L'ANSE AREA SCHOOLS
L'ANSE, MICHIGAN

AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2023

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COMMUNICATIONS SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
L'Anse Area Schools
201 N. 4th Street
L'Anse, Michigan 49946

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 L'Anse Area Schools (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 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, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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 and required supplemental information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The 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*, is 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 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.

Anderson, Tackman & Company, PLC
Certified Public Accountants

October 31, 2023

L’Anse Area Schools

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of L’Anse Area Schools (School District) financial performance provides an overview of the School District’s financial activities for the year ended June 30, 2023. Please read it in conjunction with the financial statements, which begin as listed in the table of contents.

FINANCIAL HIGHLIGHTS

- Net position for the School District as a whole was reported at ($3,149,942) and comprised of 100% governmental activities.

- During the year, the School District’s expenses were $8,036,701, while revenues from all sources totaled $9,640,303 resulting in an increase in net position of $1,603,602.

- The General Fund reported an increase of $64,840. This is $67,676 more than the forecasted decrease of $2,836. This was a result of revenues being $254,242 lower, expenses being $81,808 lower than the forecasted change, and other financing sources (uses) being $240,110 higher, all of which are insignificant when compared with budgeted revenues of $8,556,131, budgeted expenditures of $8,334,767, and budgeted other financing (uses) of ($224,200).

USING THIS ANNUAL REPORT

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

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

These two statements report the School District's net position and changes in them. The School District's net position – the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources – is one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net position – as reported in the Statement of Activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as private-sector companies do. One must consider other non-financial factors, such as the quality of education provided, the safety of the schools and the condition of the School District's capital assets, to assess the overall financial health of the School District.

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

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

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

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

- *Proprietary Funds* – When the School District charges customers for the services it provides – whether to outside customers – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the School District's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. The School District does not have any proprietary funds.

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

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

The School District as a Whole

Table 1 provides a summary of the School District's net position as of June 30, 2023 and 2022:

Table 1
Net Position

	Governmental Activities – 2023	Governmental Activities – 2022
Current and other assets	$4,546,549	$4,443,631
Capital assets, net	7,646,700	7,263,248
Total Assets	12,193,249	11,706,879
Deferred outflows of resources	4,577,460	1,938,666
Current liabilities	1,053,704	1,258,551
Long-term liabilities	16,852,135	11,872,035
Total Liabilities	17,905,839	13,130,586
Deferred inflows of resources	2,014,812	5,268,503
Net Position:		
Net investment in capital assets	5,082,532	4,168,173
Restricted	386,847	1,035,116
Unrestricted	(8,619,321)	(9,956,833)
Total Net Position	($3,149,942)	($4,753,544)

The School District's net position was ($3,149,942) as of June 30, 2023. Net investment in capital assets totaling $5,082,532, compares the original cost, less depreciation of the School District's capital assets to long-term debt, used to finance the acquisition of those assets. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations. The remaining amount of net position of ($8,619,321) was unrestricted.

The ($8,619,321) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net position for fiscal years 2023 and 2022.

Table 2
Statement of Activities

	Governmental Activities – 2023	Governmental Activities – 2022
Revenues:		
Program Revenues:		
Charges for services	$80,220	$59,962
Operating grants and contributions	3,667,907	1,383,245
Capital grants and contributions	-	407,116
General Revenues:		
Property taxes	2,012,075	1,841,690
State sources not restricted to specific program	3,681,303	4,904,061
Investment earnings	62,468	3,981
Gain/(loss) on disposal of capital assets	-	-
Miscellaneous	136,330	259,296
Total Revenues	9,640,303	8,859,351
Program Expenses:		
Instruction	4,107,362	3,916,390
Supporting services	2,994,310	2,198,566
Community services	69,503	-
Payments to other governmental agencies	1,223	-
Facilities acquisitions	8,146	139,656
Food service activities	359,362	434,925
Interest on retirement of debt	84,334	62,440
Depreciation – unallocated	412,461	393,359
Total Expenses	8,036,701	7,145,336
Increase (decrease) in net position	1,603,602	1,714,015
Net position, beginning	(4,753,544)	(6,467,559)
Net Position, Ending	($3,149,942)	($4,753,544)

As reported in the Statement of Activities, the cost of all of our governmental activities this year was $8,036,701. Certain activities were partially funded from those who benefited from the programs in the amount of $80,220 or by other governments and organizations that subsidized certain programs with grants and contributions in the amount of $3,667,907. In addition, capital grants were received in the amount of $0. We paid for the remaining "public benefit" portion of our governmental activities with $2,012,075 in taxes, $3,681,303 in State Foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced an increase in net position for the year of $1,603,602.

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

- Net change in governmental fund balances of ($225,097).
- Depreciation charged to expense of ($412,461).
- Capital outlays of $795,913.
- Gain/(loss) on disposals of $0.
- Repayment on bond and loan principal of $530,907.
- Change in pension related activity of $157,955.
- Change in OPEB related activity of $753,415.

- Change in compensated absences of $1,015.
- Change in accrued interest of $1,955.

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

Table 3
Governmental Activities

	Total Cost Of Services	Net Cost Of Services
Instruction	$4,107,362	$1,135,637
Supporting services	2,994,310	2,564,094
Food service activities	359,362	19,110

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

The School District's Funds

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

As the School District completed the year, its governmental funds (as listed in the table of contents) reported a combined fund balance of $3,730,458 a decrease of $225,097 from the beginning of the year.

This was due to a net increase in the General Fund of $64,840, a net decrease in the Food Service Fund of $57,087, a net increase in the Student Activities Fund of $7,994, a net decrease in the Debt Service Fund of $402, a net decrease in the Sinking Fund of $74,403, and a net decrease in the Capital Projects Fund of $166,039.

General Fund Budgetary Highlights

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

Changes to the General Fund original budget were as follows:

- Budgeted revenues were increased by $1,414,269 to reflect expected actual use of various grants.
- Budgeted expenditures were increased by $770,940 to reflect changes in various grant activity.

Enrollment

The School District's 2022-2023 State aid blended membership enrollment from the fall count totaled 512. This is a decrease of 63 students from the previous year. The School District has been declining in enrollment for several years and projects the decline to continue in coming years. The School District is located in Michigan's Upper Peninsula, which is currently experiencing an economic downturn. As a result, families have moved out of the area. A decline in birth rate is another factor in the decline in enrollment. School of choice is another factor in declining enrollment.

