments in accordance with trust agreements	6,954
TOTAL DEDUCTIONS	6,954
CHANGE IN NET POSITION	(31,784)
Net position, beginning of year	148,064
NET POSITION, END OF YEAR	$ 116,280

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Ishpeming Public School District No. 1 (the School District) was organized in 1869. The School District operates under a Board-Superintendent form of government. The accounting policies of the School District conform to accounting principles generally accepted in the United States of America as applicable to school districts. The following is a summary of the more significant policies:

FINANCIAL REPORTING ENTITY

In evaluating how to define the School District, for financial reporting purposes, management has considered all potential component units by applying the criteria set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*. The basic but not the only criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the School District and/or its constituents, or whether the activity is conducted within the geographic boundaries of the School District and is generally available to its constituents. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financial relationships, regardless of whether the School District is able to exercise oversight responsibilities.

Based upon the application of the criteria described above, it has been determined that the Community Education Division of the Ishpeming, Negaunee, and NICE Community School Districts is considered a blended component unit of the School District and therefore is reported as part of the General Fund in the School District's financial statements.

BASIS OF PRESENTATION

District-Wide Financial Statements:
The Statement of Net Position and Statement of Activities display information about the School District as a whole. They include all funds of the School District except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through State sources, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. All of the School District's district-wide activities are considered to be governmental activities.

Fund Financial Statements:
The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures. The available

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

resources are allocated to and accounted for in the individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into two major fund categories: governmental and proprietary categories. An emphasis is placed on major funds within the governmental and proprietary categories. The General Fund is always considered a major fund and the remaining funds of the School District are considered major if it meets the following criteria:

a. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type; and

b. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

The School District reports the General Fund, Scholarship Fund, and 2022 Bond Capital Projects Fund as its major governmental funds in accordance with the above criteria. The funds of the School District are described below:

Governmental Fund Types

General Fund – The General Fund is the general operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special Revenue Funds are used to account for the activities of specific school service revenue sources such as the Scholarship Fund, Food Service Fund, School Activities Fund, Auditorium Fund, and Special Needs Fund.

Debt Retirement Funds – Debt Retirement Funds are used to record tax, state aid and interest revenue for the payment of general long-term debt principal, interest, and related costs.

Capital Projects Funds – Capital Projects Funds are used to record bond proceeds or other revenue to be used for the acquisition or construction of major capital facilities or other capital assets, including equipment.

Proprietary Funds

The focus of proprietary funds' measurement is upon the determination of operating income, changes in net position, financial position, and cash flows. The following is a description of the Proprietary Funds of the School District:

Internal Service Funds – Internal Service Funds are used to account for the financing of services provided by an activity to other departments, funds, or component units, if any, on a cost-reimbursement basis. The School District created an internal service fund to account for employee benefit obligations such as retirement and other termination benefits.

The School District's Internal Service Fund is presented in the Proprietary Funds' financial statements. Because the principal users of the services are the School District's governmental activities, the financial statements are consolidated into the governmental activities column when presented in the government-wide financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Fiduciary Fund Types

Private-Purpose Trust Fund – The Scholarship Trust Fund is a private-purpose trust fund used to account for assets held by the School District in a trustee capacity for the purpose of providing scholarships in accordance with the trust agreement. Under GASB 84, these trust funds qualify as a fiduciary activity because the graduates from the School District are the beneficiaries of these funds rather than the School District being the beneficiary.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the district-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resource measurement focus as defined in item (a) below. In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets, deferred outflows of resources, liabilities, and deferred inflows of resources are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.

Basis of Accounting

In the district-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Also, the proprietary fund financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used. Revenues, expenses, gains, losses, sets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures, including capital outlay, are recorded when the related liability is incurred, except for principal and interest on general long-term debt and accrued compensated absences, which are reported when due.

Cash and Cash Equivalents

The School District considers cash and cash equivalents to be cash on hand, demand deposits and certificates of deposit. The fair value measurement of investments is based on the hierarchy established by generally accepted accounting principles, which has three levels based on the valuation inputs used to measure an asset's fair value.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Investments

Investments are carried at market value.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Due From and To Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Inventory

The School District utilizes the consumption method of recording inventories of materials and food supplies. Under the consumption method, inventories are recorded as expenditures when they are used. The inventory is valued at the lower of cost (first-in, first-out) or market.

Capital Assets

Capital assets, which include land, construction in progress, land improvements, buildings, machinery and equipment, and vehicles, are reported in the applicable governmental activities' column in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than $5,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

Depreciation of all exhaustible capital assets is recorded as an unallocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Land improvements	10 – 20 years
Buildings and improvements	20 – 50 years
Equipment	5 – 10 years
Buses and other vehicles	5 – 10 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the district-wide financial statements.

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government reports the following in this category:

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

On the district-wide financial statements, changes in assumptions, differences between expected and actual experience and changes in proportion and differences between employer contributions and proportionate share of contributions for the pension and/or OPEB plan create a deferred outflow of resources.

On the district-wide financial statements, the School District's contributions made into the pension and/or OPEB plan subsequent to the plan's fiscal year end creates a deferred outflow of resources.

Long-Term Liabilities

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using straight-line amortization. Bonds payable are reported net of the applicable bond premium or discount.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. Premiums received on debt issuance are reported as other financing sources and bond discounts are reported as other financing uses.

Compensated Absences

The School District's policies regarding compensated absences permits employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the district-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

Pension

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

Postemployment Benefits Other Than Pensions

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. Investments are reported at fair value.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government reports the following in this category:

> On the district-wide financial statements, a deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. For district-wide financial statement purposes the amount of the gain on refunding bonds is deferred and amortized over the shorter of the life of the refunded or refunding debt using straight line amortization.
>
> On the district-wide financial statements, the net difference between projected and actual pension and/or OPEB plan investment earnings, differences between expected and actual experience, changes in assumptions and changes in proportion and differences between employer contributions and proportionate share of contributions create a deferred inflow of resources.

<u>Equity Classification</u>

District-Wide Statements

Equity is classified as net position and displayed in three components:

1. Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

2. Restricted Net Position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation. These amounts are derived from the fund financial statements by combining non-spendable and restricted fund balance classifications.

3. Unrestricted Net Position – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Governmental Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned, and unassigned, if appropriate.

<u>Revenues</u>

District-Wide Statements

In the district-wide Statement of Activities, revenues are segregated by activity, and are classified as either program revenue or general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues include all revenues, which do not meet the criteria of program revenues and include revenues such as State funding and interest earnings.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Fund Statements

In the governmental fund statements, revenues are reported by source, such as federal sources, state sources and charges for services. Revenues consist of general-purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is the School District's policy to use the restricted resources first.

Property Taxes

Property taxes are levied on July 1 on behalf of the School District by various taxing units and are payable without penalty by September 14. The School District recognizes property tax revenue when levied to the extent they result in current receivables (collected within sixty days of the end of the fiscal year.) Property taxes that are not collected within sixty days of the end of the fiscal year are recognized as revenue when collected.

Expenses/Expenditures

District-Wide Statements

In the district-wide Statement of Activities, expenses are segregated by activity (governmental or business-type) and are classified by function.

Fund Statements

In the governmental fund financial statements, expenditures are classified by character such as current operations, debt service and capital outlay.

Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the district-wide statements. Exceptions to this rule are (1) activities between funds reported as governmental activities and funds reported as business-type activities; and (2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets between funds without equivalent flows of assets in return or a requirement for repayment.

Interfund receivables and payables have been eliminated from the Statement of Net Position.

Budgets and Budgetary Accounting

The School District follows these procedures in establishing the budgetary data reflected in the financial statements.

a. The Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

b. Public hearings are conducted to obtain taxpayer comments.

c. Prior to July 1, the budget is approved by the Board of Education.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d. Budgets for all governmental fund types are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts are as approved and amended by the Board of Education.

e. All annual appropriations lapse at fiscal year-end.

Use of Estimates

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through October 28, 2022, the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

NOTE B – DEPOSITS AND INVESTMENTS:

Cash Equivalents

As of June 30, 2022, the School District's cash and cash equivalents and investments were reported in the basic financial statements in the following categories:

	Primary Government	Fiduciary Funds	Total
Cash and equivalents	$7,230,193	$9,657	$7,239,850
Investments	2,528,038	106,623	2,634,661
Total	$9,758,231	$116,280	$9,874,511

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. State law does not require, and the School District does not have, a deposit policy for custodial credit risk. The carrying amounts of the School District's deposits with financial institutions were $7,239,850 and the bank balance was $7,362,306. The bank balance is categorized as follows.

Amounts insured by FDIC	$413,627
Amount uncollateralized and uninsured	6,948,679
Total	$7,362,306

Investments

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active

NOTE B – DEPOSITS AND INVESTMENTS (Continued):

markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2022, the School District had the following investments:

	Level	Fair Value	Investment Maturities (in years) Less than 1	1-5	6-10	More than 10
Primary Government:						
MILAF Funds	2	$584,399	$584,399	$-	$-	$-
Mutual Funds	1	1,823,940	1,823,940	-	-	-
Equities	1	87,337	87,337	-	-	-
Fixed Income	1	58,222	58,222	-	-	-
Other	1	80,763	37,451	43,312	-	-
TOTAL		$2,634,661	$2,591,349	$43,312	$-	$-

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the School District’s investments The School District’s investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Michigan statutes authorize the School District to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers’ acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The School District’s investment policy does not further limit its investment choices. Ratings are not required for the School District’s investment in Michigan Liquid Asset Fund-Mutual Funds. The School District’s investments are in accordance with statutory authority.

Concentration of Credit Risk

The School District places no limit on the amount the School District may invest in any one issuer.

