

Leland Public School

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

June 30, 2023

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Brad P. Niergarth, CPA
James G. Shumate, CPA
Shelly K. Bedford, CPA
Heidi M. Wendel, CPA
Shelly A. Ashmore, CPA
James M. Taylor, CPA
Trina B. Ochs, CPA
John A. Blair, CPA
Aaron J. Mansfield, CPA
Elizabeth A. Hedden, CPA
Jonathan P. Benjamin, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Education
Leland Public School

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 - 13, budgetary comparison information on pages 44 - 45, pension trend information on page 46, and OPEB trend information on page 47 be presented to supplement the basic financial statements. Such information, 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 combining and individual non-major fund financial statements 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 combining non-major fund financial statements 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 31, 2023, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering the School District's internal control over financial reporting and compliance.

Dennis, Gartland & Niergarth

Certified Public Accountants
Traverse City, Michigan

October 31, 2023

Management's Discussion and Analysis

For the year ended June 30, 2023

The discussion and analysis of the Leland Public School District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2023. Please read this analysis in conjunction with the District's financial statements, which immediately follow this section.

DESCRIPTION OF REPORTING ENTITY AND SERVICES PROVIDED

Leland School District is one of the few remaining one building schools in Michigan. The District is located in Leelanau County and serves students in grades Kindergarten through 12th grade. Students attending classes are afforded individualized attention due to small class sizes. Educators in the District are committed to the philosophy that all children are capable of learning if they have the appropriately specified learning tasks and a suitable amount of time commensurate with their individual learning rates. Leland Public School District offers a core academic curriculum that meets and/or exceeds State guidelines at all levels. Leland Public School is also an International Baccalaureate World School that provides educational opportunities to develop both disciplinary and interdisciplinary understanding that meets rigorous standards set by institutions of higher learning around the world. The IB programs offer curriculum frameworks and courses that are broad, balanced, conceptual and connected globally.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three sections presented in the following order: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include several kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide comprehensive *short-term* and *long-term* financial information about the District as a whole.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the district-wide statements.
- The *governmental funds* statements tell how *basic* services like regular and special education were financed in the *short-term* as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data and supporting documentation. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged.

Figure A-1

District Financial Report Organization

Management's Discussion and Analysis (MD&A) *(Required Supplemental Information)*

Basic Financial Statements

District-wide Financial Statements

Fund Financial Statements

Notes to Basic Financial Statements

Budgetary Information for Funds
(Required Supplemental Information)

Other Supplemental Information

DISTRICT-WIDE STATEMENTS

The district-wide statements provide comprehensive information about the entire District using the accrual basis of accounting which is similar to the method used by private-sector companies. The statement of net position includes all of the District's assets, deferred outflows, liabilities and deferred inflows, and the difference between them, which is net position. The statement of activities accounts for all of the current year's revenues and expenses regardless of when cash is received or paid.

The statement of net position and statement of activities report the governmental activities for the District, which encompass all of the District's services, including instruction and supporting services. Unrestricted State Aid and property taxes finance most of these activities.

The two district-wide statements report the District's *net position* and how they have changed. Examining net position is one way to measure the District's financial health or *position*. Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or declining. The relationship between revenues and expenses is the District's operating results, or in other terms, whether the District had a profit or a loss at year end. However, the District's mission is not simply to generate profits, as may be the case for a commercial entity.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds. Each major fund is presented in a separate column. Non-major funds are aggregated and displayed in a single column. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law and by bond covenants. The District has one type of fund:

Governmental funds:

All of the District's basic services are included in governmental funds. Governmental fund reporting generally focuses on how dollars flow in and out of the funds and the balances left at year-end. These balances are reported using the modified accrual basis of accounting. Revenues are recognized when they are measurable and available. Expenditures are recorded when the related fund liability is incurred. The governmental fund statements provide a detailed short-term view of the operations of the District and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship or differences between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds are presented in a reconciliation displayed further in our documentation. The District's major governmental funds are the General Fund, Food Service, 2019 Debt Retirement and Infrastructure.

The District as a Whole

Recall that the statement of net position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position as of June 30, 2023:

TABLE 1

	Governmental Activities		
	June 30, 2022	June 30, 2023	% Change
Assets			
Current and other assets	\$ 3,725,047	\$ 3,243,492	-12.93%
Capital assets	29,880,011	29,462,144	-1.40%
Total assets	33,605,058	32,705,636	-2.68%
Deferred Outflow of Resources	2,183,187	4,151,238	90.15%
Total assets and deferred outflows	<u>\$ 35,788,245</u>	<u>\$ 36,856,874</u>	2.99%
Liabilities			
Current liabilities	\$ 2,188,325	\$ 1,648,786	-24.66%
Long-term liabilities	23,040,271	21,926,526	-4.83%
Net pension liability	9,040,494	13,753,238	52.13%
Net OPEB liability	589,300	761,360	29.20%
Total liabilities	<u>34,858,390</u>	<u>38,089,910</u>	9.27%
Deferred Inflows of Resources	<u>5,717,896</u>	<u>2,453,623</u>	-57.09%
Net Position			
Net investment in capital assets	5,745,995	6,421,873	11.76%
Restricted for:			
Public improvements	570,430	421,324	-26.14%
Debt service	84,527	49,821	-41.06%
Food service	93,460	81,567	100.00%
Unrestricted (deficit)	<u>(11,282,453)</u>	<u>(10,661,244)</u>	-5.51%
Total net position	<u>(4,788,041)</u>	<u>(3,686,659)</u>	-23.00%
Total liabilities, deferred inflows of resources and net position	<u>\$ 35,788,245</u>	<u>\$ 36,856,874</u>	2.99%

The above analysis focuses on the net position (see Table 1). The District's net position was (\$4,778,041) at June 30, 2022 and (\$3,686,659) at June 30, 2023. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the District's ability to use net position for day-to-day operations.

The results of this year's operations for the District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net position for fiscal year 2023. Revenue and expense for fiscal year 2022 is also shown for comparison purposes.

TABLE 2

	Governmental Activities		
	June 30, 2022	June 30, 2023	% Change
Program Revenues:			
Charges for services	\$ 48,947	\$ 158,439	223.70%
Operating grants and contributions	2,297,358	2,206,183	-3.97%
General revenue			
Property taxes			
Levied for general purpose	4,283,644	4,591,144	7.18%
Levied for debt service	1,922,191	1,801,072	-6.30%
Levied for sinking fund	-	359,361	100.00%
State school aid - unrestricted	168,502	137,599	-18.34%
Unrestricted Federal aid	654,872	695,503	6.20%
Grants and contributions- unrestricted	340,347	138,641	-59.26%
Investment and other	289,110	442,330	53.00%
Total revenues	10,004,971	10,530,272	5.25%
Functions/Program Expenses			
Instruction	3,547,005	4,037,085	13.82%
Support services	2,982,503	3,288,515	10.26%
Community services	4,263	1,858	-56.42%
Food service	323,472	351,356	8.62%
Other transactions	44,632	34,096	-23.61%
Interest on long-term debt	816,639	780,446	-4.43%
Depreciation (unallocated)	326,841	935,534	186.24%
Total expenses	8,045,355	9,428,890	17.20%
Change in net position	1,959,616	1,101,382	43.80%
Net position, beginning of year	(6,747,657)	(4,788,041)	-29.04%
Net position, end of the year	\$ (4,788,041)	\$ (3,686,659)	-23.00%

As reported in the statement of activities, the cost of all of our governmental activities this year was \$9,428,890. Certain activities were partially funded by those who benefited from the programs, such as food service and athletics, (\$158,439) or by other grants and contributions (\$2,206,183). We paid for the remaining "public benefit" portion of our governmental activities with \$6,751,577 in taxes, \$137,599 in State Aid, \$695,503 in Federal aid and with our other revenues including interest and general entitlements.

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

The District's Funds

As noted earlier, the District uses fund accounting to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the District's overall financial health. The District's budgets are prepared according to Michigan law. The most significant budgeted fund is the General Fund. The General Fund is the main operating fund of the District. All other funds would be used to account for the proceeds from specific revenue sources that are legally restricted to certain types of expenditures.