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

Fiscal Year	(Fall) Student FTE	Increase (Decrease) in Student Enrollment (FTE)
2022-2023	512	(63)
2021-2022	575	(7)
2020-2021	582	(24)
2019-2020	606	(16)
2018-2019	622	(17)

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

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2023, the School District had $7,646,700 (Net of Depreciation) invested in a variety of capital assets including land, buildings, and machinery and equipment. (See Table 4 below)

Table 4
Capital Assets at Year End
(Net of Depreciation)

	Governmental Activities – 2023	Governmental Activities – 2022
Land	$89,510	$89,510
Construction in process	213,775	-
Land improvements	655,854	727,584
Buildings and improvements	6,234,324	5,999,189
Equipment and vehicles	208,992	226,777
Buses	244,245	220,188
Total	$7,646,700	$7,263,248

During the current fiscal year, the School District completed a window replacement project, began installing an electric bus charger, began an electronic thermostat controls upgrade project, began a locker replacement project, installed a new intercom and bell system, and purchased a new bus. In the current year, the School District disposed of one bus and various pieces of equipment.

We anticipate capital additions for the following fiscal year will be comparable to the current fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

As of June 30, 2023, the School District had $2,564,168 in outstanding debt as depicted in Table 5 below.

Table 5
Outstanding Debt at Year End

	Governmental Activities – 2023	Governmental Activities – 2022
2016 Refunding Bonds	$2,170,000	$2,585,000
2011 School Improvement Bonds	394,168	510,075
Total	$2,564,168	$3,095,075

The School District did not issue any new debt in the current year and made $530,907 in principal payments. We present more detailed information about our long-term debt in the notes to the financial statements.

Economic Factors and Next Year's Budgets

Our elected officials and administration consider many factors when setting the School District's fiscal year 2023-2024 budget. One of the most important factors affecting the budget is the student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2023-2024 fiscal year budget was adopted in June 2023, based on an estimate of students that will be enrolled in September 2023. Approximately 53 percent of total General Fund revenues are from the foundation allowance.

Under State law, the School District cannot access additional property tax revenue for general obligations. As a result, the School District's funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2023-2024 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2023-2024 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget, if actual School District resources are not sufficient to fund original appropriations.

The State budget continues to be an area of concern for local school districts. State revenues are falling short of projections, which could mean reduced funding at the local level.

Contacting the School District's Financial Management

This financial report is designated to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the L'Anse Area Schools, 201 N. 4th Street, L'Anse, Michigan, 49946.

L'Anse Area Schools

STATEMENT OF NET POSITION

June 30, 2023

	Governmental Activities
ASSETS	
Current Assets:	
Cash and cash equivalents	$ 517,617
Investments	2,548,460
Receivables:	
Accounts receivable	53,042
Delinquent property taxes	-
Due from other governmental units	1,320,312
Inventories	29,654
Prepaid expense	77,464
Non-current Assets:	
Capital Assets:	
Land and construction in progress	303,285
Other capital assets, net	7,343,415
TOTAL ASSETS	12,193,249
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to proportionate share of net pension liability	2,470,890
District's contributions made subsequent to pension measurement date	1,145,508
Deferred outflows related to proportionate share of net OPEB liability	744,171
District's contributions made subsequent to OPEB measurement date	216,891
TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,577,460
LIABILITIES	
Current Liabilities:	
Accounts payable	66,173
Accrued liabilities	768,350
Accrued interest	12,516
Unearned revenue	206,665
Non-current Liabilities:	
Portion due or payable within one year	
Bonds payable	548,625
Compensated absences	-
Portion due or payable after one year	
Bonds payable	2,015,543
Compensated absences	160,378
Proportionate share of net pension liability	13,390,133
Proportionate share of net OPEB liability	737,456
TOTAL LIABILITIES	17,905,839
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to proportionate share of net pension liability	361,023
Deferred inflows related to proportionate share of net OPEB liability	1,653,789
TOTAL DEFERRED INFLOWS OF RESOURCES	2,014,812
NET POSITION	
Net investment in capital assets	5,082,532
Restricted	386,847
Unrestricted	(8,619,321)
TOTAL NET POSITION	$ (3,149,942)

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

L'Anse Area Schools

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2023

Function / Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:					
Instruction	$ 4,107,362	$ -	$ 2,971,725	$ -	$ (1,135,637)
Supporting services	2,994,310	25,839	404,377	-	(2,564,094)
Community services	69,503	5,934	-	-	(63,569)
Payments to other governmental agencies	1,223	-	-	-	(1,223)
Facilities acquisitions	8,146	-	-	-	(8,146)
Food service activities	359,362	48,447	291,805	-	(19,110)
Interest on retirement of debt	84,334	-	-	-	(84,334)
Depreciation - unallocated	412,461	-	-	-	(412,461)
TOTAL GOVERNMENTAL ACTIVITIES	$ 8,036,701	$ 80,220	$ 3,667,907	$ -	(4,288,574)

General revenues:	
Taxes:	
Property taxes, levied for general purposes	1,404,665
Property taxes, levied for debt retirement	449,322
Property taxes, levied for capital projects	158,088
State aid not restricted to specific purposes	3,681,303
Interest and investment earnings	62,468
Gain/(loss) on disposal of capital assets	-
Miscellaneous	136,330
TOTAL GENERAL REVENUES	5,892,176
CHANGES IN NET POSITION	1,603,602
Net position, beginning of year	(4,753,544)
NET POSITION, END OF YEAR	$ (3,149,942)

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

L'Anse Area Schools

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2023

				Non-Major Funds				
		Special Revenue		Debt Service	Capital Projects			
	General Fund	Food Service Fund	Student Activities Fund	Debt Service Fund	Sinking Fund	Capital Project Fund	Total
ASSETS							
Cash and cash equivalents	$ 282,544	$ -	$ 58,068	$ -	$ -	$ 177,005	$ 517,617
Investments	2,145,262	191,667	-	148,511	63,020	-	2,548,460
Receivables:							
Accounts receivable	36,757	358	-	11,951	3,976	-	53,042
Delinquent property taxes	-	-	-	-	-	-	-
Due from other funds	203,598	-	-	-	-	313,470	517,068
Due from other governmental units	1,318,079	2,233	-	-	-	-	1,320,312
Inventories	17,828	11,826	-	-	-	-	29,654
Prepaid expense	76,724	740	-	-	-	-	77,464
TOTAL ASSETS	4,080,792	206,824	58,068	160,462	66,996	490,475	5,063,617
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 4,080,792	$ 206,824	$ 58,068	$ 160,462	$ 66,996	$ 490,475	$ 5,063,617
LIABILITIES							
Accounts payable	$ 53,691	$ -	$ -	$ 91	$ 34	$ 12,357	$ 66,173
Accrued liabilities	760,813	7,537	-	-	-	-	768,350
Unearned revenue	206,665	-	-	-	-	-	206,665
Due to other funds	313,470	93,306	-	589	40,430	69,273	517,068
TOTAL LIABILITIES	1,334,639	100,843	-	680	40,464	81,630	1,558,256
DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-	-	-
FUND BALANCES							
Non-spendable	94,552	12,566	-	-	-	-	107,118
Restricted	-	93,415	-	159,782	26,532	-	279,729
Committed	-	-	58,068	-	-	-	58,068
Assigned	279,221	-	-	-	-	408,845	688,066
Unassigned	2,372,380	-	-	-	-	-	2,372,380
TOTAL FUND BALANCES	2,746,153	105,981	58,068	159,782	26,532	408,845	3,505,361
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 4,080,792	$ 206,824	$ 58,068	$ 160,462	$ 66,996	$ 490,475	$ 5,063,617