NOTE C – DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governmental units totaled $1,609,437. Of that balance, $1,131,947 is due from the State of Michigan for State Aid, $236,453 from governmental units for federal grants, and $241,037 is due from other governmental units for other programs/services.

NOTE D – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

The School District reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net position/balance sheet for governmental funds. Interfund transactions resulting in interfund receivables and payables are as follows:

DUE TO OTHER FUNDS	DUE FROM OTHER FUNDS: General Fund	Food Service Fund	Capital Projects Funds	Total Due To Other Funds
General Fund	$-	$-	$-	$-
Food Service Fund	3,168	-	-	3,168
Capital Projects Fund	-	-	-	-
Total Due From Other Funds	$3,168	$-	$-	$3,168

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

TRANSFERS OUT TO OTHER FUNDS	TRANSFERS IN FROM OTHER FUNDS: General Fund	Capital Projects Funds	Internal Service Fund	Total Transfers Out
General Fund	$-	$500,000	$174,141	$674,141
Food Service Fund	2,159	-	-	2,159
Capital Projects Funds	-	-	-	-
Total Transfers In	$2,159	$500,000	$174,141	$676,300

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE E – CAPITAL ASSETS:

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

	Balance 6/30/2021	Additions	Deductions	Balance 6/30/2022
Capital assets not being depreciated:				
Land	$64,301	$-	$-	$64,301
Construction in progress	50,576	200,498	(50,576)	200,498
Subtotal	114,877	200,498	(50,576)	264,799
Capital assets being depreciated:				
Land improvement	1,489,548	-	-	1,489,548
Buildings and improvements	30,158,251	120,290	-	30,278,541
Equipment	1,970,212	-	-	1,970,212
Buses and other vehicles	959,969	94,389	-	1,054,358
Subtotal	34,577,980	214,679	-	34,792,659
Total Capital Assets	34,692,857	415,177	(50,576)	35,057,458
Less accumulated depreciation:				
Land improvement	(901,494)	(66,483)	-	(967,977)
Buildings and improvements	(18,912,278)	(668,192)	-	(19,580,470)
Equipment	(1,915,327)	(6,983)	-	(1,922,310)
Buses and other vehicles	(713,802)	(111,231)	-	(825,033)
Total Accumulated Depreciation	(22,442,901)	(852,889)	-	(23,295,790)
CAPITAL ASSETS, NET	$12,249,956	($437,712)	($50,576)	$11,761,668

Depreciation expense charged to governmental activities was $852,889.

NOTE F – CONSTRUCTION IN PROGRESS:

During the current fiscal year, the School District began preliminary engineering and site work related to the 2022 Bond Capital Projects Fund renovation projects. Projects included in the 2022 Bond Capital Projects fund include, but are not limited to, replacement of various light fixtures, ceiling grids and tiles, floor finishes, and replacement of the auxiliary gym flooring and bleachers. As of June 30, 2022, costs for the project totaled $200,498 and are reported as construction in progress.

NOTE G – ACCRUED LIABILITIES:

A summary of accrued liabilities at June 30, 2022 is as follows:

Accrued wages		$384,909
Accrued fringes		173,025
Other accrued expenses		1,085
	Total	$559,019

NOTE H – SHORT-TERM DEBT:

The School District utilizes short-term borrowing secured with pledged state aid for cash flow purposes due to the timing of state aid payments. A summary of changes in short-term debt for the year ended June 30, 2022, is as follows:

NOTE H – SHORT-TERM DEBT (Continued):

	Balance June 30, 2021	Additions	Deductions	Balance June 30, 2022
State Anticipation Note:				
2020-2021	$1,340,000	$-	($1,340,000)	$-
2021-2022	-	900,000	-	900,000
Total	$1,340,000	$900,000	($1,340,000)	$900,000

The School District signed a State Aid Anticipation Note, secured by its State Aid payments from the Michigan Finance Authority. The State Anticipation Note has a face value of $900,000 at an interest rate of 0.12% with no set aside payments maturing August 20, 2022. The total amount of the principal and interest was payable in August 2022 but was subsequently renewed from August 2022 with a maturity of August 2023. This note was used for operations during the summer months. The outstanding principal and interest balance is carried as a current liability in the financial statements.

NOTE I – LONG-TERM DEBT:

A summary of long-term obligations at June 30, 2022, and transactions related thereto for the year then ended as follows:

	Balance 6/30/2021	Additions	Deductions	Balance 6/30/2022	Due Within One Year
GOVERNMENTAL ACTIVITIES:					
Notes Payable:					
Bus Installment, 7/15/2016	$16,877	$-	($16,877)	$-	$-
Bus Installment, 12/9/2016	16,282	-	(16,282)	-	-
Bus Installment, 8/15/2018	49,625	-	(15,976)	33,649	16,535
Plow Truck, 11/12/2019	21,687	-	(10,716)	10,971	10,971
Bus Installment, 7/23/2019	65,816	-	(15,675)	50,141	16,184
Bus Installment, 7/23/2020	85,087	-	(16,386)	68,701	16,696
Bus Installment, 7/15/2021	-	94,389	-	94,389	18,207
Total Notes Payable	255,374	94,389	(91,912)	257,851	78,593
Bonds Payable:					
2006 Serial Bonds	370,000	-	(65,000)	305,000	70,000
2014 Building and Site Bonds	6,830,000	-	(175,000)	6,655,000	395,000
2015 Refunding Bonds	270,000	-	(270,000)	-	-
2015 Energy Conservation Bonds	595,000	-	(190,000)	405,000	200,000
2022 Building and Site Bond	-	3,850,000	-	3,850,000	30,000
Subtotal	8,065,000	3,850,000	(700,000)	11,215,000	695,000
Deferred amounts on bonds:					
2006 Serial Bond Discount	(3,900)	780	-	(3,120)	-
2015 Refunding Bond Premium	4,949	-	(4,949)	-	-
2022 Bond Premium	-	49,336	(726)	48,610	-
Subtotal	1,049	50,116	(5,675)	45,490	-
Total Bonds Payable	8,066,049	3,900,116	(705,675)	11,260,490	695,000
Total Notes and Bonds Payable	8,321,423	3,994,505	(797,587)	11,518,341	773,593

NOTE I – LONG-TERM DEBT (Continued):

	Balance 6/30/2021	Additions	Deductions	Balance 6/30/2022	Due Within One Year
GOVERNMENTAL ACTIVITIES:					
Employee Benefit Obligations:					
Compensated absences	$124,141	$-	($6,618)	$117,523	$-
Early Retirement Incentive	34,600	13,300	(15,400)	32,500	15,400
Catastrophic Leave Bank	-	2,293	-	2,293	-
Total Employee Benefit Obligations	158,741	15,593	(22,018)	152,316	15,400
TOTAL	$8,480,164	$4,010,098	($819,605)	$11,670,655	$788,993

Long-term debt at June 30, 2022 consists of the following:

Bus Installment dated August 15, 2018
June 30, 2022

	August 15		
Fiscal Year	Principal	Interest	Total
2023	$16,535	$1,178	$17,713
2024	17,114	599	17,713
Total	$33,649	$1,777	$35,426

Bus note payable originally issued for $79,975 and dated August 15, 2018 matures annually as scheduled above on the 15th of August 2019 through August 15, 2023 bearing an interest rate of 3.50% per annum.

Plow Truck Installment dated November 12, 2019
June 30, 2022

	July 20		
Fiscal Year	Principal	Interest	Total
2023	$10,971	$261	$11,232
Total	$10,971	$261	$11,232

Plow Truck note payable originally issued for $32,381 and dated November 12, 2019 matures annually as scheduled above on the 20th of July 2020 through July 20, 2022 bearing an interest rate of 2.38% per annum.

Bus Installment dated July 23, 2019
June 30, 2022

	July 23		
Fiscal Year	Principal	Interest	Total
2023	$16,184	$1,624	$17,808
2024	16,707	1,101	17,808
2025	17,250	558	17,808
Total	$50,141	$3,283	$53,424

Bus note payable originally issued for $81,000 and dated July 23, 2019 matures annually as scheduled above on the 23rd of July 2020 through July 23, 2024 bearing an interest rate of 3.24% per annum.

NOTE I – LONG-TERM DEBT (Continued):

Bus Installment dated July 23, 2020
June 30, 2022

Fiscal Year	July 23 Principal	July 23 Interest	Total
2023	$16,696	$1,298	$17,994
2024	17,011	983	17,994
2025	17,333	661	17,994
2026	17,661	334	17,995
Total	$68,701	$3,276	$71,977

Bus note payable originally issued for $85,087 and dated July 23, 2020 matures annually as scheduled above on the 23rd of July 2020 through July 23, 2025 bearing an interest rate of 1.89% per annum.

Bus Installment dated July 15, 2021
June 30, 2022

Fiscal Year	July 15 Principal	July 15 Interest	Total
2023	$18,207	$1,708	$19,915
2024	18,536	1,379	19,915
2025	18,872	1,043	19,915
2026	19,213	702	19,915
2027	19,561	354	19,915
Total	$94,389	$5,186	$99,575

Bus note payable originally issued for $94,389 and dated July 15, 2021 matures annually as scheduled above on the 15th of July 2022 through July 15, 2026 bearing an interest rate of 1.81% per annum.

School Building and Site Bonds, Series 2006
June 30, 2022

Fiscal Year	November 1 Interest	May 1 Interest	May 1 Principal	Total
2023	$6,540	$6,540	$70,000	$83,080
2024	5,052	5,052	75,000	85,104
2025	3,440	3,440	80,000	86,880
2026	1,720	1,720	80,000	83,440
Total	$16,752	$16,752	$305,000	$338,504

General Obligation School Building and Site Serial Bonds originally issued for $1,040,000 and dated June 28, 2006 mature annually on May 1, 2008 through May 1, 2026 and bear interest at a rate of 4.0% to 4.3% per annum. Interest is paid semi-annually on May 1 and November 1 each year.