As the District completed this year, the general fund reported a fund balance of \$1,784,930, which is an increase of \$142,123 from the prior year.

Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with numerous changes in expected revenues and expenditures. The Uniform Budget Act of the State of Michigan requires that the Board of Education adopt a budget for the upcoming school year prior to July 1, which is the start of the new fiscal year. The District revised its budget three times during the fiscal year. Under normal circumstances, the District adjusts its budget to reflect a wide variety of Federal and State funding sources, many of which are not finalized until well after the District's original budget is required to be adopted. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations.

A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Major changes to the general fund budget were as follows:

- LPS remains out of formula.
- Retirement offset payments were received as expected.

Capital Asset and Debt Administration

Capital Assets

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2023, \$935,534 was recorded for depreciation expense. The net effect of the new capital assets, the write off of the assets disposed of during the year, and the current year's depreciation is a net decrease in capital assets in the amount of (\$417,867) for the fiscal year ended June 30, 2023.

Debt

At June 30, 2023, the District had \$23,179,004 debt owed. Of that amount, \$21,325,000 is due to bonds sold for the continuing multi-year school building construction project.

Economic Factors and Next Year's Budgets and Rates

At the time these financial statements were prepared and audited, the District was aware of a number of circumstances that could significantly affect the financial health of Leland Public School District.

- Leland School District experiences changes in property taxable values often due in large part to the number of second homes in the District. These changes in taxable values are difficult to predict and can mean a gain or loss of revenue for the district throughout the year. As an out of formula district, funding is not as predictable as with the state foundation formula, but it generally provides for higher revenue than the state provides.
- Consistent, stable, and long term State and federal related grants are currently supporting several positions within the school system. Short term state and federal funding is supporting only one staff at this. It is hoped that the tax base will continue to increase to be able to continue this position if the grant money ceases.

Contacting the School District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Shawn Stowe, Business Manager, at Leland Public School District, P.O. Box 498, Leland, MI 49654, Telephone (231) 256-9857, Fax (231) 256-9844.

Leland Public School
STATEMENT OF NET POSITION
June 30, 2023

	<u>Governmental Activities</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
ASSETS	
Current assets	
Cash and cash equivalents	\$ 2,717,745
Due from other governments	488,642
Accounts receivable	29,785
Inventory	<u>7,320</u>
Total current assets	3,243,492
Capital assets, net of accumulated depreciation	<u>29,462,144</u>
Total assets	32,705,636
DEFERRED OUTFLOWS OF RESOURCES	
Pension liability	3,107,660
OPEB liability	<u>1,043,578</u>
Total assets and deferred outflows of resources	<u><u>\$ 36,856,874</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
LIABILITIES	
Current liabilities	
Accounts payable and accrued expenses	\$ 422,596
Unearned revenue	112,445
Current portion of long-term liabilities	<u>1,113,745</u>
Total current liabilities	1,648,786
Non-current portion of long-term liabilities	21,926,526
Net pension liability	13,753,238
Net OPEB liability	<u>761,360</u>
Total liabilities	<u>38,089,910</u>
DEFERRED INFLOWS OF RESOURCES	
Pension liability	651,641
OPEB liability	<u>1,801,982</u>
Total deferred inflows of resources	<u>2,453,623</u>
NET POSITION	
Net investment in capital assets	6,421,873
Restricted for	
Debt service	49,821
Capital projects	421,324
Food service	81,567
Unrestricted (deficit)	<u>(10,661,244)</u>
Total net position	<u>(3,686,659)</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 36,856,874</u></u>

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

Leland Public School
STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

Functions/Program	Expenses	Program Revenues		Net Revenue (Expense) and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 4,037,085	\$ -	\$ 2,011,150	\$ (2,025,935)
Supporting services	3,288,515	14,201	-	(3,274,314)
Community services	1,858	-	-	(1,858)
Food service	351,356	144,238	195,033	(12,085)
Other	34,096	-	-	(34,096)
Interest on long-term debt	780,446	-	-	(780,446)
Depreciation-unallocated	<u>935,534</u>	<u>-</u>	<u>-</u>	<u>(935,534)</u>
Total governmental activities	<u>\$ 9,428,890</u>	<u>\$ 158,439</u>	<u>\$ 2,206,183</u>	<u>(7,064,268)</u>
General purpose revenues				
Property taxes				
Levied for general purposes				4,591,144
Levied for debt service				1,801,072
Levied for Sinking Fund				359,361
State school aid - unrestricted				137,599
Unrestricted Federal aid				695,503
Grants and contributions - unrestricted				138,641
Investment and other				<u>442,330</u>
Total general purpose revenues				<u>8,165,650</u>
Change in net position				1,101,382
Net position, beginning of year				<u>(4,788,041)</u>
Net position, end of year				<u>\$ (3,686,659)</u>

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

Leland Public School

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2023

	General Fund	Food Service	2019 Debt Retirement	Infrastructure	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 1,441,974	\$ 210,612	\$ 106,475	\$ 314,908	\$ 643,776	\$ 2,717,745
Due from other governments	488,642	-	-	-	-	488,642
Accounts receivable	29,785	-	-	-	-	29,785
Due from other funds	322,814	63,827	35,879	-	17,461	439,981
Inventory	-	7,320	-	-	-	7,320
Total assets	<u>\$ 2,283,215</u>	<u>\$ 281,759</u>	<u>\$ 142,354</u>	<u>\$ 314,908</u>	<u>\$ 661,237</u>	<u>\$ 3,683,473</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts payable and accrued expenditures	\$ 213,812	\$ -	\$ -	\$ 40,908	\$ 29,143	\$ 283,863
Unearned revenue	105,268	7,177	-	-	-	112,445
Due to other funds	<u>76,327</u>	<u>193,015</u>	<u>41,098</u>	<u>60,082</u>	<u>69,459</u>	<u>439,981</u>
Total liabilities	<u>395,407</u>	<u>200,192</u>	<u>41,098</u>	<u>100,990</u>	<u>98,602</u>	<u>836,289</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues	<u>102,878</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>102,878</u>
FUND BALANCES						
Non-spendable	-	7,320	-	-	-	7,320
Restricted						
Food service	-	74,247	-	-	-	74,247
Debt retirement	-	-	101,256	-	87,298	188,554
Capital projects	-	-	-	213,918	207,406	421,324
Committed						
School activity	-	-	-	-	267,931	267,931
Subsequent year expenditures	280,488	-	-	-	-	280,488
Unassigned	<u>1,504,442</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,504,442</u>
Total fund balances	<u>1,784,930</u>	<u>81,567</u>	<u>101,256</u>	<u>213,918</u>	<u>562,635</u>	<u>2,744,306</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,283,215</u>	<u>\$ 281,759</u>	<u>\$ 142,354</u>	<u>\$ 314,908</u>	<u>\$ 661,237</u>	

Reconciliation of Governmental Fund Balances to District-Wide Government Activities Net Position

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$35,307,450 and the accumulated depreciation is \$(5,845,306). 29,462,144

Deferred outflows of resources of \$3,107,660 related to the pension liability and \$1,043,578 related to the OPEB liability, are not financial resources and, therefore, are not reported as assets in governmental funds. 4,151,238

Unavailable revenues are not available to pay for current period expenditures and, therefore, are deferred in governmental funds. 102,878

Long-term liabilities and related deferred outflows of resources including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:

Bonds payable	\$ (21,325,000)	
Accrued interest on bonds	(138,733)	
Unamortized bond premium	(1,715,271)	
Net pension liability	(13,753,238)	
Net OPEB liability	<u>(761,360)</u>	(37,693,602)

Deferred inflows of resources of \$(651,641) related to the pension liability, \$(1,801,982) related to the OPEB liability are not due and payable in the current period and, therefore, are not reported as a liability in the governmental funds. (2,453,623)

Total net position - governmental activities \$ (3,686,659)