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

L'Anse Area Schools

GOVERNMENTAL FUNDS

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

June 30, 2023

Total Fund Balances for Governmental Funds		$ 3,505,361
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost of capital assets	$ 14,310,111	
Accumulated depreciation	(6,663,411)	7,646,700
Proportionate share of net pension liability and related deferred outflows and inflows is not due and payable in the current period and is not reported in the funds.		
Proportionate share of net pension liability	13,390,133	
Deferred outflows related to proportionate share of net pension liability	(2,470,890)	
District's contributions made subsequent to pension measurement date	(1,145,508)	
Deferred inflows related to proportionate share of net pension liability	361,023	(10,134,758)
Proportionate share of net OPEB liability and related deferred outflows and inflows is not due and payable in the current period and is not reported in the funds.		
Proportionate share of net OPEB liability	737,456	
Deferred outflows related to proportionate share of net OPEB liability	(744,171)	
District's contributions made subsequent to OPEB measurement date	(216,891)	
Deferred inflows related to proportionate share of net OPEB liability	1,653,789	(1,430,183)
Long-term liabilities are not due and payable in the current period and are not reported in the funds. Long-term liabilities at year-end consist of:		
Bonds payable - current	548,625	
Bonds payable - long term	2,015,543	
Accrued interest	12,516	
Compensated absences	160,378	(2,737,062)
Net Position of Governmental Activities		**$ (3,149,942)**

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

L'Anse Area Schools

GOVERNMENTAL FUNDS

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended June 30, 2023

		Non-Major Funds					
		Special Revenue		Debt Service	Capital Projects		
	General Fund	**Food Service Fund**	**Student Activities Fund**	**Debt Service Fund**	**Sinking Fund**	**Capital Project Fund**	**Total**
REVENUES:							
Local sources	$ 1,759,438	$ 48,447	$ 54,851	$ 449,904	$ 158,162	$ 351	$ 2,471,153
State sources	5,390,937	10,867	-	21,424	-	-	5,423,228
Federal sources	1,151,514	280,938	-	-	-	313,470	1,745,922
TOTAL REVENUES	8,301,889	340,252	54,851	471,328	158,162	313,821	9,640,303
EXPENDITURES:							
Instruction	4,690,748	-	-	-	-	-	4,690,748
Supporting services	3,328,214	-	46,857	-	64	-	3,375,135
Community services	79,528	-	-	-	-	-	79,528
Payments to other governmental agencies	1,223	-	-	-	-	-	1,223
Facilities acquisitions	7,780	-	-	-	232,501	479,860	720,141
Food service activities	-	381,429	-	-	-	-	381,429
Debt service:							
Principal	115,907	-	-	415,000	-	-	530,907
Interest	28,309	-	-	56,050	-	-	84,359
Other	1,250	-	-	680	-	-	1,930
TOTAL EXPENDITURES	8,252,959	381,429	46,857	471,730	232,565	479,860	9,865,400
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	48,930	(41,177)	7,994	(402)	(74,403)	(166,039)	(225,097)
OTHER FINANCING SOURCES (USES):							
Transfers in	19,500	3,590	-	-	-	-	23,090
Transfers (out)	(3,590)	(19,500)	-	-	-	-	(23,090)
TOTAL OTHER FINANCING SOURCES (USES)	15,910	(15,910)	-	-	-	-	-
NET CHANGE IN FUND BALANCES	64,840	(57,087)	7,994	(402)	(74,403)	(166,039)	(225,097)
Fund Balance, July 1	2,681,313	163,068	50,074	160,184	100,935	574,884	3,730,458
FUND BALANCE, JUNE 30	$ 2,746,153	$ 105,981	$ 58,068	$ 159,782	$ 26,532	$ 408,845	$ 3,505,361

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

L'Anse Area Schools

GOVERNMENTAL FUNDS

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

For the Year Ended June 30, 2023

Net Change in Fund Balances - Total Governmental Funds		$ (225,097)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Depreciation expense	$ (412,461)	
Capital outlays	795,913	
Gain/(loss) on disposals	-	383,452
Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		530,907
Change in proportionate share of net pension liability reported in the statement of activities does not require the use of current resources, and therefore, is not reported in the fund statements until it is due for payment.		
Pension expense		157,955
Change in proportionate share of net OPEB liability reported in the statement of activities does not require the use of current resources, and therefore, is not reported in the fund statements until it is due for payment.		
OPEB expense		753,415
Some expense reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in sick and vacation leave		1,015
Interest on long-term debt 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. This is the net amount of accrued interest recognized in the statement of activities.		1,955
Change in Net Position of Governmental Activities		$ 1,603,602

L'Anse Area Schools

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2023

		Private-Pupose Trust Fund
		Scholarship Fund
ASSETS		
Cash and cash equivalents	$	34,158
Investments		86,746
TOTAL ASSETS		120,904
DEFERRED OUTFLOWS OF RESOURCES		-
LIABILITIES		
Due to groups, organizations and activities		120,904
TOTAL LIABILITIES		120,904
DEFERRED INFLOWS OF RESOURCES		-
NET POSITION		
Held in trust for inviduals, organizations, and other governments		-
TOTAL NET POSITION	$	-

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

L'Anse Area Schools

GOVERNMENTAL FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended June 30, 2023

	Private-Pupose Trust Fund Scholarship Fund
ADDITIONS:	
Contributions:	
Gifts, bequests and endowments	$ -
Total Contributions	-
Investment Income:	
Investment and dividends, net of investment expenses	10,483
Net Investment Income (Loss)	10,483
TOTAL ADDITIONS (DEDUCTIONS)	10,483
DEDUCTIONS:	
Payments in accordance with trust agreements	10,483
TOTAL DEDUCTIONS	10,483
CHANGES IN NET POSITION	-
Net position, beginning of year	-
NET POSITION, END OF YEAR	$ -

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting Entity

L'Anse Area Schools (the School District) operates under an elected Board of Education of seven members, which are elected across the School District to establish programs and policies.

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

Based upon the application of these criteria, the basic financial statements of the School District contain all the funds controlled by the School District's Board of Education as no other entity meets the criteria to be considered a component unit of the School District, nor is the School District a component unit of another entity.