NOTE I – LONG-TERM DEBT (Continued):

School Building and Site Bonds, Series 2014
June 30, 2022

	November 1	May 1		
Fiscal Year	Interest	Interest	Principal	Total
2023	$113,135	$113,135	$395,000	$621,270
2024	106,420	106,420	410,000	622,840
2025	99,450	99,450	425,000	623,900
2026	92,225	92,225	445,000	629,450
2027	84,660	84,660	545,000	714,320
2028-2032	276,930	276,930	3,055,000	3,608,860
2033-2034	35,360	35,360	1,380,000	1,450,720
Total	$808,180	$808,180	$6,655,000	$8,271,360

General Obligation School Building and Site Serial Bonds originally issued for $7,840,000 and dated June 26, 2014 mature annually on May 1, 2015 through May 1, 2034 and bear interest at a rate of 3.4% per annum. Interest is paid semi-annually on May 1 and November 1 each year.

2015 Energy Conservation Bonds
June 30, 2022

	November 1	May 1		
Fiscal Year	Interest	Interest	Principal	Total
2023	$5,164	$5,164	$200,000	$210,328
2024	2,614	2,614	205,000	210,228
Total	$7,778	$7,778	$405,000	$420,556

The General Obligation Limited Tax Energy Conservation Improvement Bonds, Series 2015 was originally issued for $1,630,000 and dated July 9, 2015 mature annually on May 1, 2016 through May 1, 2024 and bear interest at a rate of 2.55% per annum. Interest is paid semi-annually on May 1 and November 1 each year.

School Building and Site Bonds, Series 2022
June 30, 2022

	November 1	May 1		
Fiscal Year	Interest	Interest	Principal	Total
2023	$64,167	$48,125	$30,000	$142,292
2024	47,750	47,750	60,000	155,500
2025	47,000	47,000	65,000	159,000
2026	46,187	46,187	70,000	162,374
2027	45,313	45,313	70,000	160,626
2028-2032	211,500	211,500	465,000	888,000
2033-2037	162,812	162,812	1,910,000	2,235,624
2038-2039	22,125	22,125	1,180,000	1,224,250
Total	$646,854	$630,812	$3,850,000	$5,127,666

General Obligation School Building and Site Serial Bonds originally issued for $3,850,000 and dated March 1, 2022 mature annually on May 1, 2023 through May 1, 2039 and bear interest at a rate of 2.500% per annum sold at a premium in the amount of $49,336. Interest is paid semi-annually on May 1 and November 1 each year.

NOTE I – LONG-TERM DEBT (Continued):

As of June 30, 2022, the aggregate maturities of long-term debt for the next succeeding five years are as follows:

Fiscal Year	Principal	Interest	Total
2023	$773,593	$368,039	$1,141,632
2024	819,368	327,734	1,147,102
2025	623,455	302,042	925,497
2026	631,874	281,300	913,174
2027	634,561	260,300	894,861
2028-2032	3,520,000	976,860	4,496,860
2033-2037	3,290,000	396,344	3,686,344
2038-2039	1,180,000	44,250	1,224,250
Total	$11,472,851	$2,956,869	$14,429,720

NOTE J – EMPLOYEE BENEFIT OBLIGATIONS:

COMPENSATED ABSENCES

Upon severing employment with the School District, a teacher has the option of selecting one of the following as severance pay:

1. Unused sick leave to be paid at $35.00 per day up to a maximum of $5,425 per employee.

2. An employee who has been employed for ten years or more shall be paid one week of current salary plus one day of current salary for each year of employment of the School District in excess of ten years to a maximum of $1,500.

Upon retirement (qualifying the employee for immediate payment of benefits pursuant to the School Employees Retirement Plan) while an active employee of the School District, the support personnel employee will be paid a sum equal to their accumulated sick leave days times $30.00 per day, not to exceed a maximum of $4,000.

A practicing administrator, after a minimum of ten (10) years of administrative service in the School District, will be entitled to a retirement benefit, computed by taking 1.0% of the administrator's final salary, multiplied by the years of administrative service in the School District, not to exceed a maximum of $5,425.

EARLY RETIREMENT INCENTIVE

Full-time teachers who meet requirements as established by the Michigan Public Schools Retirement System and who have taught a minimum of fifteen (15) years in the School District may also qualify for the Early Retirement Incentive (ERI) Plan. The ERI payment will be $200 per month for a maximum period of seven years (or until earlier qualification for reduced old age insurance and benefits under Title II of the Social Security Act, or death).

CATASTROPHIC LEAVE BANK

Teachers retiring with uncompensated sick leave may donate the balance of sick days to a sick leave bank available for Ishpeming Education Association members only. Members facing catastrophic illness or emergencies may request days from the bank by proper written application to the Superintendent.

NOTE J – EMPLOYEE BENEFIT OBLIGATIONS (Continued):

As of June 30, 2022, the composition of the liability for employee benefits is as follows:

	Total	Current Portion	Long-term Portion
Compensated absences:			
Teachers	$99,614	$-	$99,614
Support personnel	7,059	-	7,059
Administration	10,850	-	10,850
Subtotal	117,523	-	117,523
Early retirement incentive	32,500	15,400	17,100
Catastrophic Leave Bank	2,293	-	2,293
Total	$152,316	$15,400	$136,916

NOTE K – CAPITAL PROJECT FUNDS:

Sinking Fund millages authorized on or after March 16, 2017, have the additional benefit of being utilized to offset various technology and school security improvements. The Sinking Fund Capital Project Fund records capital project activities funded with the Sinking Fund millage that was authorized after March 16, 2017. For this fund, the School District has complied with the applicable provisions of §1212 of the Revised School Code.

NOTE L – FUND BALANCES – GOVERNMENTAL FUNDS:

Fund balances of the governmental funds are classified as follows:

Non-spendable — amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — amounts that can be used only for specific purposes determined by a formal action of the Board of Education. Board of Education is the highest level of decision-making authority for the School District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Education.

Assigned — amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the School District's adopted policy, only the Board of Education may assign amounts for specific purposes.

Unassigned — all other spendable amounts.

As of June 30, 2022, fund balances are composed of the following:

	General Fund	Scholarship Fund	2022 Bond Fund	Non-major Governmental Funds	Total Governmental Funds
Non-spendable:					
Inventory	$-	$-	$-	$783	$783
Prepaid	59,334	-	-	13,019	72,353
Subtotal	59,334	-	-	13,802	73,136

NOTE L – FUND BALANCES – GOVERNMENTAL FUNDS (Continued):

	General Fund	Scholarship Fund	2022 Bond Fund	Non-major Governmental Funds	Total Governmental Funds
Restricted:					
INN	$142,221	$-	$-	$-	$142,221
Scholarships	-	2,465,231	-	-	2,465,231
Food Service	-	-	-	129,097	129,097
Auditorium	-	-	-	5,592	5,592
Special Needs Fund	-	-	-	53,364	53,364
Debt Service	-	-	-	214,039	214,039
Construction Projects	-	-	3,592,070	223,318	3,815,388
Subtotal	142,221	2,465,231	3,592,070	625,410	6,824,932
Committed:					
School activities	-	-	-	363,045	363,045
Subtotal	-	-	-	363,045	363,045
Assigned:					
Capital Projects	-	-	-	500,303	500,303
Budgeted Shortfall	319,365	-	-	-	319,365
Subtotal	319,365	-	-	500,303	819,668
Unassigned	1,399,327	-	-	-	1,399,327
Total	$1,920,247	$2,465,231	$3,592,070	$1,502,560	$9,480,108

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

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the School District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment actions.

NOTE M – ECONOMIC DEPENDENCY:

The School District receives approximately 70 percent of its revenues through State and Federal sources to be used for providing elementary and secondary education to students of the School District.

NOTE N – STATE REVENUE:

For the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. In previous years, the state utilized a district power equalizing approach. The foundation is funded from state and local sources. Revenues from state sources are primarily

NOTE N – STATE REVENUE (Continued):

governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2022, the foundation allowance was based on the average of pupil membership counts taken in February and October.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through 11 payments from October – August.

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

NOTE O – NON-MONETARY TRANSACTIONS:

The School District receives USDA donated food commodities for use in its food service program which are accounted for in the School Lunch Fund. The commodities are accounted for on the modified accrual basis and the related revenues and expenditures are recognized as commodities as utilized. The School District recognized $20,328 during fiscal 2022 in revenues and expenditures for USDA commodities.

NOTE P – PROPERTY TAXES:

The taxable value of real and personable property located in the School District for the 2021 tax year which represents approximately 50% of the estimated current value, totaled $133,340,199 ($73,555,839 designated as Homestead, $55,828,669 designated as Non-Homestead, $3,226,167 designated as Commercial personal property, and $729,524 as Industrial personal property). The total tax levy consists of 18.0000 mills on all non-homestead property (one mill is equal to $1.00 per $1,000 of taxable value), 6.0000 mills on all commercial personal property for the General Fund, 2.4728 mills for the Sinking Fund, and 6.0000 mills the Debt Service Fund.

NOTE Q – CONTINGENT LIABILITIES:

Grant Assistance

The School District has received significant assistance from federal and state agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the School District.

Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The School District carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE R – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN:

Plan Description

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan 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 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) (see Note T for information on the System’s OPEB plan).

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

The System's financial statements are available on the ORS website at Michigan.gov/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 for are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of 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)

NOTE R – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

actuarial accrued liability as of the September 30, 2020 valuation will be amortized over a 18-year period beginning October 1, 2020 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2021.