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

Leland Public School

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

Year Ended June 30, 2023

	<u>General Fund</u>	<u>Food Service</u>	<u>2019 Debt Retirement</u>	<u>Infrastructure</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues						
Property taxes	\$ 4,591,144	\$ -	\$ 1,081,228	\$ 359,361	\$ 719,844	\$ 6,751,577
Interest	94,400	192	21,775	14,691	38,338	169,396
State revenues	1,909,645	19,071	-	-	-	1,928,716
Federal revenues	831,728	175,962	-	-	-	1,007,690
Other	<u>152,842</u>	<u>144,238</u>	<u>-</u>	<u>-</u>	<u>272,935</u>	<u>570,015</u>
Total revenues	<u>7,579,759</u>	<u>339,463</u>	<u>1,103,003</u>	<u>374,052</u>	<u>1,031,117</u>	<u>10,427,394</u>
Expenditures						
Current						
Instruction	4,241,760	-	-	-	-	4,241,760
Supporting services	3,125,750	-	-	-	245,088	3,370,838
Community services	1,858	-	-	-	-	1,858
Food service	-	351,356	-	-	-	351,356
Other	20,149	-	-	-	12,947	33,096
Debt service						
Principal	-	-	595,000	-	415,000	1,010,000
Interest	-	-	529,600	-	340,950	870,550
Other	-	-	-	-	1,000	1,000
Capital outlay	<u>48,119</u>	<u>-</u>	<u>-</u>	<u>287,007</u>	<u>243,063</u>	<u>578,189</u>
Total expenditures	<u>7,437,636</u>	<u>351,356</u>	<u>1,124,600</u>	<u>287,007</u>	<u>1,258,048</u>	<u>10,458,647</u>
REVENUES OVER (UNDER) EXPENDITURES	142,123	(11,893)	(21,597)	87,045	(226,931)	(31,253)
Fund balance, beginning of year	<u>1,642,807</u>	<u>93,460</u>	<u>122,853</u>	<u>126,873</u>	<u>789,566</u>	<u>2,775,559</u>
Fund balance, end of year	<u>\$ 1,784,930</u>	<u>\$ 81,567</u>	<u>\$ 101,256</u>	<u>\$ 213,918</u>	<u>\$ 562,635</u>	<u>\$ 2,744,306</u>

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

Leland Public School

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES WITH THE DISTRICT-WIDE STATEMENT OF ACTIVITIES

Year Ended June 30, 2023

Total Net Change in Fund Balances - Governmental Funds	\$ (31,253)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, costs that meet the capitalization policy are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays is less than depreciation in the period.

Capital outlays \$ 517,667	
Depreciation expense <u>(935,534)</u>	(417,867)

Change in deferred outflows of resources for pension liability of \$1,731,051 and OPEB liability of \$237,000.	1,968,051
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Deferred inflows of resources for revenues in the statement of activities that do not provide current financial resources and are not reported as revenues in governmental funds.	102,878
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Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.	1,010,000
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Amortization of bond premium	83,745
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Change in net pension liability.	(4,712,744)
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Change in net OPEB liability.	(172,060)
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Change in deferred inflows of resources for pension liability of \$2,699,876 and OPEB liability of \$564,397.	3,264,273
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Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The interest reported in the statement of activities is the net result of the decrease in accrued interest on bonds payable.

6,359

Changes in Net Position of Governmental Activities	<u><u>\$ 1,101,382</u></u>
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Leland Public School

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The Leland Public School (the "School District") is a Michigan public school district consisting of one K-12 building. The School District also provides staff for St. Mary's School of Lake Leelanau. The School District primarily serves the Leland community. As of June 30, 2023, the School District employs 34 professional staff and 27 non-professional staff, and has a student aid membership of 450 within its School District.

The accounting policies of the School District conform to generally accepted accounting principles as applicable to governments. The School District is a local government unit.

The accounting and reporting framework and the more significant accounting principles and practices of the School District are discussed in subsequent sections of this note. The remainder of the notes are organized to provide explanations, including required disclosures, of the School District's financial activities for the fiscal year ended June 30, 2023.

Financial Reporting Entity

The Leland Public School is a special purpose government and considered to be a primary government because it has a separately elected governing body, is legally separate and is fiscally independent of other state and local governments. The financial reporting entity of the Leland Public School includes the School District as the primary government and its component units; i.e., legally separate organizations for which the primary government is financially accountable and any other organizations which management has determined, based on the nature of significance of their relationship with the School District, must be included to prevent the School District's financial statements from being misleading. Based on criteria established in Governmental Accounting Standards Board ("GASB") Statement No. 14, as amended, management has not identified any component units. Student, parent and teacher organizations are not included, except to the extent that the School District holds assets in the capacity of an agent.

District-Wide and Fund Financial Statements

District-Wide Financial Statements

The statement of net position and statement of activities display information about the School District as a whole, except for its fiduciary activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and School District general revenues.

NOTES TO FINANCIAL STATEMENTS - Continued

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the School District's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

The balance sheet and statement of revenues, expenditures and changes in fund balances (i.e., fund financial statements) for the School District's governmental funds are presented after the government-wide statements. These statements display information about major funds individually and non-major funds in the aggregate for governmental funds. Major funds are generally those that represent 10% or more of governmental fund assets, liabilities, revenues or expenditures.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the School District are prepared in accordance with Generally Accepted Accounting Principles ("GAAP"). The School District's reporting entity applies all relevant Governmental Accounting Standards Board ("GASB") pronouncements.

The district-wide statements report using the economic resource measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School District considers revenues to be available, if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include property taxes, intergovernmental revenues and investment income. In general, other revenues are recognized when cash is received.

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

NOTES TO FINANCIAL STATEMENTS - Continued

Fund Types and Major Funds

Activities in Major Funds

The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those accounted for in another fund.

The Food Service Fund is a Special Revenue Fund that is used to account for financial resources pertaining to food services of the School District.

The 2019 Debt Service Fund is used to account for accumulation of resources (property taxes), and the payment of bond principal, interest and related costs.

The Infrastructure Fund is a capital project fund and is used to account for a sinking fund tax levy to be used for construction or repair of various School District properties. The fund has complied with the applicable provisions of 1212 of the Revised School Code.

Other Governmental Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes. The non-major Special Revenue Fund maintained by the School District is the Student Activity Fund.

Debt Retirement Funds are used to account for the accumulation of resources (property taxes), and the payment of bond principal, interest and related costs. The School District maintains the 2019 Technology and Bus Debt Retirement Fund and the 2018 Debt Retirement Fund.

Capital Projects Funds are used to account for financial resources (bond proceeds) to be used for the acquisition of equipment, technology, buses or construction of capital assets. The School District maintains the 2019 Capital Projects Fund and the 2019 Technology and Bus Capital Project Fund.

Cash and Cash Equivalents

The School District's reporting entity considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

Inventories

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost, which is recorded as an expenditure at the time individual inventory items are used.

NOTES TO FINANCIAL STATEMENTS - Continued

Capital Assets

Capital assets are recorded at cost or, if donated, the fair value at the time of donation. Capital assets are depreciated over their estimated useful lives ranging from 3 to 50 years. The School District generally capitalizes assets with a cost of \$5,000 or more as purchase and construction outlays occur. No depreciation is recorded on land or construction-in-process. Expenditures for major renewals and betterments that extend the useful lives of the capital assets are capitalized. Expenditures for maintenance and repairs are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives for depreciable assets are as follows:

Buildings	30-50 years
Improvements, other than buildings	5-15 years
Furniture and equipment	5-20 years
Buses and vehicles	5-7 years

Long-Term Debt and Bond Discounts/Premiums

In the district-wide financial statements, outstanding debt is reported as a liability. Bond discounts or premiums are amortized over the terms of the respective bonds using a method that approximates the interest method. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the period in which the bonds were issued. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Balance

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors or contributors, or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the School Board through approval of resolutions. Assigned fund balance is a limitation imposed by the Superintendent and/or Business Manager as a designee of the School Board. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed or assigned to those purposes.