The accounting policies of the School District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

BASIS OF PRESENTATION

District-Wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the School District as a whole. They include all funds of the School District except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through State sources, intergovernmental revenues, and other non-exchange revenues. All of the School District's district-wide activities are considered to be governmental activities.

Fund Financial Statements:

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

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

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

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

The School District reports the General Fund and Food Service Fund as its major governmental funds in accordance with the above criteria. The funds of the School District are described below:

Governmental Funds

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

Special Revenue Funds – The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects). The special revenue funds for the School District are the Food Service Fund and the Student Activities Fund.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources such as taxes, state aid and interest revenue for the payment of general long-term debt principal, interest, and related costs.

Capital Project Funds – The Capital Project Fund and the Sinking Fund are used to account for financial resources of major capital expenditures, including equipment.

Fiduciary Fund – The Fiduciary Fund is used to account for assets held by the School District in a trustee capacity or as an agent for other funds. The School District has one Fiduciary Fund, the Scholarship Fund.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus

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

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

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

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

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

Cash and Equivalents
The School District cash and cash equivalents as reported in the Statement of Net Position are considered to be cash on hand, demand deposits, certificates of deposit and short-term investments with maturities of three months or less. The fair value measurements of investments is based on the hierarchy established by generally accepted accounting principles, which has three levels based on the valuation inputs used to measure an asset's fair value.

Investments
Investments are carried at market value.

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

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

Inventory
Inventories are stated at cost, on a first-in, first-out basis, which approximates market value. Inventories recorded in the General Fund consist of centrally warehoused teaching and operating supplies for the School District. The Food Service Fund consists of food and paper goods. For other funds, expenditures are recorded at the time of use.

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

Capital Assets
Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than $3,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

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

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

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

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

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

Long-Term Debt
In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the district-wide statements.

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

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

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

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

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

> On the district-wide financial statements, the net difference between projected and actual pension plan and/or OPEB plan investment earnings, differences between expected and actual experience, changes in assumptions and changes in proportion and differences between employer contributions and proportionate share of contributions create a deferred inflow of resources.

Equity Classification
District-Wide Statements
Equity is classified as net position and displayed in three components:

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

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

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

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

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

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

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

<u>Property Taxes</u>
Property taxes are levied on December 1, on behalf of the School District by various taxing units and are payable without penalty by February 28. The School District recognizes property tax revenue when levied to the extent they result in current receivables (collected within sixty days of the end of the fiscal year). Property taxes that are not collected within sixty days of the end of the fiscal year are recognized as revenue when collected.

<u>Expenses/Expenditures</u>
District-Wide Statements
In the district-wide Statement of Activities, expenses are segregated by activity (governmental or business-type), and are classified by function.

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

<u>Interfund Activity</u>
As a general rule, the effect of interfund activity has been eliminated from the district-wide statements. Exceptions to this rule are (1) activities between funds reported as governmental activities and funds reported as business-type activities; and (2) activities between funds that are reported in different functional categories in either the governmental or business-type activities

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

column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.

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

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

Budgets and Budgetary Accounting
The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

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

b. Public hearings are conducted to obtain taxpayer comments.

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

d. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board of Education.

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

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

Subsequent events
Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through October 31, 2023, the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

NOTE B – DEPOSITS AND INVESTMENTS:

Cash Equivalents
The following is a reconciliation of cash and investments for both the unrestricted and restricted assets for the primary government and fiduciary funds from the Statement of Net Position.

NOTE B – DEPOSITS AND INVESTMENTS (Continued):

	Primary Government	Fiduciary Funds	Total
Cash and cash equivalents:			
Unrestricted	$517,617	$34,158	$551,775
Restricted	-	-	-
Subtotal	517,617	34,158	551,775
Investments:			
Unrestricted	2,548,460	86,746	2,635,206
Restricted	-	-	-
Subtotal	2,548,460	86,746	2,635,206
Total	$3,066,077	$120,904	$3,186,981

Custodial Credit Risk – Deposits
Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. State law does not require, and the School District does not have a deposit policy for custodial credit risk. The carrying amounts of the School District's deposits with financial institutions were $551,775 and the bank balance was $826,313. The bank balance is categorized as follows.

Amount insured by the FDIC	$250,000
Collateralized and uninsured	-
Amount uncollateralized and uninsured	576,313
Total	$826,313

Investments

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2023, the School District had the following investments.

		Fair Value Measurements Using		
Investments	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Equity securities:				
Michigan Liquid Asset Fund – Mutual Funds	$1,631,678 *	$-	$1,631,678	$-
Fixed Income Securities	86,746 *	86,746	-	-
Certificates of Deposit	916,782 *	916,782	-	-
Total	$2,635,206	$1,003,528	$1,631,678	$-

*Investment matures within one year
** Investment matures in 1-5 years
***Investment matures in 6-10 years

NOTE B – DEPOSITS AND INVESTMENTS (Continued):

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

Credit Risk
Michigan statutes (Act 196, PA 1997) authorize the School District to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The School District has no investment policy that would further limit its investment choices. Ratings are not required for the School District's investment in U.S. Government Agencies or equity-type funds. The School District's investments are in accordance with statutory authority.

Concentration of Credit Risk
The School District places no limit on the amount the School District may invest in any one issuer. There were no investments subject to concentration of credit risk disclosure.

NOTE C – DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governments totaled $1,320,312. This amount consisted of $992,960 due from the State of Michigan for State Aid and $327,352 due from other governmental units for the operation of special programs and grant projects.

NOTE D – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

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

		DUE FROM OTHER FUNDS			
		General Fund	Food Service Fund	Capital Project Fund	Total Due To Other Funds
DUE TO OTHER FUNDS	General Fund	$-	$-	$313,470	$313,470
	Food Service Fund	93,306	-	-	93,306
	Debt Service Fund	589	-	-	589
	Sinking Fund	40,430	-	-	40,430
	Capital Project Fund	69,273	-	-	69,273
	Total Due From Other Funds	$203,598	$-	$313,470	$517,068

NOTE D – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued):

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

TRANSFERS OUT TO OTHER FUNDS	TRANSFERS IN FROM OTHER FUNDS: General Fund	Food Service Fund	Sinking Fund	Total Transfers Out To Other Funds
General Fund	$-	$3,590	$-	$3,590
Food Service Fund	19,500	-	-	19,500
Sinking Fund	-	-	-	-
Capital Projects Fund	-	-	-	-
Total Transfers In From Other Funds	$19,500	$3,590	$-	$23,090

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

NOTE E – CAPITAL ASSETS:

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

	Balance at July 1, 2022	Additions	Disposals	Balance at June 30, 2023
GOVERNMENTAL ACTIVITIES:				
Capital assets not being depreciated:				
Land	$89,510	$-	$-	$89,510
Construction in process	-	213,775	-	213,775
Total capital assets not being depreciated	89,510	213,775	-	303,285
Capital assets being depreciated:				
Land improvements	1,927,663	-	-	1,927,663
Buildings and improvements	10,436,079	498,220	-	10,934,299
Equipment and vehicles	830,819	16,442	(338,421)	508,840
Buses	628,179	67,476	(59,631)	636,024
Total capital assets being depreciated	13,822,740	582,138	(398,052)	14,006,826
Less accumulated depreciation:				
Land improvements	(1,200,079)	(71,730)	-	(1,271,809)
Buildings and improvements	(4,436,890)	(263,085)	-	(4,699,975)
Equipment and vehicles	(604,042)	(34,227)	338,421	(299,848)
Buses	(407,991)	(43,419)	59,631	(391,779)
Total accumulated depreciation	(6,649,002)	(412,461)	398,052	(6,663,411)
Capital assets, net	$7,263,248	$383,452	$-	$7,646,700

NOTE E – CAPITAL ASSETS (Continued):

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:	
Unallocated	$412,461
Total Governmental Activities Depreciation Expense	$412,461

<u>Construction in Process</u>
As of June 30, 2023, there were three projects classified as construction in process as follows:

The Electric Bus Charging Station Project was started in the current fiscal year with $19,330 spent as of year end. The total cost of the project will be approximately $40,000 and is expected to be completed in fiscal year 2024.

The Locker Replacement Project was started in the current fiscal year with $61,345 spent as of year end. The total cost of the project will be approximately $125,000 and is expected to be completed in fiscal year 2024.

The Electronic Thermostat Controls Upgrade Project was started in the current fiscal year with $133,100 spent as of year end. The total cost of the project will be approximately $270,000 and is expected to be completed in fiscal year 2024.

NOTE F – ACCRUED LIABILITIES:

A summary of accrued liabilities at June 30, 2023 as follows:

	Governmental Activities
Accrued wages	$371,374
Retirement payable	275,620
Health Insurance payable	88,085
FICA payable	26,536
Other benefits	6,735
Total	$768,350

NOTE G – LONG-TERM OBLIGATIONS:

A summary of long-term debt, and related transactions for the year ended June 30, 2023 is as follows:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year
GOVERNMENTAL ACTIVITIES:					
2016 Refunding Bonds	$2,585,000	$-	($415,000)	$2,170,000	$425,000
2011 School Improvement Bonds	510,075	-	(115,907)	394,168	123,625
Subtotal	3,095,075	-	(530,907)	2,564,168	548,625
Compensated absences:					
Sick and vacation leave	161,393	-	(1,015)	160,378	-
Subtotal	161,393	-	(1,015)	160,378	-
TOTAL LONG-TERM DEBT	$3,256,468	$-	($531,922)	$2,724,546	$548,625

NOTE G – LONG-TERM OBLIGATIONS (Continued):

2016 Refunding Bonds
June 30, 2023

	November 1	May 1		
Fiscal Year	Interest	Interest	Principal	Total
2024	$23,875	$23,875	$425,000	$472,750
2025	19,625	19,625	435,000	474,250
2026	15,275	15,275	440,000	470,550
2027	10,875	10,875	435,000	456,750
2028	5,438	5,438	435,000	445,876
Total	$75,088	$75,088	$2,170,000	$2,320,176

On March 8, 2016, the School District issued $4,995,000 in Refunding Bonds (General Obligation – Unlimited Tax) with interest rates ranging from 2.000% to 2.500% set to mature annually on May 1 of each year, bearing interest on November 1, 2016, and semi-annually thereafter on the first day of May and November each year. Proceeds from this bond issue were used to advance refund the 2006 Refunding Bonds, dated December 20, 2005. The refunding was undertaken to reduce annual debt service payments. The net savings is $896,035 and the net present value savings is $611,696. The average annual savings is $47,054, the net savings with bond term of 13 years.

2011 School Improvement Bonds
June 30, 2023

	October 1	April 1		
Fiscal Year	Interest	Interest	Principal	Total
2024	$10,938	$10,938	$123,625	$145,501
2025	7,508	7,508	131,625	146,641
2026	3,855	3,855	138,918	146,628
Total	$22,301	$22,301	$394,168	$438,770

On April 14, 2011, the School District issued $1,272,182 of Qualified Zone Academy Bonds (QZAB) for the purpose of building improvements including HVAC, energy efficiency, information technology upgrades, and installation of an eco-fuel system for the bus fleet. The bond matures in 2026 and bears an interest rate of 5.55% per annum. Interest payments started on November 1, 2011, and are payable semi-annually on May 1, and November 1 as indicated.

As of June 30, 2023, the aggregate maturities of long-term debt are as follows:

Fiscal Year	Principal	Interest	Total
2024	$548,625	$69,626	$618,251
2025	566,625	54,266	620,891
2026	578,918	38,260	617,178
2027	435,000	21,750	456,750
2028	435,000	10,876	445,876
Total	$2,564,168	$194,778	$2,758,946

NOTE H – COMPENSATED ABSENCES:

The School District accrues the liability for earned sick leave based on the termination method. The liability is accrued as the benefits are earned. The current labor agreements stipulate sick leave must be taken in order to be paid, except at retirement. Teachers are allowed to accrue up to 200 hours of sick leave and are paid out over three consecutive January's. Administrative staff are eligible for payout per their individual contracts.

As of June 30, 2023, composition of the liability for employee benefits as reported in the Statement of Net Position is as follows:

Sick leave	$160,378
Total	$160,378

The liability has been recognized as follows:

Current portion	$-
Long-term portion	160,378
Total	$160,378

NOTE I – FUND BALANCES – GOVERNMENTAL FUNDS:

Fund balances of the governmental funds are classified as follows:

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

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

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

Assigned — amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the School District's adopted policy, only the Board of Education or the School District's finance committee may assign amounts for specific purposes. The finance committee may assign amounts only up to $500,000 for a specific purpose. However, all such assignments can be made only with unanimous approval of all committee members.

Unassigned — all other spendable amounts.

As of June 30, 2023, fund balances are composed of the following:

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

	General Fund	Food Service Fund	Student Activities Fund	Debt Service Fund	Sinking Fund	Capital Project Fund	Total Governmental Funds
Non-Spendable:							
Inventories	$17,828	$11,826	$-	$-	$-	$-	$29,654
Prepaid expense	76,724	740	-	-	-	-	77,464
Restricted:							
Food Service Fund	-	93,415	-	-	-	-	93,415
Debt service	-	-	-	159,782	-	-	159,782
Capital projects	-	-	-	-	26,532	-	26,532
Committed:							
Student Activities	-	-	58,068	-	-	-	58,068
Assigned:							
FY 23/24 budgeted shortfall	279,221	-	-	-	-	-	279,221
Capital projects funds	-	-	-	-	-	408,845	408,845
Unassigned	2,372,380	-	-	-	-	-	2,372,380
Total Fund Balances	$2,746,153	$105,981	$58,068	$159,782	$26,532	$408,845	$3,505,361

The Board of Education establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives).