Pension Contribution Rates

Benefit Structure	Member	Employer
Basic	0.0-4.0%	19.78%
Member Investment Plan	3.0-7.0%	19.78%
Pension Plus	3.0-6.4%	16.82%
Pension Plus 2	6.2%	19.59%
Defined Contribution	0.0%	13.39%

Required contributions to the pension plan from the School District were $1,287,097 for the year ended September 30, 2021.

<u>Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u>

At June 30, 2022, the School District reported a liability of $10,148,645 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2021, the School District's proportion was 0.04286576 percent, which was an increase of 0.00084433 percent from its proportion measured as of September 30, 2020.

For the year ended June 30, 2022, the School District recognized pension expense of $895,441. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between actual and expected experience	$157,207	($59,763)
Changes of assumptions	639,734	-
Net difference between projected and actual earnings on pension plan investments	-	(3,262,757)
Changes in proportion and differences between the employer contributions and proportionate share of contributions	195,873	(498,002)
Subtotal	992,814	($3,820,522)
Employer contributions subsequent to the measurement date	1,282,650	
Total	$2,275,464	

NOTE R – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred (Inflows) and Deferred Outflows of Resources by Year (to Be Recognized in Future Pension Expenses)

Year Ended September 30	Amount
2022	($504,744)
2023	(682,611)
2024	(782,947)
2025	(857,406)
Total	($2,827,708)

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, 2020
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- MIP and Basic Plans	6.80% net of investment expenses
- Pension Plus	6.80% net of investment expenses
- Pension Plus 2	6.00% net of investment expenses
Projected Salary Increases	2.75 – 11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	
- Retirees	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
- Active members	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

NOTE R – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

Notes:

- Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total pension liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, 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: 4.4367
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2021 MPSERS Annual Comprehensive Financial Report found on the ORS website at Michigan.gov/ORSSchools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2021, are summarized in the following table:

Asset Class	**Target Allocation**	**Long Term Expected Real Rate of Return***
Domestic Equity Pools	25.0%	5.4%
Private Equity Pools	16.0	9.1
International Equity	15.0	7.5
Fixed Income Pools	10.5	(0.7)
Real Estate and Infrastructure Pools	10.0	5.4
Absolute Return Pools	9.0	2.6
Real Return/Opportunistic Pools	12.5	6.1
Short Term Investment Pools	2.0	(1.3)
Total	100.0%	

*Long term rates of return are net of administrative expenses and 2.0% inflation

Rate of Return

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 27.3%. 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 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount

NOTE R – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

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

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

The following presents the School District's proportionate share of the net pension liability calculated using a discount rate of 6.80 % (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

1% Decrease 5.80% / 6.80% / 5.00%*	Current Single Discount Rate Assumption 6.80% / 6.80% / 6.00%*	1% Increase (Non-Hybrid/Hybrid) 7.80% / 7.80% / 7.00%*
$14,509,811	$10,148,645	$6,532,953

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

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 MPSERS Annual Comprehensive Financial Report, available on the ORS website at Michigan.gov/ORSSchools.

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

At June 30, 2022, the School District reported a payable of $126,187 for the outstanding amount of contributions to the pension and OPEB plan required for the year ended June 30, 2022.

NOTE S – EMPLOYEE RETIREMENT SYSTEM – DEFINED CONTRIBUTION PLANS:

Employees of the School District who began working for a Michigan public school July 1, 2010, or later, are members of the Pension Plus plan or Defined Contribution (DC) plan, defined contribution pension plans. Under Public Act 300 of 2012, eligible members of MPSERS had the option to increase, maintain, or stop their contributions to the pension fund as of the transition date. Members of MPSERS who elected to stop their contributions became participants in the DC plan as of their transition date.

Pension Plus Plan

The Pension Plus Plan is administered by Voya Financial. Benefit terms, including employer contribution requirements are established and may be amended by MPSERS. Within the plan employees have three options to choose from: 1) Pension Plus with Premium Subsidy, 2) Pension plus to DC with PHF, and 3) Basic/MIP to DC with Premium Subsidy. The School District's required to contribute ranges 1% to 4% of annual salary for plan members based on the type of plan the employee is participating in. Employees are permitted to make contributions up to applicable Internal Revenue Service Code limits. Employees are considered 100% vested for their own contributions; for employer contributions employees are considered 100% vested after four years of service. Employees are eligible to receive benefits from the Plan in accordance with IRS regulations for 401(k) plans.

Defined Contribution Plan

The Defined Contribution Plan is a defined contribution plan under sections 401(k) and section 457 of the Internal Revenue Code and is administered by Voya Financial. Benefit terms, including employer contribution requirements are established and may be amended by MPSERS. Employee contributions are 8% of wages with the employer matching contributions dollar for dollar on the first 2% of wages and 50 cents on the dollar on the next 6% of wages. Employee contributions are made into the 457 Plan while employer matching contributions are made in other 401(k) Plan. Employees are considered 100% vested for their own contributions; for employer contributions employees are considered 100% vested after four years of service. Employees are eligible to receive benefits and make contributions to the Plan in accordance with IRS regulations for 401(k) and 457 plans.

The total amount contributed to the Plan for the year ended June 30, 2022 was $136,080 which consisted of $45,802 from the School District and $90,278 from employees.

Personal Healthcare Fund

The Personal Healthcare Fund (PHF) is a personal, portable defined contribution plan under sections 401(k) and section 457 of the Internal Revenue Code and is administered by Voya Financial. Employee contributions are 2% of wages with the employer matching 2%. Employees are considered 100% vested for their own contributions; for employer contributions employees are considered 100% vested after four years of service. Employees are eligible to receive benefits and make contributions to the Plan in accordance with IRS regulations for 401(k) and 457 plans.

The total amount contributed to the Plan for the year ended June 30, 2022 was $61,630 which consisted of $30,815 from the School District and $30,815 from employees.

NOTE T – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB):

Plan Description

The MPSERS Plan, as previously described in the Defined Benefit Plan footnote, includes an Other Post-Employment Benefits component as part of the cost of the Plan. 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). All information related to the OPEB component of the Plan is the same except as noted below:

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

NOTE T – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued):

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.

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

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, 2020, valuation will be amortized over a 18-year period beginning October 1, 2020 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2021.

OPEB Contribution Rates

Benefit Structure	Member	Employer
Premium Subsidy	3.00%	8.43%
Personal Healthcare Fund (PHF)	0.00%	7.57%

NOTE T – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued):

Required contributions to the OPEB plan from the School District were $324,623 for the year ended September 30, 2021.

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

At June 30, 2022, the School District reported a liability of $667,475 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2020. The School District's proportion of the net OPEB liability was determined by dividing each employers' 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, 2021, the School District's proportion was 0.04372936 percent, which was an increase of 0.00193960 percent from its proportion measured as of September 30, 2020.

For the year ended June 30, 2022, the School District recognized OPEB expense of ($434,384). At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between actual and expected experience	$-	($1,905,261)
Changes of assumptions	557,976	(83,494)
Net difference between projected and actual earnings on OPEB plan investments	-	(503,088)
Changes in proportion and differences between employer contributions and proportionate share of contributions	128,318	(220,577)
Subtotal	686,294	($2,712,420)
Employer contributions subsequent to the measurement date	248,449	
Total	$934,743	

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Deferred (Inflows) and Deferred Outflows of Resources by Year (to Be Recognized in Future OPEB Expenses)

Year Ended September 30	Amount
2022	($565,383)
2023	(509,333)
2024	(439,121)
2025	(385,600)
2026	(111,993)
Thereafter	(14,696)
Total	($2,026,126)

NOTE T – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued):

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Investment Rate of Return:	6.95% net of investment expenses
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
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 1 or more dependents.

Notes:

- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 6.1312

Rate of Return

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 27.14%. 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 6.95% 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 6.95%. 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.

NOTE T – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued):

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

The following presents the School District's proportionate share of the net OPEB liability calculated using a discount rate of 6.95%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

1% Decrease 5.95%	Current Discount Rate 6.95%	1% Increase 7.95%
$1,240,290	$667,475	$181,361

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

The following presents the School District's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the School District's proportionate share of 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
$162,458	$667,475	$1,235,680

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2021 MPSERS Annual Comprehensive Financial Report, available on the ORS website at Michigan.gov/ORSSchools.

NOTE U – SINGLE AUDIT:

The School District's schedule of expenditures of federal awards reports a total of $2,150,598 in federal expenditures. As the amount is greater than the single audit threshold of $750,000, the School District is required to have an audit in accordance with the Uniform Guidance. A reconciliation to the amount of federal revenue reported in the audited financial statements is presented in the notes to the schedule of expenditures of federal awards.

NOTE V – TAX ABATEMENTS:

For financial reporting purposes, GASB Statement No. 77, *Tax Abatement Disclosures*, defines a tax abatement as resulting from an agreement between an government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. The Statement requires disclosure of tax abatement information about a reporting government's own tax abatement agreements and about tax abatement agreements entered into by other governments that reduce the reporting government's tax revenues.

The School District receives reduce property tax revenues as a result of the Neighborhood Enterprise Zone (NEZ), Industrial Facilities Tax (IFT) exemptions, and/or Brownfields granted by the townships, cities, and/or counties within the district. These tax exemptions are intended to

NOTE V – TAX ABATEMENTS (Continued):

promote economic development and/or growth within the issuing government's jurisdiction. Operating revenues not paid to the School District because of tax abatement agreements are reimbursed to the School District by the State of Michigan through the per-pupil foundation allowance.