NOTES TO FINANCIAL STATEMENTS - Continued

When both restricted and unrestricted fund balances are available for use, it is the School District's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts and then unassigned amounts, when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the statement of financial position includes elements for deferred outflows of resources and deferred inflows of resources. The separate financial statement elements, deferred outflows and inflows of resources, represent a consumption/addition of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) or inflows of resources (revenue) until then. The School District's items that qualify for reporting in this category are the items related to unavailable revenues, pension and OPEB liabilities and bond refunding.

Unavailable revenues are reported only in the governmental funds balance sheet, which only arises under the modified accrual basis of accounting. The School District's reports unavailable revenues for grant reimbursements received after the period of availability. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

See Note I and Note J for details of deferred outflows and inflows related to the pension and OPEB liabilities, respectively.

Program Revenues

Program revenues derive directly from the program itself or from outside parties for the restricted use in a particular program. On the statement of activities, program revenues reduce the net cost of the various functions to reflect the amount which is financed from the School District's general revenues.

The School District's most significant program revenues are Title I, Impact Aid, School Lunch Program and Education Stabilization Funds which are reported as operating grants and contributions.

Allocation of Expenses

The School District reports each function's direct expenses, those that are specifically associated with a service, program or department and, thus, are clearly identifiable to a particular function.

The School District has elected to not allocate indirect expenses.

NOTES TO FINANCIAL STATEMENTS - Continued

Pension Plan

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

Post-Employment Benefits Other than Pensions (OPEB)

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

Use of Estimates in the Preparation of Financial Statements

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

NOTE B - BUDGETARY POLICY AND PRACTICE

Excess of Expenditures over Appropriations in Budgeted Funds

Michigan Public Act 621 of 1978 provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2023, the School District was not in compliance with the Act as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Instruction	\$ 4,154,663	\$ 4,241,760	\$ 87,097

NOTE C - CASH AND INVESTMENTS

At June 30, 2023, the School District's cash and investments include the following:

Bank deposits and cash on hand	\$ 622,640
Certificates of deposit	10,001
Investment pools ("MILAF")	<u>2,085,104</u>
	<u>\$ 2,717,745</u>

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. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2023, \$380,442 of the School District's bank deposits were uninsured.

Investments

The School District's investment policy permits investments in the following vehicles:

1. Bonds and other obligations of the United States Government.
2. Certificates of deposit and savings accounts of banks or credit unions who are members of the FDIC and FSLIC, respectively.
3. Certain commercial paper rated prime 1 or prime 2 at the time of purchase and maturing not more than 270 days after the date of purchase.
4. United States Government repurchase agreements.
5. Banker's acceptance of United States banks.
6. Certain mutual funds.
7. Securities issued or guaranteed by agencies of the United States government.
8. Michigan Investment Liquid Asset Fund Plus ("MILAF").

The School District's investments have the following maturities:

Investment Type	Fair Value	Investment Maturities (in years)			
		Current	1-5	6-10	More than 10
Certificates of deposit	\$ 10,001	\$ 10,001	\$ -	\$ -	\$ -
Investment pools	<u>2,085,104</u>	<u>2,085,104</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,095,105</u>	<u>\$ 2,095,105</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk - Investments

In accordance with the School District's investment policy, the School District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in short-term securities, liquid asset funds, money market funds, or similar investment pools, and limiting the average maturity in accordance with the School District's cash requirements. MILAF investments are carried at amortized cost and are not subject to any withdrawal restrictions.

Credit Risk - Investments

The School District's investment in the MILAF investment pool was rated AAAM by Standard and Poor's.

NOTE D - RECEIVABLES, UNCOLLECTIBLE ACCOUNTS AND UNEARNED REVENUE

Property Taxes Receivable, Unearned Revenue and Property Tax Calendar

Property taxes are levied, billed and attached as enforceable liens in July of the School District's fiscal year. Townships within the School District collect and remit taxes until February 15, at which time the uncollected real property taxes are turned over to the county as delinquent. Delinquent real property taxes are funded by the county and remitted to the School District. Delinquent personal property tax remains a receivable until collected from the taxpayer by the townships and remitted to the School District. In the governmental fund financial statements, if delinquent taxes are not paid within 60 days of year-end, they are recorded as deferred inflows. In the district-wide financial statements, property taxes receivable and related revenue include all amounts due the School District regardless of when cash is received. Over time, substantially all property taxes are collected.

During the fiscal year, \$10.9013 per \$1,000 of equalized non-principal residence property value of \$422 million was levied for general operating purposes. For debt service purposes, \$3.00 per \$1,000 of equalized principal, non-principal residence property and commercial personal property value of \$721 million was levied for bonded debt repayments by the Debt Service Fund.

Intergovernmental Receivables and Unearned Revenue

Intergovernmental receivables are primarily comprised of amounts due from the State and Federal governments. Revenue is recorded as earned, when eligibility requirements are met. Grant revenues unearned in the governmental fund financial statements and included in unearned revenue.

NOTES TO FINANCIAL STATEMENTS - Continued

Amounts due from other governments at June 30, 2023 are as follows:

Due from the State of Michigan - State Aid	\$ 355,203
Due from Federal sources	102,878
Due from other	<u>30,561</u>
Total due from other governments	<u><u>\$ 488,642</u></u>

Unearned revenue for the year ended June 30, 2023 is comprised of the following:

Mental health grant	\$ 52,532
School safety grant	52,736
Student lunch deposits	<u>7,177</u>
Total unearned revenues	<u><u>\$ 112,445</u></u>

NOTE E - INVESTMENTS IN CAPITAL ASSETS

Investments in capital assets consist of the following:

	Beginning Balance	Additions	Disposals	Reclassification	Ending Balance
Buildings and improvements	\$ 32,900,980	\$ 285,545	\$ -	\$ -	\$ 33,186,525
Furniture and equipment	925,150	22,933	-	355,097	1,303,180
Buses and vehicles	<u>682,689</u>	<u>48,119</u>	<u>(74,133)</u>	<u>-</u>	<u>656,675</u>
Total depreciable assets	34,508,819	356,597	(74,133)	355,097	35,146,380
Less accumulated depreciation	(4,983,905)	(935,534)	74,133	-	(5,845,306)
Construction-in-process	<u>355,097</u>	<u>161,070</u>	<u>-</u>	<u>(355,097)</u>	<u>161,070</u>
Total capital assets, net	<u><u>\$ 29,880,011</u></u>	<u><u>\$ (417,867)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 29,462,144</u></u>

Depreciation expense was charged to the function in the statement of activities, as follows:

Unallocated	<u><u>\$ 935,534</u></u>
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NOTES TO FINANCIAL STATEMENTS - Continued

NOTE F - LONG-TERM LIABILITIES

Changes in long-term liabilities during the year ended June 30, 2023 were as follows:

	Beginning Balance	New Debt	Payments	Ending Balance	Current Portion
2019 School Building and Site Bonds	\$ 13,940,000	\$ -	\$ (785,000)	\$ 13,155,000	\$ 805,000
2018 School Building and Site Bonds	8,395,000	-	(225,000)	8,170,000	225,000
Unamortized bond premium	<u>1,799,016</u>	<u>-</u>	<u>(83,745)</u>	<u>1,715,271</u>	<u>83,745</u>
Long-term liabilities	<u>\$ 24,134,016</u>	<u>\$ -</u>	<u>\$ (1,093,745)</u>	<u>\$ 23,040,271</u>	<u>\$ 1,113,745</u>

Payments on building and site bonds are made by Debt Service Funds.