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

NOTE J – ECONOMIC DEPENDENCY:

The School District received approximately 74 percent of its revenue through state and federal sources to be used for providing elementary and secondary education for the residents of L'Anse. The School District's Foundation Allowance is set by the state and includes the local contribution from Non-Homestead taxes. Increases in the local Non-Homestead property tax revenues are offset by a corresponding decrease in state aid on a per pupil basis.

NOTE K – STATE REVENUE:

The State of Michigan currently uses a foundation grant approach which provides for a specific annual amount of revenue per student based on a state wide formula. The foundation is funded from state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the - allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2023, the foundation allowance was based on the weighted average of pupil membership counts taken in February 2023 and October 2022.

NOTE K – STATE REVENUE (Continued):

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through 11 payments from October 2022 - August 2023.

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

NOTE L – NON-MONETARY TRANSACTIONS:

The School District receives USDA donated food commodities for use in its food service program which are accounted for in the Food Service Fund. The commodities are accounted for on the modified accrual basis and the related revenues and expenditures are recognized as commodities as utilized. The School District recognized $22,207 during fiscal year 2023 in revenues and expenditures for USDA commodities.

NOTE M – PROPERTY TAXES:

The taxable value of real and personal property located in the School District at December 1, 2022 totaled $147,776,797 (consisting of $69,432,114 for PRE; $692,118 for Industrial Personal Property, $75,220,087 for Non-PRE and $2,432,478 for Commercial Personal Property). The total tax levied consists of 18.0000 mills on all non-homestead and industrial property for the General Fund, 6.0000 mills on all commercial personal property for the General Fund, 2.7600 mills on all property types for the Debt Service Fund, and .9990 mills on all property for the Sinking Fund. One mill is equal to $1.00 per $1,000 of taxable value.

NOTE N – CONTINGENT LIABILITIES:

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

<u>Risk Management</u>
The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The School District was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The School District joined together with other units and created a public entity risk pool currently operating as a common risk management and insurance program. The School District pays an annual premium to the pool for its general insurance coverage.

The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of $500,000 for each insured event.

NOTE N – CONTINGENT LIABILITIES (Continued):

The School District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The School District is unable to provide an estimate of the amounts of additional assessments that may be required to make the pool self-sustaining.

NOTE O – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN:

Plan Description

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan 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) (see Note Q for information on the System’s OPEB plan).

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

The System's financial statements are available on the ORS website at Michigan.gov/ORSSchools.

Benefits Provided

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

A DB 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.

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

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 the Sept. 30, 2021, valuation will be amortized over a 17-year period beginning Oct. 1, 2021 and ending Sept. 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended Sept. 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 $1,211,806 for the year ended September 30, 2022.

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 $13,390,133 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2021. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2022, the School District's proportion was 0.03560380 percent, which was an increase of 0.003197 percent from its proportion measured as of September 30, 2021.

For the year ended June 30, 2023, the School District recognized pension expense of $1,502,928. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between actual and expected experience	$133,948	($29,939)
Changes of assumptions	2,300,905	-
Net difference between projected and actual earnings on pension plan investments	31,400	-
Changes in proportion and differences between the employer contributions and proportionate share of contributions	4,637	(331,084)
Subtotal	2,470,890	($361,023)
Employer contributions subsequent to the measurement date	1,145,508	
Total	$3,616,398	

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

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

Year Ended September 30	Amount
2023	$585,535
2024	404,624
2025	369,444
2026	750,264
Total	$2,109,867

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:

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

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		6.00% net of investment expenses
- Pension Plus 2		6.00% net of investment expenses
Projected Salary Increases:		2.75 – 11.55%, including wage inflation 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:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 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 periods 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total pension liability as of September 30, 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 is 5.0000
- Full actuarial assumptions are available in the 2022 MPSERS Annual Comprehensive Financial Report found on the ORS website at Michigan.gov/ORSSchools.

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

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

Asset Class	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	15.0%	6.7%
Fixed Income Pools	13.0%	(0.2%)
Real Estate and Infrastructure Pools	10.0%	5.3%
Absolute Return Pools	9.0%	2.7%
Real Return/Opportunistic Pools	10.0%	5.8%
Short Term Investment Pools	2.0%	(0.5%)
Total	100.0%	

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

Rate of Return
For the fiscal year ended Sept. 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 Pension Plus plan, 6.00% for the Pension Plus 2 plan, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.00% (6.00% for the Pension Plus plan, 6.00% for the 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 a discount rate of 6.00 % (6.00% for the 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 5.00% / 5.00% / 5.00%*	Current Single Discount Rate Assumption 6.00% / 6.00% / 6.00%*	1% Increase (Non-Hybrid/Hybrid) 7.00% / 7.00% / 7.00%*
$17,670,001	$13,390,133	$9,863,329

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

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

Michigan Public School Employees' Retirement System (MPSERS) Fiduciary Net Position
Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS Annual Comprehensive Financial Report, available on the ORS website at Michigan.gov/ORSSchools.

Payables to the Michigan Public Schools Employees' Retirement System (MPSERS)
At June 30, 2023, the School District reported a payable of $173,762 for the outstanding amount of contributions to the pension and OPEB plan required for the year ended June 30, 2023.

NOTE P – EMPLOYEE RETIREMENT SYSTEM – DEFINED CONTRIBUTION PLANS:

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

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

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

The total amount contributed to the Plan for the year ended June 30, 2023 was $144,092 which consisted of $47,235 from the School District and $96,857 from employees.

NOTE P – EMPLOYEE RETIREMENT SYSTEM – DEFINED CONTRIBUTION PLANS (Continued):

Personal Healthcare Fund

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

The total amount contributed to the Plan for the year ended June 30, 2023 was $57,100 which consisted of $28,550 from the School District and $28,550 from employees.

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

Plan Description

The MPSERS Plan, as previously described in the Defined Benefit Plan footnote, includes an Other Post-Employment Benefits component as part of the cost of the Plan. The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended). All information related to the OPEB component of the Plan is the same except as noted below:

Benefits Provided

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

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

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that

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

can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

Contributions

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

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

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

OPEB Contribution Rates

Benefit Structure	Member	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 $265,216 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 $737,456 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2021. The School District's proportion of the net OPEB liability was determined by dividing each employers' statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2022, the School District's proportion was 0.03481748 percent, which was a decrease of 0.001163 percent from its proportion measured as of September 30, 2021.