Information relevant to tax abatements within the School District for the year ended June 30, 2022 is as follows:

Issuing Government	Type of Tax Abatement Agreement	Tax Abated	Gross Amount Abated in Fiscal Year
Marquette County	Brownfield	Prop. Tax	$8,166
			$8,166

For the fiscal year ended June 30, 2022, there were no significant tax abatements made by the School District.

NOTE W – NEW GASB STANDARDS:

Management of the School District has reviewed the following pronouncements released by the Governmental Accounting Standards Board (GASB) that are effective in the current fiscal year for applicability. Pronouncements deemed applicable to the School District by management are described below in *Recently Issued and Adopted Accounting Pronouncements*; pronouncements not applicable are described in *Other Recently Issued Accounting Pronouncements*.

Recently Issued and Adopted Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of GASB 87 is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognize as inflows of resources or outflows of resources on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement was originally effective for periods beginning after December 15, 2019. However, under GASB 95, the effective date was postponed by 18 months, to periods beginning after June 15, 2021. The School District has implemented the requirements of the activities which apply to the School District under GASB 87. For the current fiscal year, there are no material leases that require recognition in the School District's financial statements.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. GASB 92 enhances comparability of accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, *Leases,* and Implementation Guide No. 2019-3, *Leases,* for interim financial reports. This Statement also addresses reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment

NOTE W – NEW GASB STANDARDS (Continued):

benefit (OPEB) plan. The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* as amended, to reporting assets accumulated for postemployment benefits are also discussed along with the applicability of certain requirements of Statement No. 84, *Fiduciary Activities,* to postemployment benefit arrangements. Lastly, the Statement discusses measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition, reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers, reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature, and terminology used to refer to derivative instruments. This Statement was originally effective for periods beginning after June 15, 2020. However, under GASB 95, the effective date was postponed by one year, to periods beginning after June 15, 2021. The School District does have activities that meet the criteria for GASB 92; therefore, GASB 92 is applicable to the School District.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statement No. 14 and No. 84, and a Supersession of GASB Statement No. 32.* GASB 97 increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform. This Statement also mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements. Lastly, this Statement enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This statement is effective for periods beginning after June 15, 2021. The School District does have activities that meet the criteria for GASB 97; therefore, GASB 97 is applicable to the School District.

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The objective of GASB 99 is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing 1) practice issues that have been identified during implementation and application of certain GASB Statements and 2) accounting and financial reporting for financial guarantees. GASB 99 includes requirements related to the extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 and are effective upon issuance. GASB 99 also has requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022 with early implementation permitted. The last requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023 with early implementation permitted. The School District has implemented the requirements of the activities which apply to the School District under GASB 99; therefore, GASB 99 is applicable to the School District.

NOTE W – NEW GASB STANDARDS (Continued):

Other Recently Issued Accounting Pronouncements

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the end of a Construction Period*. GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that was previously accounted for in accordance with the requirements of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statement prepared using the economic resources measurement focus. This Statement was originally effective for periods beginning after December 15, 2019. However, under GASB 95, the effective date was postponed by one year, to periods beginning after December 15, 2020. The School District does not have activities that meet the criteria for GASB 89; therefore, GASB 89 is not applicable to the School District.

In October 2021, the GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. GASB 98 was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for the comprehensive financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness. This statement is effective for periods ending after December 15, 2021. The School District does not issue an Annual Comprehensive Financial Report; therefore, GASB 98 is not applicable to the School District.

NOTE X – UPCOMING STANDARDS:

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the School District in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the School District.

GASB 91: Conduit Debt Obligations
Originally effective for fiscal years beginning after December 15, 2020; postponed by GASB 95 to fiscal years beginning after December 15, 2021 (School District's fiscal year 2023)

The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for account and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having *all* of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.

- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

NOTE X – UPCOMING STANDARDS (Continued):

GASB 94: Public-Private and Public-Public Partnerships and Availability Payment Arrangements
Effective for fiscal years beginning after June 15, 2022 (School District's fiscal year 2023)

The requirements of this Statement will improve financial reporting by establishing the definitions of public-private and public-public partnership arrangements (PPPs) and availability payment arrangements (APAs) and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs.

Under this Statement, a PPP is defined as an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial assets, such as infrastructure or other capital assts (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Under this Statement a PPP meets the definition of a service concession arrangement (SCA) if: (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

GASB 95: Postponement of the Effective Dates of Certain Authoritative Guidance
Effective for fiscal years beginning after June 15, 2018 until below GASBs implemented (beginning with the School District's fiscal year 2020)

The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*

NOTE X – UPCOMING STANDARDS (Continued):

- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*

Earlier application of the provisions addressed in this Statement is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

GASB 96: Subscription-Based Information Technology Arrangements
Effective for fiscal years beginning after June 15, 2022 (School District's fiscal year 2023)

The requirements of this Statement will improve financial reporting by establishing a definition for subscription-based information technology arrangements (SBITAs) for government end users (governments) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.

GASB 100: Accounting Changes and Error Corrections – An Amendment of GASB Stmt No. 62
Effective for fiscal years beginning after June 15, 2023 (School District's fiscal year 2024)

The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—

understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

GASB 101: Compensated Absences
Effective for fiscal years beginning after December 15, 2023 (School District's fiscal year 2025)

The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

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 (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

NOTE Y – NET POSITION RESTATEMENT:

The School District created an internal service fund to account for the accumulated employee benefits. The restatement records the beginning net position of the Employee Benefit Obligation Fund in the amount of ($158,741). The Employee Benefit Obligation Fund is considered a governmental activity and as such there is no restatement required on the Statement of Activities; additionally, all activity between the governmental funds and the Employee Benefit Obligation Fund is eliminated on the Statement of Net Position and the Statement of Activities.

REQUIRED SUPPLEMENTARY INFORMATION

Ishpeming Public School District No. 1

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN

For the Plan Year Ended September 30

	2021	2020	2019	2018	2017	2016	2015	2014		
District's proportion of net pension liability	0.04287%	0.04202%	0.04358%	0.04606%	0.04733%	0.04686%	0.04616%	0.04507%		
District's proportionate share of net pension liability	$ 10,148,645	$ 14,434,818	$ 14,432,900	$ 13,847,919	$ 12,264,018	$ 11,691,815	$ 11,273,684	$ 9,928,237		
District's covered-employee payroll	$ 3,977,682	$ 3,724,633	$ 3,769,371	$ 3,847,732	$ 3,984,214	$ 3,988,551	$ 3,940,368	$ 3,931,261		
District's proportionate share of net pension liability as a percentage of covered-employee payroll	255.14%	387.55%	382.90%	359.90%	307.82%	293.13%	286.11%	252.55%		
Plan fiduciary net position as a percentage of total pension liability	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%		

Notes to Required Supplementary Information:

Changes in benefit terms:	*NONE*	*NONE*	*NONE*	*NONE*	*NONE*	*NONE*	*NONE*	*NONE*
Changes in assumptions:	*2021*	*2020*	*2019*	*2018*	*NONE*	*NONE*	*NONE*	*NONE*

2021 - Recognition period for liabilities decreased from 4.4892 to 4.4367

2020 - Recognition period for liabilities decreased from 4.4977 to 4.4892

2019 - Investment rate of return for MIP and Basic Plans reduced from 7.05% to 6.80%
- Recognition period for liabilities increased from 4.5304 to 4.4977

2018 - Investment rate of return for MIP and Basic Plans reduced from 7.50% to 7.05%
- Projected salary increases reduced to 2.75% - 11.55%, including wage inflation at 2.75%
- Mortality tables updated to RP-2014 Male and Female Healthy Annuitant
- Recognition period for liabilities increased from 4.5188 to 4.5304

Ishpeming Public School District No. 1

SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN

For the Fiscal Year Ended June 30

	2022	2021	2020	2019	2018	2017	2016	2015		
Statutorily required contributions	$ 1,441,771	$ 1,285,040	$ 1,162,777	$ 1,164,008	$ 1,175,758	$ 1,336,774	$ 1,293,196	$ 1,306,427		
Contributions in relation to statutorily required contributions	1,441,771	1,285,040	1,162,777	1,164,008	1,175,758	1,336,774	1,293,196	1,306,427		
Contributions deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		
District's covered-employee payroll	$ 3,930,084	$ 3,947,437	$ 3,754,189	$ 3,773,689	$ 3,928,246	$ 3,921,399	$ 4,087,707	$ 3,938,411		
Pension contributions as a percentage of covered-employee payroll	36.69%	32.55%	30.97%	30.85%	29.93%	34.09%	31.64%	33.17%		

Ishpeming Public School District No. 1

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN

For the Plan Year Ended September 30

	2021	2020	2019	2018	2017					
District's proportion of net OPEB liability	0.04373%	0.04179%	0.04301%	0.04518%	0.04742%					
District's proportionate share of net OPEB liability	$ 667,475	$ 2,238,789	$ 3,087,194	$ 3,591,073	$ 4,199,417					
District's covered-employee payroll	$ 3,977,682	$ 3,724,633	$ 3,769,371	$ 3,847,732	$ 3,984,214					
District's proportionate share of net OPEB liability as a percentage of covered-employee payroll	16.78%	60.11%	81.90%	93.33%	105.40%					
Plan fiduciary net position as a percentage of total OPEB liability	87.33%	59.44%	48.46%	42.95%	36.39%					

Notes to Required Supplementary Information:

Changes in benefit terms:	*NONE*	*NONE*	*NONE*	*NONE*	*NONE*
Changes in assumptions:	*2021*	*2020*	*2019*	*2018*	*NONE*

2021 - Healthcare Cost Trend Rate increased from 7.0% to 7.75% for Pre-65; Post-65 had rate of 5.25%
- Recognition period for liabilities increased from 5.6018 to 6.1312