At June 30, 2023, the School District's long-term debt consisted of the following:

\$14,700,000; 2019 School Building and Site Bonds; remaining installments due annually of \$580,000 to \$805,000 through May 1, 2045; remaining interest rate of 2.0% to 4.0%.	\$13,155,000
\$9,475,000; 2018 School Building and Site Bonds; remaining installments due annually of \$225,000 to \$500,000 through May 1, 2042; remaining interest rate of 3.0% to 4.0%.	<u>8,170,000</u>
Total bonds payable	21,325,000
Unamortized bond premium	<u>1,715,271</u>
Total long-term liabilities	<u>\$23,040,271</u>

Total annual requirements to amortize bonds outstanding as of June 30, 2023 are as follows:

Year Ended June 30,	Principal	Interest
2024	\$ 1,030,000	\$ 832,400
2025	805,000	809,550
2026	960,000	779,600
2027	980,000	741,200
2028	1,000,000	702,000
2029 - 2033	5,220,000	2,895,800
2034 - 2038	5,320,000	1,841,400
2039 - 2043	4,820,000	772,400
2044 - 2045	<u>1,190,000</u>	<u>71,400</u>
	<u>\$21,325,000</u>	<u>\$ 9,445,750</u>

NOTES TO FINANCIAL STATEMENTS - Continued

Interest expense for the year ended June 30, 2023 was \$780,446, and interest paid for the year ended June 30, 2023 was \$870,550.

NOTE G - 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; unemployment benefits; and natural disasters. The School District manages its risk exposures and provides certain employee benefits through a combination of self-insurance and risk management pools.

The School District pays unemployment claims on a reimbursement basis. No significant claims are known to exist.

The School District participates in SET-SEG's risk management pools for worker's compensation claims, liability insurance and errors and omissions coverages. SET-SEG was established pursuant to laws of the State of Michigan which authorize local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of SET-SEG is to provide cooperative and comprehensive risk financing and risk control services. SET-SEG provides risk management, underwriting, reinsurance and claim review and processing services for all member governments pursuant to its charter.

The School District makes annual contributions to SET-SEG based on actuarial studies using historical data and insurance industry statistics. These contributions are paid from the General Fund. Such contributions as received by SET-SEG are allocated between its General and Member Retention Funds. Economic resources in SET-SEG's General Fund are expended for reinsurance coverage, claim payments and certain general and administrative costs, whereas resources in the Member Retention Fund are used for loss payments and defense costs up to the member's self-insurance retention limits along with certain other member-specific costs. Any refunds from SET-SEG are deposited in the School District's General Fund.

NOTE H - BALANCES AND TRANSFERS/PAYMENTS WITHIN THE REPORTING ENTITY

Receivables and Payables

Outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for services or goods, subsidy commitments outstanding at year-end and other miscellaneous receivables/payables between funds.

Fund	Interfund Receivable	Interfund Payable
Major Governmental Funds		
General Fund	\$ 322,814	\$ 76,327
Food Service	63,827	193,015
2019 Debt Retirement	35,879	41,098
Infrastructure	-	60,082
Non-Major Governmental Funds	<u>17,461</u>	<u>69,459</u>
	<u><u>\$ 439,981</u></u>	<u><u>\$ 439,981</u></u>

NOTE I - PENSION PLAN

Plan Description

The Michigan Public School Employees' Retirement System ("MPERS") is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan and a fiduciary component unit of the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the Board's authority to promulgate or amend the 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).

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

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

Benefits Provided

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

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

Contributions

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

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

The schedule below summarizes pension contribution rates in effect for the Plan's fiscal year September 30, 2022:

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0-4.0%	20.14%
Member Investment Plan	3.0-7.0%	20.14%
Pension Plus	3.0-6.4%	17.22%
Pension Plus 2	6.2%	19.93%
Defined Contribution	0.0%	13.73%

Required contributions to the pension plan from the School District were \$1,244,667 for the year ended September 30, 2022. Total contributions include State pension funding the School District remitted to ORS as non-statutorily required contributions.

NOTES TO FINANCIAL STATEMENTS - Continued

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

At June 30, 2023, the School District reported a liability of \$13,753,238 for its proportionate share of the MPERS net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2021. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the systems employers during the measurement period by the percent of pension contributions required from all applicable employees during the measurement period. At September 30, 2022, the School District's proportion was 0.03656928%, which was a decrease of 0.00161588% from its proportion measured as of September 30, 2021.

For the year ended June 30, 2023, the School District recognized pension expense of \$1,548,320. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 137,580	\$ 30,751
Changes of assumptions	2,363,299	-
Net difference between projected and actual earnings on pension plan investments	32,251	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	47,181	620,890
School District contributions subsequent to the measurement date	<u>527,349</u>	<u>-</u>
Total	<u>\$ 3,107,660</u>	<u>\$ 651,641</u>

From the above table, \$527,349 reported as deferred outflows of resources related to pensions resulting from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2023	\$ 523,520
2024	333,543
2025	323,974
2026	<u>747,633</u>
Total	<u>\$ 1,928,670</u>

NOTES TO FINANCIAL STATEMENTS - 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 actual valuation follows:

Summary of Actuarial Assumptions

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

Notes:

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

Long-Term Expected Rate of Return on Investments

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

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

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

Rate of Return

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

Discount Rate

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

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

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

1% Decrease (5.0%)	Current Single Discount Rate Assumption (6.0%)	1% Increase (7.0%)
\$ 18,149,165	\$ 13,753,238	\$ 10,130,796

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

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS Annual Comprehensive Financial Report ("ACFR") available on the ORS website at www.michigan.gov/orsschools.

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

The School District reported \$1,428 and \$286 payable to the plan at June 30, 2023 for legally required defined benefit and defined contribution plan contributions.

NOTE J - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

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

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

NOTES TO FINANCIAL STATEMENTS - Continued

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

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

Benefits Provided

Benefit provisions of the post-employment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Post-Employment 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.

NOTES TO FINANCIAL STATEMENTS - Continued

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

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

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.00%	8.09%
Personal Healthcare Fund (PHF)	0.00%	7.23%

Required contributions to the OPEB plan from the School District were \$273,813 for the year ended September 30, 2022.

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

At June 30, 2023, the School District reported a liability of \$761,360 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 30, 2021. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the systems during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2022, the School District's proportion was 0.03594606%, which was a decrease of 0.00266169% from its proportion measured as of September 30, 2021.

NOTES TO FINANCIAL STATEMENTS - Continued

For the year ended June 30, 2023, the School District recognized OPEB income of \$305,838. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,491,213
Changes of assumptions	678,625	55,257
Net difference between projected and actual earnings on OPEB plan investments	59,506	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	89,192	255,512
School District contributions subsequent to the measurement date	<u>216,255</u>	<u>-</u>
Total	<u>\$ 1,043,578</u>	<u>\$ 1,801,982</u>

From the above table, contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB of \$216,255 will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2023	\$ (308,395)
2024	(299,745)
2025	(286,417)
2026	(36,478)
2027	(38,107)
Thereafter	<u>(5,517)</u>
Total	<u>\$ (974,659)</u>

NOTES TO FINANCIAL STATEMENTS - 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

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

Other Assumptions

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

NOTES TO FINANCIAL STATEMENTS - Continued

Notes:

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

Long-Term Expected Rate of Return on Investments

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

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

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

Rate of Return

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

Discount Rate

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

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

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

1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
\$ 1,277,108	\$ 761,360	\$ 327,036

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

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$ 318,821	\$ 761,360	\$ 1,258,119

OPEB Plan Fiduciary Net Position

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

Payables to the OPEB Plan

The School District reported \$115 payable to the Plan at June 30, 2023 for the OPEB liability.

NOTE K - COMMITMENTS AND CONTINGENCIES

Purchase Commitment

A payment deferment incentive was offered by a vendor for a large technology purchase. The agreement was signed in June 2023, with payment delayed until September 2023. The total purchase commitment is approximately \$371,000.

Federal and State Grants

In the normal course of operations, the School District receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authorities, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Collectively Bargained Employment Agreements

The teachers of the School District are organized under the Leland Public School Education Association. The Board of Education and the Leland Public School Education Association have a contract which expires June 30, 2025. The support staff are organized under the Northern Michigan Education Association. The Board of Education and the Northern Michigan Education Association have a contract through June 30, 2026.

NOTE L - RISKS AND UNCERTAINTIES

Throughout the COVID-19 pandemic, the Federal government has provided the School District with funds for increased operational costs to comply with health and safety protocols. Additional Federal funding and changes to operations are expected to continue into the next fiscal year.