2020 - Healthcare Cost Trend Rate decreased from 7.5% to 7.0%
- Recognition period for liabilities decreased from 5.7101 to 5.6018

2019 - See pension assumptions
- Investment rate of return reduced from 7.15% to 6.95%
- Recognition period for liabilities increased from 5.6018 to 5.7101

2018 - See pension assumptions
- Healthcare Cost Trend rate 7.5% Year 1 graded to 3.0% Year 12 (compared to 3.5% Year 12)
- Recognition period for liabilities increased from 5.4744 to 5.6018

Ishpeming Public School District No. 1

SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN

For the Fiscal Year Ended June 30

	2022	2021	2020	2019	2018					
Statutorily required contributions	$ 300,482	$ 314,678	$ 286,655	$ 288,823	$ 293,890					
Contributions in relation to statutorily required contributions	300,482	314,678	286,655	288,823	293,890					
Contributions deficiency (excess)	$ -	$ -	$ -	$ -	$ -					
District's covered-employee payroll	$ 3,930,084	$ 3,947,437	$ 3,754,189	$ 3,773,689	$ 3,928,246					
OPEB contributions as a percentage of covered-employee payroll	7.65%	7.97%	7.64%	7.65%	7.48%					

Ishpeming Public School District No. 1

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original Budget to Final Budget	Final Budget to Actual
REVENUES:					
Local sources	$ 1,857,500	$ 1,589,106	$ 2,040,560	$ (268,394)	$ 451,454
State sources	5,673,352	6,319,569	6,341,182	646,217	21,613
Federal sources	583,272	1,869,172	1,895,217	1,285,900	26,045
TOTAL REVENUES	8,114,124	9,777,847	10,276,959	1,663,723	499,112
EXPENDITURES:					
Instruction:					
Basic programs	3,210,554	3,349,210	3,493,284	(138,656)	(144,074)
Added needs	1,676,115	1,718,094	1,644,204	(41,979)	73,890
Adult/continuing education	62,331	91,815	100,411	(29,484)	(8,596)
Total Instruction	4,949,000	5,159,119	5,237,899	(210,119)	(78,780)
Supporting Services:					
Student services	478,060	479,069	448,239	(1,009)	30,830
Instructional staff	382,593	412,777	394,875	(30,184)	17,902
General administration	363,873	382,711	358,098	(18,838)	24,613
School administration	498,428	527,848	518,194	(29,420)	9,654
Business services	219,524	218,597	216,772	927	1,825
Operation and maintenance of plant	851,835	848,319	820,560	3,516	27,759
Pupil transportation	415,959	439,016	416,108	(23,057)	22,908
Central services	33,413	39,270	41,892	(5,857)	(2,622)
Other supporting services	243,517	289,779	199,348	(46,262)	90,431
Total Supporting Services	3,487,202	3,637,386	3,414,086	(150,184)	223,300
Community Services:					
Community recreation	56,332	39,847	41,483	16,485	(1,636)
Community activities	250	-	-	250	-
Childcare center	73,023	95,118	81,721	(22,095)	13,397
Other	9,856	9,856	9,240	-	616
Total Community Services	139,461	144,821	132,444	(5,360)	12,377
Debt Service:					
Principal	85,214	98,716	91,912	(13,502)	6,804
Interest	20,319	8,103	14,282	12,216	(6,179)
Issuance cost	-	5,500	5,258	(5,500)	242
Total Debt Service	105,533	112,319	111,452	(6,786)	867
Facilities Acquisition:					
Capital outlay	-	8,641	6,134	(8,641)	2,507
Total Facilities Acquisition	-	8,641	6,134	(8,641)	2,507
TOTAL EXPENDITURES	8,681,196	9,062,286	8,902,015	(381,090)	160,271
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(567,072)	715,561	1,374,944	1,282,633	659,383
OTHER FINANCING SOURCES (USES):					
Proceeds from borrowing	-	94,287	94,389	94,287	102
Proceeds from sale of capital assets	-	-	-	-	-
Transfers in	-	-	2,159	-	2,159
Transfers (out)	-	(658,741)	(674,141)	(658,741)	(15,400)
TOTAL OTHER FINANCING SOURCES (USES)	-	(564,454)	(577,593)	(564,454)	(13,139)
NET CHANGE IN FUND BALANCE	(567,072)	151,107	797,351	718,179	646,244
Fund Balance, July 1	1,122,896	1,122,896	1,122,896	-	-
FUND BALANCE, JUNE 30	$ 555,824	$ 1,274,003	$ 1,920,247	$ 718,179	$ 646,244

Ishpeming Public School District No. 1

SPECIAL REVENUE FUND - SCHOLARSHIP FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original Budget to Final Budget	Final Budget to Actual
REVENUES:					
Local sources	$ 80,000	$ 86,000	$ 109,642	$ 6,000	$ 23,642
TOTAL REVENUES	80,000	86,000	109,642	6,000	23,642
EXPENDITURES:					
Supporting Services:					
Agency Activities:					
Scholarships granted	70,100	80,000	1,158,640	(9,900)	(1,078,640)
Other		-	378,618	-	(378,618)
Total Supporting Services	70,100	80,000	1,537,258	(9,900)	(1,457,258)
TOTAL EXPENDITURES	70,100	80,000	1,537,258	(9,900)	(1,457,258)
NET CHANGE IN FUND BALANCE	9,900	6,000	(1,427,616)	(3,900)	(1,433,616)
Fund Balance, July 1	3,892,847	3,892,847	3,892,847	-	-
FUND BALANCE, JUNE 30	$ 3,902,747	$ 3,898,847	$ 2,465,231	$ (3,900)	$ (1,433,616)

OTHER SUPPLEMENTAL INFORMATION

Ishpeming Public School District No. 1

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

June 30, 2022

	Special Revenue Funds	Debt Service Fund	Capital Projects: Sinking Fund	Capital Projects: Capital Projects Fund	Total
ASSETS					
Cash and cash equivalents	$ 416,216	$ 211,419	$ 222,215	$ 500,303	$ 1,350,153
Investments	105,107	277	138	-	105,522
Accounts receivable	3,430	-	-	-	3,430
Due from other governmental units	41,153	2,343	965	-	44,461
Due from other funds	-	-	-	-	-
Inventory	783	-	-	-	783
Prepaid expense	-	-	13,019	-	13,019
TOTAL ASSETS	566,689	214,039	236,337	500,303	1,517,368
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 566,689	$ 214,039	$ 236,337	$ 500,303	$ 1,517,368
LIABILITIES					
Accounts payable	$ -	$ -	$ -	$ -	$ -
Due to other funds	3,168	-	-	-	3,168
Unearned revenue	11,640	-	-	-	11,640
TOTAL LIABILITIES	14,808	-	-	-	14,808
DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-
FUND BALANCES					
Non-spendable	783	-	13,019	-	13,802
Restricted	188,053	214,039	223,318	-	625,410
Committed	363,045	-	-	-	363,045
Assigned	-	-	-	500,303	500,303
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	551,881	214,039	236,337	500,303	1,502,560
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 566,689	$ 214,039	$ 236,337	$ 500,303	$ 1,517,368

Ishpeming Public School District No. 1

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended June 30, 2022

	Special Revenue Funds	Debt Service Fund	Capital Projects: Sinking Fund	Capital Projects: Capital Projects Fund	Total
REVENUES:					
Local sources	$ 448,199	$ 813,963	$ 335,151	$ 303	$ 1,597,616
State sources	13,476	-	-	-	13,476
Federal sources	311,457	-	-	-	311,457
TOTAL REVENUES	773,132	813,963	335,151	303	1,922,549
EXPENDITURES:					
Supporting services	3,442	-	-	-	3,442
Community services	3,062	-	-	-	3,062
Food services	252,519	-	-	-	252,519
School activities	330,330	-	-	-	330,330
Debt service:					
Principal	-	510,000	190,000	-	700,000
Interest and fiscal charges	-	256,162	15,173	-	271,335
Issuance costs	-	3,800	500	-	4,300
Capital outlay	155,916	-	21,167	-	177,083
TOTAL EXPENDITURES	745,269	769,962	226,840	-	1,742,071
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	27,863	44,001	108,311	303	180,478
OTHER FINANCING SOURCES (USES):					
Proceeds from borrowing	-	-	-	-	-
Transfers in	-	-	-	500,000	500,000
Transfers (out)	(2,159)	-	-	-	(2,159)
TOTAL OTHER FINANCING SOURCES (USES)	(2,159)	-	-	500,000	497,841
NET CHANGE IN FUND BALANCE	25,704	44,001	108,311	500,303	678,319
Fund Balance, July 1	526,177	170,038	128,026	-	824,241
FUND BALANCE, JUNE 30	$ 551,881	$ 214,039	$ 236,337	$ 500,303	$ 1,502,560

Ishpeming Public School District No. 1

NON-MAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

June 30, 2022

	Special Revenue Funds				
	Food Service Fund	**School Activities Fund**	**Auditorium Fund**	**Special Needs Fund**	**Total**
ASSETS					
Cash and cash equivalents	$ 99,322	$ 257,938	$ 5,592	$ 53,364	$ 416,216
Investments	-	105,107	-	-	105,107
Accounts receivable	3,430	-	-	-	3,430
Due from other governmental units	41,153	-	-	-	41,153
Due from other funds	-	-	-	-	-
Inventory	783	-	-	-	783
Prepaid expense	-	-	-	-	-
TOTAL ASSETS	144,688	363,045	5,592	53,364	566,689
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 144,688	$ 363,045	$ 5,592	$ 53,364	$ 566,689
LIABILITIES					
Accounts payable	$ -	$ -	$ -	$ -	$ -
Due to other funds	3,168	-	-	-	3,168
Unearned revenue	11,640	-	-	-	11,640
TOTAL LIABILITIES	14,808	-	-	-	14,808
DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-
FUND BALANCES					
Non-spendable	783	-	-	-	783
Restricted	129,097	-	5,592	53,364	188,053
Committed	-	363,045	-	-	363,045
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	129,880	363,045	5,592	53,364	551,881
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 144,688	$ 363,045	$ 5,592	$ 53,364	$ 566,689