NOTE M - SUBSEQUENT EVENT

In August 2023, the School District issued \$2,695,000 in general obligation School Improvement Bonds, Series I, for the purpose of re-equipping school buildings, acquiring and installing instructional technology and instructional technology equipment for school buildings and purchasing school buses. The bonds are due in annual installments of \$330,000 to \$645,000, with an interest rate of 5%, and mature in May 2030.

Management has evaluated events and transactions for possible disclosure through October 31, 2023, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

Leland Public School

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND

Year Ended June 30, 2023

	Budgeted Amounts			Variances - Favorable (Unfavorable)	
	Original	Final	Actual	Original to Final	Final to Actual
Revenues					
Local and intermediate sources	\$ 4,988,315	\$ 4,863,774	\$ 4,838,386	\$ (124,541)	\$ (25,388)
State revenues	1,116,017	1,877,064	1,909,645	761,047	32,581
Federal revenues	<u>756,291</u>	<u>779,688</u>	<u>831,728</u>	<u>23,397</u>	<u>52,040</u>
Total revenues	<u>6,860,623</u>	<u>7,520,526</u>	<u>7,579,759</u>	<u>659,903</u>	<u>59,233</u>
Expenditures					
Instruction	4,133,296	4,154,663	4,241,760	(21,367)	(87,097)
Supporting services	<u>3,170,496</u>	<u>3,642,911</u>	<u>3,195,876</u>	<u>(472,415)</u>	<u>447,035</u>
Total expenditures	<u>7,303,792</u>	<u>7,797,574</u>	<u>7,437,636</u>	<u>(493,782)</u>	<u>359,938</u>
REVENUES OVER (UNDER) EXPENDITURES	(443,169)	(277,048)	142,123	166,121	419,171
Other financing sources (uses)					
Operating transfers out	<u>(15,000)</u>	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	(458,169)	(277,048)	142,123	181,121	419,171
Fund balance, beginning of year	<u>1,626,220</u>	<u>1,642,807</u>	<u>1,642,807</u>	<u>16,587</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,168,051</u>	<u>\$ 1,365,759</u>	<u>\$ 1,784,930</u>	<u>\$ 197,708</u>	<u>\$ 419,171</u>

Leland Public School

BUDGETARY COMPARISON SCHEDULE FOR THE FOOD SERVICE FUND

Year Ended June 30, 2023

	Budgeted Amounts			Variances -	
				Favorable (Unfavorable)	
	Original	Final	Actual	Original to Final	Final to Actual
Revenues					
Local and intermediate sources	\$ 155,560	\$ 152,330	\$ 144,430	\$ (3,230)	\$ (7,900)
State revenues	26,000	26,420	19,071	420	(7,349)
Federal revenues	135,000	157,873	175,962	22,873	18,089
Other	<u>1,200</u>	<u>-</u>	<u>-</u>	<u>(1,200)</u>	<u>-</u>
Total revenues	317,760	336,623	339,463	18,863	2,840
Expenditures					
Food service	<u>362,681</u>	<u>352,475</u>	<u>351,356</u>	<u>10,206</u>	<u>1,119</u>
REVENUES OVER (UNDER)					
EXPENDITURES	(44,921)	(15,852)	(11,893)	29,069	3,959
Fund balance, beginning of year	<u>60,522</u>	<u>93,460</u>	<u>93,460</u>	<u>32,938</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 15,601</u></u>	<u><u>\$ 77,608</u></u>	<u><u>\$ 81,567</u></u>	<u><u>\$ 62,007</u></u>	<u><u>\$ 3,959</u></u>

Leland Public School

SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Michigan Public School Employees Retirement Plan

	<u>9/30/2022</u>	<u>9/30/2021</u>	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
School District's proportion of collective net pension liability	0.03657 %	0.03819 %	0.03901 %	0.04017 %	0.03865 %	0.03761 %	0.03753 %	0.03642 %	0.03388 %
School District's proportionate share of net pension liability	\$ 13,753,238	\$ 9,040,494	\$ 13,399,288	\$ 13,303,440	\$ 11,619,826	\$ 9,747,368	\$ 9,364,376	\$ 8,895,917	\$ 7,461,744
School District's covered payroll	\$ 3,460,518	\$ 3,454,032	\$ 3,345,170	\$ 3,551,610	\$ 3,364,486	\$ 3,133,028	\$ 3,198,314	\$ 2,959,363	\$ 2,831,673
School District's proportionate share of net pension liability as a percentage of covered payroll	397.43 %	261.74 %	400.56 %	374.57 %	345.37 %	311.12 %	292.79 %	300.60 %	263.51 %
Plan fiduciary net position as a percentage of total pension liability	60.77 %	72.60 %	59.72 %	60.31 %	62.36 %	64.21 %	63.27 %	63.17 %	66.20 %

SCHEDULE OF SCHOOL DISTRICT'S PENSION CONTRIBUTIONS

Michigan Public School Employees Retirement Plan

	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Statutorily required employer contributions	\$ 678,059	\$ 711,300	\$ 602,690	\$ 664,563	\$ 660,339	\$ 601,499	\$ 564,613	\$ 702,615	\$ 652,742
School District contributions made to the Plan	<u>678,059</u>	<u>711,300</u>	<u>602,690</u>	<u>664,563</u>	<u>660,339</u>	<u>601,499</u>	<u>564,613</u>	<u>702,615</u>	<u>652,742</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	\$ 3,522,606	\$ 3,742,180	\$ 3,181,010	\$ 3,393,677	\$ 3,540,807	\$ 3,299,434	\$ 3,122,446	\$ 3,027,169	\$ 2,951,608
Contributions as a percentage of covered payroll	19.25 %	19.01 %	18.95 %	19.58 %	18.65 %	18.23 %	18.08 %	23.21 %	22.11 %

Leland Public School

SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

Michigan Public School Employees Retirement Plan

	<u>9/30/2022</u>	<u>9/30/2021</u>	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>
School District's proportion of collective net OPEB liability	0.03595 %	0.03861 %	0.03794 %	0.04074 %	0.03960 %	0.03763 %
School District's proportionate share of net OPEB liability	\$ 761,360	\$ 589,300	\$ 2,032,639	\$ 2,924,538	\$ 3,147,927	\$ 3,332,484
School District's covered payroll (OPEB)	\$ 3,460,518	\$ 3,454,032	\$ 3,345,170	\$ 3,551,610	\$ 3,364,486	\$ 3,133,028
School District's proportionate share of net OPEB liability as a percentage of covered payroll	22.00 %	17.06 %	60.76 %	82.34 %	93.56 %	106.37 %
Plan fiduciary net position as a percentage of total OPEB liability	83.09 %	87.33 %	59.44 %	48.46 %	42.95 %	36.39 %

SCHEDULE OF SCHOOL DISTRICT'S OPEB CONTRIBUTIONS

Michigan Public School Employees Retirement Plan

	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>
Statutorily required OPEB contributions	\$ 277,782	\$ 244,593	\$ 268,310	\$ 258,494	\$ 230,774	\$ 200,800
OPEB contributions in relation to statutorily required contributions	<u>277,782</u>	<u>244,593</u>	<u>268,310</u>	<u>258,494</u>	<u>230,774</u>	<u>200,800</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll (OPEB)	\$ 3,522,606	\$ 3,742,180	\$ 3,181,010	\$ 3,393,677	\$ 3,540,807	\$ 3,299,434
OPEB contributions as a percentage of covered payroll	7.89 %	6.54 %	8.43 %	7.62 %	6.52 %	6.09 %