Ishpeming Public School District No. 1

NON-MAJOR SPECIAL REVENUE FUNDS

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended June 30, 2022

	Special Revenue Funds				
	Food Service Fund	**School Activities Fund**	**Auditorium Fund**	**Special Needs Fund**	**Total**
REVENUES:					
Local sources	$ 3,500	$ 436,291	$ 1,517	$ 6,891	$ 448,199
State sources	13,476	-	-	-	13,476
Federal sources	311,457	-	-	-	311,457
TOTAL REVENUES	328,433	436,291	1,517	6,891	773,132
EXPENDITURES:					
Supporting services	-	-	-	3,442	3,442
Community services	-	-	625	2,437	3,062
Food services	252,519	-	-	-	252,519
School activities	-	330,330	-	-	330,330
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Issuance costs	-	-	-	-	-
Capital outlay	31,843	-	-	124,073	155,916
TOTAL EXPENDITURES	284,362	330,330	625	129,952	745,269
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	44,071	105,961	892	(123,061)	27,863
OTHER FINANCING SOURCES (USES):					
Proceeds from borrowing	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers (out)	(2,159)	-	-	-	(2,159)
TOTAL OTHER FINANCING SOURCES (USES)	(2,159)	-	-	-	(2,159)
NET CHANGE IN FUND BALANCE	41,912	105,961	892	(123,061)	25,704
Fund Balance, July 1	87,968	257,084	4,700	176,425	526,177
FUND BALANCE, JUNE 30	$ 129,880	$ 363,045	$ 5,592	$ 53,364	$ 551,881

COMPLIANCE SECTION

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

To the Board of Education of the
Ishpeming Public School District No. 1
319 E. Division Street
Ishpeming, Michigan 49849

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ishpeming Public School District No. 1 (the School District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 28, 2022.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Anderson, Tackman & Company, PLC
Certified Public Accountants

October 28, 2022

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
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PARTNERS
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Education of the
Ishpeming Public School District No. 1
319 E. Division Street
Ishpeming, Michigan 49849

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Ishpeming Public School District No. 1's (the School District) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2022. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

Anderson, Tackman & Company, PLC
Certified Public Accountants

October 28, 2022

ISHPEMING PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

Federal Grantor / Pass Through Grantor / Program Title Grant Number	Federal Assistance Listing Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditure	Accrued (Deferred) Revenue July 1, 2021	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue June 30, 2022	Current Year Amount Transferred to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE:								
Child Nutrition Cluster:								
Seamless Summer Option - Breakfast:								
Passed through the Michigan Department of Education:								
211971	10.553	$ 5,104	$ -	$ -	$ 5,105	$ 5,105	$ -	$ -
221971	10.553	39,451	-	-	39,450	32,474	6,976	-
Total Seamless Summer Option - Breakfast		44,555	-	-	44,555	37,579	6,976	-
National School Lunch Program:								
Direct award:								
Non-Cash Entitlement Commodities	10.555	20,328	22,621	-	20,328	20,328	-	-
Non-Cash Entitlement Bonus Commodities	10.555	-	419	-	-	-	-	-
Passed through the Michigan Department of Education:								
National School Lunch Program:								
Lunch								
211960	10.555	-	-	-	-	-	-	-
221960	10.555	-	-	-	-	-	-	-
Seamless Summer Option (SSO) - Lunch								
211961	10.555	27,796	-	-	27,796	27,796	-	-
221961	10.555	193,245	-	-	193,245	164,360	28,885	-
Emergency Operations - SNP Meals								
211965	10.555	6,431	-	-	6,431	6,431	-	-
Snack								
201980	10.555	260	260	-	-	-	-	-
211980	10.555	1,820	1,860	40	352	392	-	-
221980	10.555	2,453	-	-	2,453	2,074	379	-
Supply Chain Assistance								
220910	10.555	16,611	-	-	16,611	16,611	-	-
Total National School Lunch Program		268,944	25,160	40	267,216	237,992	29,264	-
Summer Food Service Program for Children:								
Passed through the Michigan Department of Education:								
Lunch								
200900	10.559	46,151	22,741	-	-	-	-	-
220900	10.559	4,874	-	-	4,874	-	4,874	
Total Summer Food Service Program for Children		51,025	22,741	-	4,874	-	4,874	-
Extended Summer Food Service Program for Children:								
Passed through the Michigan Department of Education:								
Summer Food Service Operatizing								
200901	10.559	-	(274)	-	-	-	-	-
210904	10.559	197,009	197,009	20,693	-	20,693	-	-
Total Extended Summer Food Service Program for Children		197,009	196,735	20,693	-	20,693	-	-
Total Child Nutrition Cluster		561,533	244,636	20,733	316,645	296,264	41,114	-
Child and Adult Care Food Program:								
Passed through the Michigan Department of Education:								
Child and Adult Care Food Program (CACFP):								
211925 2021	10.558	-	6,431	6,431	(6,431)	-	-	-
		-	6,431	6,431	(6,431)	-	-	-

The accompanying notes are an integral part of this schedule.

ISHPEMING PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal Assistance Listing Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditure	Accrued (Deferred) Revenue July 1, 2021	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue June 30, 2022	Current Year Amount Transferred to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE (Continued):								
State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grant:								
Passed through the Michigan Department of Education:								
Pandemic EBT Local Level Costs:								
210980	10.649	$ 614	$ -	$ -	$ 1,242	$ 614	$ 628	$ -
		614	-	-	1,242	614	628	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE		**562,147**	**251,067**	**27,164**	**311,456**	**296,878**	**41,742**	**-**
DEPARTMENT OF TREASURY:								
Coronavirus Relief Funds								
Passed through the Michigan Department of Treasury:								
COVID-19 - Coronavirus Relief Funds	21.019	254,664	254,664	-	-	-	-	-
COVID-19 - COVID District Costs	21.019	8,964	8,964	-	-	-	-	-
Passed through the Copper Country ISD:								
COVID-19 - MiConnect	21.019	20,516	20,516	-	-	-	-	-
Total Coronavirus Relief Funds		284,144	284,144	-	-	-	-	-
TOTAL DEPARTMENT OF TREASURY		**284,144**	**284,144**	**-**	**-**	**-**	**-**	**-**
FEDERAL COMMUNICATIONS COMMISSION:								
Emergency Connectivity Fund Program								
Passed through the Universal Service Administrative Company:								
COVID-19 - Emergency Connectivity Fund	32.009	46,484	-	-	46,484	46,484	-	-
Total Emergency Connectivity Fund		46,484	-	-	46,484	46,484	-	-
TOTAL FEDERAL COMMUNICATIONS COMMISSION		**46,484**	**-**	**-**	**46,484**	**46,484**	**-**	**-**
DEPARTMENT OF EDUCATION:								
Federal Adult Education ABE Instruction:								
Passed through Michigan Department of Education:								
211130 211710	84.002	15,600	15,600	2,979	-	2,979	-	-
221130 221710	84.002	15,841	-	-	15,841	15,841	-	
Total Federal Adult Education ABE Instruction		31,441	15,600	2,979	15,841	18,820	-	-
Title I, Part A:								
Passed through Michigan Department of Education:								
211530 2021	84.010	207,207	207,207	37,555	-	37,555	-	-
201530 1920	84.010	203,383	-	-	203,383	179,084	24,299	-
Total Title I, Part A		410,590	207,207	37,555	203,383	216,639	24,299	-
Special Education Cluster:								
Passed through Marquette-Alger Regional Educational Service Agency:								
P.L. 94-142 Flow Through:								
210450 2021	84.027A	16,428	16,428	3,248	-	3,248	-	-
220450 2122	84.027A	16,052	-	-	16,052	16,052	-	-
Total Special Education Cluster		32,480	16,428	3,248	16,052	19,300	-	-

The accompanying notes are an integral part of this schedule.