**COMBINING FINANCIAL STATEMENTS OF
NON-MAJOR GOVERNMENTAL FUNDS**

Leland Public School

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2023

	Special Revenue Funds	Debt Service Funds			Capital Project Funds			Total Non-Major Governmental Funds
	School Activity	2019 Tech and Bus Debt Retirement	2018 Debt Retirement	Total Debt Service Funds	2019 Tech and Bus Bond	2019 Capital Projects	Total Capital Project Funds	
ASSETS								
Cash and cash equivalents	\$ 296,089	\$ 23,626	\$ 60,283	\$ 83,909	\$ 31,225	\$ 232,553	\$ 263,778	\$ 643,776
Due from other funds	-	3,555	1,406	4,961	-	12,500	12,500	17,461
Total assets	<u>\$ 296,089</u>	<u>\$ 27,181</u>	<u>\$ 61,689</u>	<u>\$ 88,870</u>	<u>\$ 31,225</u>	<u>\$ 245,053</u>	<u>\$ 276,278</u>	<u>\$ 661,237</u>
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable and accrued expenditures	\$ 5,665	\$ -	\$ -	\$ -	\$ 1,728	\$ 21,750	\$ 23,478	\$ 29,143
Due to other funds	<u>22,493</u>	<u>20</u>	<u>1,552</u>	<u>1,572</u>	<u>3,095</u>	<u>42,299</u>	<u>45,394</u>	<u>69,459</u>
Total liabilities	<u>28,158</u>	<u>20</u>	<u>1,552</u>	<u>1,572</u>	<u>4,823</u>	<u>64,049</u>	<u>68,872</u>	<u>98,602</u>
FUND BALANCES								
Restricted								
Debt retirement	-	27,161	60,137	87,298	-	-	-	87,298
Capital projects	-	-	-	-	26,402	181,004	207,406	207,406
Committed	<u>267,931</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>267,931</u>
Total fund balances	<u>267,931</u>	<u>27,161</u>	<u>60,137</u>	<u>87,298</u>	<u>26,402</u>	<u>181,004</u>	<u>207,406</u>	<u>562,635</u>
Total liabilities and fund balances	<u>\$ 296,089</u>	<u>\$ 27,181</u>	<u>\$ 61,689</u>	<u>\$ 88,870</u>	<u>\$ 31,225</u>	<u>\$ 245,053</u>	<u>\$ 276,278</u>	<u>\$ 661,237</u>

Leland Public School

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

Year Ended June 30, 2023

	Special Revenue Funds	Debt Service Funds			Capital Project Funds			Total Non-Major Governmental Funds
	School Activity	2019 Tech and Bus Debt Retirement	2018 Debt Retirement	Total Debt Service Funds	2019 Tech and Bus Bond	2019 Capital Projects	Total Capital Project Funds	
Revenues								
Property taxes	\$ -	\$ 187,298	\$ 532,546	\$ 719,844	\$ -	\$ -	\$ -	\$ 719,844
Interest	841	5,309	12,329	17,638	1,165	18,694	19,859	38,338
Local revenues - donations	<u>272,935</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>272,935</u>
Total revenues	<u>273,776</u>	<u>192,607</u>	<u>544,875</u>	<u>737,482</u>	<u>1,165</u>	<u>18,694</u>	<u>19,859</u>	<u>1,031,117</u>
Expenditures								
Supporting services	245,088	-	-	-	-	-	-	245,088
Other	-	-	-	-	-	12,947	12,947	12,947
Debt service								
Principal	-	190,000	225,000	415,000	-	-	-	415,000
Interest	-	11,900	329,050	340,950	-	-	-	340,950
Other	-	-	1,000	1,000	-	-	-	1,000
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,126</u>	<u>239,937</u>	<u>243,063</u>	<u>243,063</u>
Total expenditures	<u>245,088</u>	<u>201,900</u>	<u>555,050</u>	<u>756,950</u>	<u>3,126</u>	<u>252,884</u>	<u>256,010</u>	<u>1,258,048</u>
REVENUES OVER (UNDER) EXPENDITURES	28,688	(9,293)	(10,175)	(19,468)	(1,961)	(234,190)	(236,151)	(226,931)
Fund balance, beginning of year	<u>239,243</u>	<u>36,454</u>	<u>70,312</u>	<u>106,766</u>	<u>28,363</u>	<u>415,194</u>	<u>443,557</u>	<u>789,566</u>
Fund balance, end of year	<u>\$ 267,931</u>	<u>\$ 27,161</u>	<u>\$ 60,137</u>	<u>\$ 87,298</u>	<u>\$ 26,402</u>	<u>\$ 181,004</u>	<u>\$ 207,406</u>	<u>\$ 562,635</u>

FEDERAL PROGRAMS

LELAND PUBLIC SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

Grant Name	Funds Passed Through	Project Number	Assistance Listing Number	Grant Amount	Accrued (Unearned) Revenue July 1, 2022	Prior Years Expenditures	Current Year Cash Receipts	Current Year Expenditures	Accrued (Unearned) Revenue June 30, 2023
U.S. Department of Agriculture									
Local Food for Schools	MDE	230985	10.185	\$ 4,030	\$ -	\$ -	\$ 2,022	\$ 2,022	\$ -
Child Nutrition Cluster									
School Breakfast Program			10.553						
School breakfast program	MDE	221970		3,827	-	-	3,827	3,827	-
School breakfast program	MDE	231970		35,056	-	-	35,056	35,056	-
				38,883	-	-	38,883	38,883	-
National School Lunch Program			10.555						
Supply Chain Assistance	MDE	220910		12,877	-	-	12,877	12,877	-
Supply Chain Assistance	MDE	230910		9,077	-	-	9,077	9,077	-
School Lunch Program	MDE	221960		9,663	-	-	9,663	9,663	-
School Lunch Program	MDE	231960		82,822	-	-	82,822	82,822	-
Non-cash assistance (commodities)									
Entitlement Commodities	MDE	n/a		17,629	-	-	17,629	17,629	-
Entitlement Bonus	MDE	n/a		2,361	-	-	2,361	2,361	-
Total School Lunch Program				134,429	-	-	134,429	134,429	-
Total Child Nutrition Cluster				173,312	-	-	173,312	173,312	-
State Pandemic Electronic Benefit Transfer (P-EBT)									
Administrative Costs Grant	MDE	220980	10.649	628	-	-	628	628	-
Total U.S. Department of Agriculture				177,970	-	-	175,962	175,962	-
U.S. Department of Education									
Title I Grants to Local Education Agencies			84.010						
2021-2022	MDE	221530		31,653	31,688	31,688	31,688	-	-
2021-2022	MDE	231530		49,393	-	-	-	46,698	46,698
Total Title I Grants to Local Education Agencies				81,046	31,688	31,688	31,688	46,698	46,698
Impact Aid			84.041						
2021	Direct	n/a		695,503	-	695,503	40,631	40,631	-
2023	Direct	n/a		654,872	-	-	654,872	654,872	-
Total Impact Aid				1,350,375	-	695,503	695,503	695,503	-
Rural Education	Direct	n/a	84.358	42,821	-	-	-	42,821	42,821

-52- The accompanying notes are an integral part of these financial statements.

LELAND PUBLIC SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

Grant Name	Funds Passed Through	Project Number	Assistance Listing Number	Grant Amount	Accrued (Unearned) Revenue July 1, 2022	Prior Years Expenditures	Current Year Cash Receipts	Current Year Expenditures	Accrued (Unearned) Revenue June 30, 2023
Supporting Effective Instruction State Grants			84.367						
2021-2022	MDE	220520		12,114	12,114	12,114	12,114	-	-
2022-2023	MDE	230520		10,007	-	-	-	2,759	2,759
Total Supporting Effective Instruction State Grants				22,121	12,114	12,114	12,114	2,759	2,759
Student Support and Academic Enrichment Program			84.424						
2021-2022	MDE	220750		13,425	13,425	13,425	13,425	-	-
2022-2023	MDE	230750		10,000	-	-	-	10,600	10,600
Total Student Support and Academic Enrichment Program				23,425	13,425	13,425	13,425	10,600	10,600
Education Stabilization Fund									
ESSER III	MDE	213723	84.425U	312,468	(113,777)	198,691	-	113,777	-
Total U.S. Department of Education				1,832,256	(56,550)	951,421	752,730	912,158	102,878
Department of Health and Human Services									
Medicaid Cluster									
Medical Assistance Program	NES		93.778	22,448	-	-	22,448	22,448	-
Total Federal financial assistance				\$ 2,032,674	\$ (56,550)	\$ 951,421	\$ 951,140	\$ 1,110,568	\$ 102,878

Leland Public School

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2023

- Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the School District, and is prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance with requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the basic financial statements.
- Note 2 - Management has reported that expenditures in this Schedule of Expenditures of Federal Awards are equal to those amounts reported in the annual or final cost reports. Unallowed differences, if any, have been disclosed to the auditor.
- Note 3 - The financial reports, including claims for advances and reimbursements and amounts claimed or used for matching are timely, complete, accurate and contain information that is supported by the books and records from which the basic financial statements have been prepared. Grant receipts reported on the Schedule of Expenditures of Federal Awards, as passed through the Michigan Department of Education, reconcile to the Grant Auditor's Report (R7120). Unreconciled differences have been disclosed to the auditor.
- Note 4 - The School District did not use the 10% de-minimis indirect cost rate allowed under the Uniform Guidance.
- Note 5 - A reconciliation of expenditures to the Schedule of Expenditures of Federal Awards and sources on the financial statements are as follows:

Federal expenditures per Schedule of Expenditures of Federal Awards	\$ 1,110,568
Unavailable revenues	<u>(102,878)</u>
Federal sources per financial statements	<u>\$ 1,007,690</u>

- Note 6 - Pass-through entities, where applicable, have been identified in the schedule with an abbreviation, defined as follows:

Pass-Through Agency	
Abbreviation	Pass-through Agency Name
MDE	Michigan Department of Education
NES	Northwest Education Services

Brad P. Niergarth, CPA
James G. Shumate, CPA
Shelly K. Bedford, CPA
Heidi M. Wendel, CPA
Shelly A. Ashmore, CPA
James M. Taylor, CPA
Trina B. Ochs, CPA
John A. Blair, CPA
Aaron J. Mansfield, CPA
Elizabeth A. Hedden, CPA
Jonathan P. Benjamin, CPA

**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***

Board of Education
Leland Public School

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

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2023-001, 2023-002 and 2023-003, that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

School District's Response to Findings

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

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 School District'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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dennis, Gartland & Niergarth

Certified Public Accountants
Traverse City, Michigan

October 31, 2023

Brad P. Niergarth, CPA
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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**

Board of Education
Leland Public School

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the ***Leland Public School's*** (the "School District") compliance with the type 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, 2023. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questions 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement 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 profession 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 of 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.

Dennis, Gartland & Niergarth

Certified Public Accountants
Traverse City Michigan

October 31, 2023

Leland Public School

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2023

PRIOR YEAR

Findings 2022-001 and 2022-002 are repeated this year in Section 2 as Findings 2023-001 and 2023-002, and there is no change in the status of either finding.

CURRENT YEAR

Section 1 - Summary of Auditors' Results

1. The auditor's report represents an unmodified opinion on the financial statements of the Leland Public School.
2. There were three material weaknesses in internal control reported as a result of the audit of the financial statements. See Section 2 - Findings in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. There were no significant deficiencies in internal control over major federal award programs.
5. The report over compliance for the major federal award programs expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported in this Schedule.
7. The School District's major program was Assistance Listing No. 84.041, Impact Aid.
8. The dollar threshold for distinguishing between Type A and Type B programs was \$750,000.
9. Leland Public School did not qualify as a low risk auditee.

Section 2 - Findings in Accordance with Government Auditing Standards

Finding Number 2023-001

**Material Weakness in Internal Control over Financial Reporting
Preparation of Financial Statements**

Criteria: All Michigan governments are required to prepare financial statements and Schedule of Expenditures of Federal Awards in accordance with generally accepted accounting principles ("GAAP"). This is a responsibility of the School District's management. The preparation of financial statements and Schedule of Expenditures of Federal Awards in accordance with GAAP requires internal controls over both (1) recording, processing and summarizing accounting data (i.e., maintaining internal books and records) and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

Condition: As is the case with many smaller and medium-sized schools, the School District has historically relied on its independent external auditors to adjust the accounting records and assist in the preparation of the basic financial statements and Schedule of Expenditures of Federal Awards as part of its external financial reporting process. Accordingly, the School District's ability to prepare financial statements and Schedule of Expenditures of Federal Awards in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the School District's internal controls.

Cause: This condition was caused by the School District's decision that it is more cost effective to outsource the preparation of its annual financial statements and Schedule of Expenditures of Federal Awards to auditors than to incur the time and expense of obtaining the necessary resources required for the School District to perform this task internally.

Effect: As a result of this condition, the School District lacks internal controls over the preparation of financial statements and Schedule of Expenditures of Federal Awards in accordance with GAAP and instead relies, in part, on its external auditors for assistance with this task.

Recommendation: Once a draft of the financial statements is available, the School District should perform a detailed review of the draft to address any questions or discrepancies from their internal books and records. Upon completion, the School District should approve the financial statements and notes to accept responsibility for their content. Additionally, management should be proactive to enhance their training and expertise in accounting and external financial reporting by attending relevant trainings to demonstrate their ability to accept responsibility for the financial statements and notes. Alternatively, the School District may contract with another qualified accounting firm to assist in the preparation of the financial statements and related notes to alleviate the assistance provided by the independent external auditors.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued

Management's Response: The School District has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interest of the School District to outsource this task to its external auditors and to carefully review the draft financial statements, notes and Schedule of Expenditures of Federal Awards prior to approving them and accepting responsibility for their content and presentation. To aid in the review and approval process, the business manager of the School District has attended professional development classes related to the preparation of financial statements.

Person Responsible: Shawn Stowe, Business Manager

Anticipated Completion Date: Ongoing, with annual review by Business Manager

Finding Number 2023-002

Material Weakness in Internal Control over Financial Reporting Lack of Segregation of Duties

Criteria: Segregation of duties for the School District is necessary to minimize the likelihood that fraud or errors could occur and not be detected.

Condition: The School District has not achieved a complete segregation of duties among employees who have access to assets and those with accounting responsibilities.

Cause: The small size of the business office staff creates an inherent lack of segregation of duties.

Effect: As a result of this condition, the School District lacks complete segregation of duties and is exposed to the risk of material misstatement of its financial statements.

Recommendation: The School District should separate staff performing record keeping from those with the ability to use the assets. This may require hiring additional staff or transferring duties across existing staff.

Management's Response: The School District has evaluated the manner in which they segregate duties and has implemented measures such as Board review of all expenditures. However, the cost associated with adding additional staff to achieve a complete segregation is not justified by the expected benefits.

Person Responsible: Shawn Stowe, Business Manager

Anticipated Completion Date: Ongoing, with annual review by Business Manager

Finding Number 2023-003

Material Weakness in Internal Controls over Financial Reporting

Accounting Transactions Not Recorded and Bank Reconciliations Not Performed Timely

Criteria: Properly designed control procedures include recording accounting transactions and preparation of account balance reconciliations for comparison of assets with underlying accounting records. The recording of transactions and preparation of bank reconciliations should be completed in a timely manner.

Condition: The School District did not record accounting transactions or reconcile cash accounts in a timely manner. Bank reconciliations were performed for the entire fiscal year after year-end.

Cause: Turnover in the accounting department lead to accounting transactions and bank reconciliations not being completed timely.

Effect: As a result of this condition, accounting transactions were not recorded on a timely basis and cash transactions were not recorded in the proper accounting period throughout the fiscal year.

Recommendation: Implement procedures whereby accounting transactions are recorded timely and bank reconciliations are performed monthly with review conducted by an individual independent of the reconciliation process.

Management's Response: Leland Public School District has evaluated the findings and agrees with the condition. To remedy the issue, the School District has re-hired the former Business Manager to work with the new Business Manager to remedy the situation. This training process will be limited hours each month, but is planned over the next couple years to get the business office up and running.

Person Responsible: Shawn Stowe, Business Manager

Anticipated Completion Date: November 2023

Section 3 - Findings and Questioned Costs in Accordance with the Uniform Guidance

No findings or questioned costs.