ISHPEMING PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal Assistance Listing Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditure	Accrued (Deferred) Revenue July 1, 2021	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue June 30, 2022	Current Year Amount Transferred to Subrecipients
DEPARTMENT OF EDUCATION (Continued):								
Perkins:								
Passed through Marquette-Alger Regional Educational Service Agency:								
213520								
Ishpeming Public School District No. 1	84.048A	$ 7,872	$ 7,872	$ -	$ -	$ -	$ -	$ -
Ishpeming Negaunee Nice Community Schools	84.048A	-	-	-	-	-	-	-
223520								
Ishpeming Public School District No. 1	84.048A	5,773	-	-	5,773	5,773	-	-
Ishpeming Negaunee Nice Community Schools	84.048A	-	-	-	-	-	-	-
Total Perkins		13,645	7,872	-	5,773	5,773	-	-
Indian Education:								
Direct Award:								
S060A202343	84.060	8,077	6,372	-	1,705	1,705	-	-
S060A212343	84.060	7,890	-	-	7,890	7,890	-	-
Total Indian Education		15,967	6,372	-	9,595	9,595	-	-
Title V, Part B:								
Passed through Michigan Department of Education:								
200660 1920	84.358	15,438	-	-	-	-	-	-
210660 2021	84.358	14,280	14,280	-	-	-	-	-
Total Title V, Part B		29,718	14,280	-	-	-	-	-
Title II, Part A:								
Passed through Michigan Department of Education:								
210520 2021	84.367	37,681	37,681	6,129	-	6,129	-	-
220520 2122	84.367	32,118	-	-	32,118	31,766	352	-
Total Title II, Part A		69,799	37,681	6,129	32,118	37,895	352	-
Title IV, Part A:								
Passed through Michigan Department of Education:								
210750 2021	84.424	14,084	14,084	-	-	-	-	
220750 2122	84.424	15,085	-	-	15,085	15,085	-	
Total Title IV, Part A		29,169	14,084	-	15,085	15,085	-	-
Education Stabilization Fund:								
Passed through Michigan Department of Education:								
Elementary and Secondary School Emergency Relief (ESSER):								
COVID-19 203710 1920	84.425D	158,029	-	-	-	-	-	
COVID-19 203720 1920	84.425D	28,445	28,445	-	-	-	-	
Elementary and Secondary School Emergency Relief (ESSER II):								
COVID-19 213712 20-21	84.425D	717,166	-	-	717,166	668,042	49,124	
COVID-19 213762 2022	84.425D	5,313	-	-	5,313	5,313	-	
Elementary and Secondary School Emergency Relief (ESSER III):								
COVID-19 - 213713 2122	84.425U	1,071,970	-	-	767,190	646,254	120,936	
Total Education Stabilization Fund		1,980,923	28,445	-	1,489,669	1,319,609	170,060	-
TOTAL DEPARTMENT OF EDUCATION		**2,613,732**	**347,969**	**49,911**	**1,787,516**	**1,642,716**	**194,711**	**-**

The accompanying notes are an integral part of this schedule.

ISHPEMING PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal Assistance Listing Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditure	Accrued (Deferred) Revenue July 1, 2021	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue June 30, 2022	Current Year Amount Transferred to Subrecipients
DEPARTMENT OF HEALTH & HUMAN SERVICES:								
LEA Medicaid Outreach								
Passed through Marquette-Alger Regional Educational Service Agency:								
Fiscal year 20-21	93.778	$ 2,505	$ 2,505	$ 2,505	$ -	$ 2,505	$ -	$ -
Fiscal year 21-22	93.778	5,142	-	-	5,142	5,142	-	-
Total LEA Medicaid Outreach		7,647	2,505	2,505	5,142	7,647	-	-
TOTAL DEPARTMENT OF HEALTH & HUMAN SERVICES		**7,647**	**2,505**	**2,505**	**5,142**	**7,647**	**-**	**-**
TOTAL FEDERAL FINANCIAL ASSISTANCE		**$ 3,514,154**	**$ 885,685**	**$ 79,580**	**$ 2,150,598**	**$ 1,993,725**	**$ 236,453**	**$ -**

The accompanying notes are an integral part of this schedule.

ISHPEMING PUBLIC SCHOOL DISTRICT NO. 1

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2022

NOTE A – BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the School District for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts on the schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C – OVERSIGHT AGENCY:

The Department of Education is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the School District's federal financial assistance.

NOTE D – FINAL COST REPORT – FORM DS4044:

The final cost reports are not due until 60 days after the end of the grant period. The reports for the current year were not completed as of the date of our report. However, we reviewed the reports filed for the prior year grants and noted that they agreed with either the prior year audited figures or the prior year and current audit figures combined.

NOTE E – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

The amounts reported as current payments on the R7120, Grant Section Auditors Report, reconcile with the Schedule of Expenditures of Federal Awards as follows:

ISHPEMING PUBLIC SCHOOL DISTRICT NO. 1

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

For the Year Ended June 30, 2022

NOTE E – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued):

Current Payments per Grant Auditor Report (GAR):		$1,920,838
Less: Payments on GAR received after 6/30/2022:		
Seamless Summer Option – Breakfast	($6,976)	
Seamless Summer Option – Lunch	(28,885)	
Snack	(379)	(36,240)
Plus: Payments not on GAR:		
Passed through M.A.R.E.S.A.	32,720	
Passed through USAC	46,484	
Title VII	9,595	
Food distribution commodities	20,328	109,127
Less: Accrued revenue at the beginning of the year:		
M.A.R.E.S.A.	(5,753)	
Michigan Department of Education	(73,827)	
Title VII	-	(79,580)
Plus: Accrued revenue at the end of the year:		
M.A.R.E.S.A.	-	
Michigan Department of Education	236,453	
Title VII	-	236,453
Rounding		-
PER THE SCHEDULE OF FEDERAL EXPENDITURES		$2,150,598

A reconciliation of expenditures on the Schedule of Federal Awards to federal revenue recognized is as follows:

Total Federal Revenue Sources reported in the financial statements:	
General Fund	$1,895,217
Food Service Fund	311,457
Reconciling items:	
Child Care Relief Fund federal revenue received as beneficiary	(56,075)
Rounding	(1)
TOTAL FEDERAL AWARD EXPENDITURES REPORTED IN THE SCHEDULE OF FEDERAL AWARDS	$2,150,598

ISHPEMING PUBLIC SCHOOL DISTRICT NO. 1

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2022

SECTION I – SUMMARY OF AUDITORS' RESULTS

General Purpose Financial Statements

- Type of auditors' report issued: *Unmodified.*
- Internal control over financial reporting:
  No material weaknesses were reported.
  No significant deficiencies or reportable instances of noncompliance were reported.
- There were no instances of noncompliance material to the financial statements reported.

Federal Awards

- Types of auditors' report issued on compliance for major programs: *Unmodified.*
- Internal control over major programs:
  No material weaknesses were reported.
  No significant deficiencies were reported.
- There were no audit findings that are required to be reported in accordance with the Uniform Guidance.

Major Programs

- The programs tested as a major program were:

Program	Assistance Listing
Education Stabilization Fund:	
Elementary and Secondary School Emergency Relief (ESSER II)	84.425D
Elementary and Secondary School Emergency Relief (ESSER III)	84.425U

- Dollar threshold used to distinguish between Type A and Type B Programs: *$750,000*
- Auditee qualified as low-risk auditee? *NO.*

SECTION II – FINANCIAL STATEMENT FINDINGS:

- None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

- None reported.

Ishpeming Public School District No. 1
319 East Division Street
Ishpeming, Michigan 49849

Carrie A. Meyer
Superintendent of Schools
Phone: (906) 485-5501

Wendy J. Richards
Business Manager
Fax: (906) 485-1422

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS:

- None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

- None reported.

COMMUNICATIONS SECTION

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
102 W. Washington St. Suite 109 Marquette, MI 49855 (906) 225-1166 www.atcomqt.com

PARTNERS
Daniel E. Bianchi, CPA
Michael A. Grentz, CPA
William C. Sheltrow, CPA

Ishpeming Public School District No. 1
Report to Management
For the Year Ended June 30, 2022

To the Board of Education and Management of the
Ishpeming Public School District No. 1
319 E. Division Street
Ishpeming, Michigan 49849

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ishpeming Public School District No. 1 (the School District) as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

This communication is intended solely for the information and use of management, the Board of Education, others within the organization, and the Michigan Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLC
Certified Public Accountants

October 28, 2022

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
102 W. Washington St. Suite 109 Marquette, MI 49855 (906) 225-1166 www.atcomqt.com

PARTNERS
Daniel E. Bianchi, CPA
Michael A. Grentz, CPA
William C. Sheltrow, CPA

Ishpeming Public School District No. 1
Communication with Those Charged with Governance
For the Year Ended June 30, 2022

October 28, 2022

To the Board of Education of the
Ishpeming Public School District No. 1
319 E. Division Street
Ishpeming, Michigan 49849

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ishpeming Public School District No. 1 (the School District) for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 9, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in the footnotes to the financial statements. Newly adopted GASB standards are disclosed in the notes to the financial statements. As described in Note X to the financial statements the School District restated beginning net position as it relates to the creation of a new internal service fund used for tracking employee benefit obligations. We noted no transactions entered into by the School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

> Management's estimate of accumulated depreciation is based on historical cost. Depreciation is calculated using the straight-line method. We evaluated the key factors and assumptions used to develop the current years depreciation expense

and accumulated depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of employee benefit obligations is based on employee pay rates and the various subsidiary ledgers maintained for hour balances. We evaluated the key factors and assumptions used to develop the accrued employee benefit balances in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the School District's proportionate share of Net Pension Liability and Net OPEB Liability is based on an actuarial performed for the Michigan Public Employees' Retirement System (MPSERS) to determine its liability. We evaluated the key factors and assumptions used to develop the School District's proportionate share of Net Pension Liability and Net OPEB Liability, based on information provided by the Michigan Department of Technology, Management and Budget Office of Retirement Services, in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's allocation of the School District's pension and OPEB contributions subsequent to the measurement date is based contribution rates set by the Office of Retirement Services. We evaluated the key factors and assumptions used to develop the allocation in determining that it is reasonable in relation to the financial statements taken as a whole.

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

The disclosure of the School District's proportionate share of the Defined Benefit Pension and OPEB Plan includes significant actuarial assumptions used in calculating the valuation. Gabriel, Roeder, Smith & Company was the actuarial company hired by the Retirement Board of the Michigan Public Employees' Retirement System (MPSERS) and the Michigan Department of Technology, Management and Budget Office of Retirement Services for preparation of the annual actuarial valuation. A full listing of the actuarial assumptions used can be found MPSERS' Annual Comprehensive Financial Report of the Fiscal Year Ended September 30, 2021.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 28, 2022.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

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

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

<u>Other Matters</u>

We applied certain limited procedures to the Require Supplementary Information (RSI), as listed in the table of contents, which supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Restriction on Use

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

Very truly yours,

Anderson, Tackman & Company, PLC
Certified Public Accountants