For the year ended June 30, 2023, the School District recognized OPEB expense of ($325,203). At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between actual and expected experience	$-	($1,444,394)
Changes of assumptions	657,318	(53,523)
Net difference between projected and actual earnings on OPEB plan investments	57,638	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	29,215	(155,872)
Subtotal	744,171	($1,653,789)
Employer contributions subsequent to the measurement date	216,891	
Total	$961,062	

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

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

Year Ended September 30	Amount
2023	($309,275)
2024	(272,823)
2025	(259,538)
2026	(39,622)
2027	(25,988)
Thereafter	(2,372)
Total	($909,618)

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:

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

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:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 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:

- Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total pension liability as of September 30, 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 year is 5.0000
- Full actuarial assumptions are available in the 2022 MPSERS Annual Comprehensive Financial Report found on the ORS website at Michigan.gov/ORSSchools.

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.

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

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 a 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%**
$1,237,012	$737,456	$316,768

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate
The following presents the School District's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage point higher:

1% Decrease	**Current Healthcare Cost Trend Rate**	**1% Increase**
$308,811	$737,456	$1,218,618

OPEB Plan Fiduciary Net Position
Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2022 MPSERS Annual Comprehensive Financial Report, available on the ORS website at Michigan.gov/ORSSchools.

NOTE R – SINGLE AUDIT:

The School District's schedule of expenditures of federal awards reports a total of $1,720,622 in federal expenditures. As the amount is more than the single audit threshold of $750,000, the School District is required to have an audit in accordance with the Uniform Guidance for the fiscal year ended June 30, 2023.

NOTE S – SINKING FUNDS:

The Sinking Fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of §1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan.

NOTE T – TAX ABATEMENTS:

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

For the fiscal year ended June 30, 2023, there were no significant tax abatements made by the School District; additionally, no significant tax abatements were disclosed to the School District by other governmental units.

NOTE U – NEW GASB STANDARDS:

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

<u>Recently Issued and Adopted Accounting Pronouncements</u>

None.

<u>Other Recently Issued Accounting Pronouncements</u>

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. GASB 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for account and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. This Statement was originally effective for periods beginning after December 15, 2020. However, under GASB 95, the effective date was postponed by 12 months, to periods beginning after December 15, 2021. The School District does not have obligations that meet the criteria under GASB 91; therefore, GASB 91 is not applicable to the School District.

NOTE U – NEW GASB STANDARDS (Continued):

In March 2020, the GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. GASB 94 will improve financial reporting by establishing the definitions of public-private and public-public partnership arrangements (PPPs) and availability payment arrangements (APAs) and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs. This statement is effective for periods beginning after June 15, 2022. The School District does not have activities that meet the criteria for GASB 94; therefore, GASB 94 is not applicable to the School District.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements.* GASB 96 will improve financial reporting by establishing a definition for subscription-based information technology arrangements (SBITAs) for government end users (governments) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs. This statement is effective for periods beginning after June 15, 2022. The School District does not have activities that meet the criteria for GASB 96; therefore, GASB 96 is not applicable to the School District.

NOTE V – UPCOMING STANDARDS:

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

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

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

NOTE V – UPCOMING STANDARDS (Continued):

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

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

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

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

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

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

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

NOTE V – UPCOMING STANDARDS (Continued):

compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

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

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

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

This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

REQUIRED SUPPLEMENTAL INFORMATION

L'Anse Area Schools

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

For the Plan Year Ended September 30

	2022	2021	2020	2019	2018	2017	2016	2015	2014	
District's proportion of net pension liability	0.03560%	0.03631%	0.03722%	0.03738%	0.03724%	0.03792%	0.03781%	0.03713%	0.03690%	
District's proportionate share of net pension liability	$ 13,390,133	$ 8,597,335	$ 12,784,417	$ 12,377,824	$ 11,195,765	$ 9,826,389	$ 9,432,565	$ 9,068,797	$ 8,128,491	
District's covered-employee payroll	$ 3,410,312	$ 3,267,481	$ 3,291,898	$ 3,326,705	$ 3,153,197	$ 3,162,801	$ 3,235,317	$ 3,111,250	$ 3,127,398	
District's proportionate share of net pension liability as a percentage of covered-employee payroll	392.64%	263.12%	388.36%	372.07%	355.06%	310.69%	291.55%	291.48%	259.91%	
Plan fiduciary net position as a percentage of total pension liability	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%	
Notes to Required Supplementary Information:										
Changes in benefit terms:	*NONE*	*NONE*	*NONE*	*NONE*	*NONE*	*NONE*	*NONE*	*NONE*	*NONE*	
Changes in assumptions:	*2022*	*2021*	*2020*	*2019*	*2018*	*NONE*	*NONE*	*NONE*	*NONE*	

2022 - Investment rate of return for MIP and Basic Plans reduced from 6.80% to 6.00%
- Investment rate of return for Pension Plus reduced from 6.80% to 6.00%
- Recognition period for liabilities increased from 4.4367 to 4.3922

2021 - Recognition period for liabilities decreased from 4.4892 to 4.4367

2020 - Recognition period for liabilities decreased from 4.4977 to 4.4892

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

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

L'Anse Area Schools

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

For the Fiscal Year Ended June 30

	2023	2022	2021	2020	2019	2018	2017	2016	2015	
Statutorily required contributions	$ 1,269,830	$ 1,090,353	$ 1,022,769	$ 603,366	$ 579,764	$ 554,084	$ 591,219	$ 613,863	$ 677,815	
Contributions in relation to statutorily required contributions	1,269,830	1,090,353	1,022,769	603,366	579,764	554,084	591,219	613,863	677,815	
Contributions deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
District's covered-employee payroll	$ 3,511,262	$ 3,265,053	$ 3,291,898	$ 3,276,936	$ 3,298,109	$ 3,161,330	$ 3,163,386	$ 3,235,596	$ 3,094,281	
Contributions as a percentage of covered-employee payroll	36.16%	33.39%	31.07%	18.41%	17.58%	17.53%	18.69%	18.97%	21.91%	

L'Anse Area Schools

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

For the Plan Year Ended September 30

	2022	2021	2020	2019	2018	2017				
District's proportion of net OPEB liability	0.03482%	0.03598%	0.03788%	0.03676%	0.03695%	0.03800%				
District's proportionate share of net OPEB liability	$ 737,456	$ 549,139	$ 1,969,133	$ 2,719,051	$ 2,936,927	$ 3,364,475				
District's covered-employee payroll	$ 3,410,312	$ 3,267,481	$ 3,291,898	$ 3,326,705	$ 3,153,197	$ 3,162,801				
District's proportionate share of net OPEB liability as a percentage of covered-employee payroll	21.62%	16.81%	59.82%	81.73%	93.14%	106.38%				
Plan fiduciary net position as a percentage of total OPEB liability	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%				

Notes to Required Supplementary Information:

Changes in benefit terms:	*NONE*	*NONE*	*NONE*	*NONE*	*NONE*	*NONE*
Changes in assumptions:	*2022*	*2021*	*2020*	*2019*	*2018*	*NONE*

2022 - Recognition period for liabilities increased from 6.1312 to 6.2250
- Investment rate of return decreased from 6.95% to 6.00%

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

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

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

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

L'Anse Area Schools

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

For the Fiscal Year Ended June 30

	2023	2022	2021	2020	2019	2018				
Statutorily required contributions	$ 266,700	$ 267,070	$ 259,692	$ 261,349	$ 257,384	$ 234,553				
Contributions in relation to statutorily required contributions	266,700	267,070	259,692	261,349	257,384	234,553				
Contributions deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -				
District's covered-employee payroll	$ 3,511,262	$ 3,265,053	$ 3,291,898	$ 3,276,936	$ 3,298,109	$ 3,161,330				
Contributions as a percentage of covered-employee payroll	7.60%	8.18%	7.89%	7.98%	7.80%	7.42%				

L'Anse Area Schools

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original Budget to Final Budget	Final Budget to Actual
REVENUES:					
Local sources	$ 1,649,299	$ 1,710,387	$ 1,759,438	$ 61,088	$ 49,051
State sources	4,645,477	5,489,159	5,390,937	843,682	(98,222)
Federal sources	847,086	1,356,585	1,151,514	509,499	(205,071)
TOTAL REVENUES	7,141,862	8,556,131	8,301,889	1,414,269	(254,242)
EXPENDITURES:					
Instruction:					
Basic programs	3,527,833	3,634,599	3,633,812	(106,766)	787
Added needs	927,741	1,065,193	1,056,936	(137,452)	8,257
Total Instruction	4,455,574	4,699,792	4,690,748	(244,218)	9,044
Supporting Services:					
Pupil services	349,276	651,342	625,984	(302,066)	25,358
Instructional staff	79,426	60,695	65,841	18,731	(5,146)
General adminstration	347,472	363,655	375,671	(16,183)	(12,016)
School adminstration	445,717	512,699	494,511	(66,982)	18,188
Business services	174,930	198,137	187,366	(23,207)	10,771
Operation and maintenance	866,382	926,042	916,146	(59,660)	9,896
Pupil transportation	326,539	371,902	372,003	(45,363)	(101)
Central support	124,000	133,400	123,663	(9,400)	9,737
Athletics	166,632	180,371	167,029	(13,739)	13,342
Total Supporting Services	2,880,374	3,398,243	3,328,214	(517,869)	70,029
Community Services:					
Public library	45,584	50,453	44,002	(4,869)	6,451
Non-public pupils	37,295	41,279	31,692	(3,984)	9,587
Other	-	-	3,834	-	(3,834)
Total Community Services	82,879	91,732	79,528	(8,853)	12,204
Payments to Other Governments					
Payments to other governments	-	-	1,223	-	(1,223)
Total Payments to Other Governments	-	-	1,223	-	(1,223)
Facilities Acquisition					
Capital outlay	-	-	7,780	-	(7,780)
Total Facilities Acquisition	-	-	7,780	-	(7,780)
Debt Service:					
Principal	116,000	116,000	115,907	-	93
Interest	29,000	29,000	28,309	-	691
Other	-	-	1,250	-	(1,250)
Total Debt Service	145,000	145,000	145,466	-	(466)
TOTAL EXPENDITURES	7,563,827	8,334,767	8,252,959	(770,940)	81,808
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(421,965)	221,364	48,930	643,329	(172,434)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	19,500	-	19,500
Transfers (out)	(6,627)	(224,200)	(3,590)	(217,573)	220,610
TOTAL OTHER FINANCING SOURCES (USES)	(6,627)	(224,200)	15,910	(217,573)	240,110
NET CHANGE IN FUND BALANCE	(428,592)	(2,836)	64,840	425,756	67,676
Fund Balance, July 1	2,681,313	2,681,313	2,681,313	-	-
FUND BALANCE, JUNE 30	$ 2,252,721	$ 2,678,477	$ 2,746,153	$ 425,756	$ 67,676

L'Anse Area Schools

FOOD SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original Budget to Final Budget	Final Budget to Actual
REVENUES:					
Local sources	$ 28,550	$ 44,550	$ 48,447	$ 16,000	$ 3,897
State sources	11,200	12,280	10,867	1,080	(1,413)
Federal sources	344,500	290,000	280,938	(54,500)	(9,062)
TOTAL REVENUES	384,250	346,830	340,252	(37,420)	(6,578)
EXPENDITURES:					
School lunch activities:					
Salaries	102,521	118,312	111,817	(15,791)	6,495
Fringe benefits	74,640	89,896	71,745	(15,256)	18,151
Purchased services	3,500	3,500	1,343	-	2,157
Supplies and materials	207,500	171,000	185,490	36,500	(14,490)
Other expenses	20,600	21,971	-	(1,371)	21,971
Capital outlay	10,000	12,000	11,034	(2,000)	966
TOTAL EXPENDITURES	418,761	416,679	381,429	2,082	35,250
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(34,511)	(69,849)	(41,177)	(35,338)	28,672
OTHER FINANCING SOURCES (USES):					
Transfers in	-	5,500	3,590	5,500	(1,910)
Transfers (out)	-	-	(19,500)	-	(19,500)
TOTAL OTHER FINANCING SOURCES (USES)	-	5,500	(15,910)	5,500	(21,410)
NET CHANGE IN FUND BALANCE	(34,511)	(64,349)	(57,087)	(29,838)	7,262
Fund Balance, July 1	163,068	163,068	163,068	-	-
FUND BALANCE, JUNE 30	$ 128,557	$ 98,719	$ 105,981	$ (29,838)	$ 7,262

COMPLIANCE SECTION

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PARTNERS
Michael A. Grentz, CPA
William C. Sheltrow, 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*

To the Board of Education of the
L'Anse Area Schools
201 N. 4th Street
L'Anse, Michigan 49946

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 L'Anse Area Schools (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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

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

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

Board of Education of the
L'Anse Area Schools

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* as described in the accompanying schedule of findings and questioned costs (Item 2023-002).

The 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 described 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Anderson, Tackman & Company, PLC
Certified Public Accountants

October 31, 2023

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

PARTNERS
Michael A. Grentz, CPA
William C. Sheltrow, CPA

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

To the Board of Education of the
L'Anse Area Schools
201 N. 4th Street
L'Anse, Michigan 49946

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited L'Anse Area School's (the School District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 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 questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2023-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on School District's response to the noncompliance findings identified in our audit described 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 compliance and, accordingly, we express no opinion on the response.

The School District is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The School District's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control over Compliance

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

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

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

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

Anderson, Tackman & Company, PLC
Certified Public Accountants

October 31, 2023

L'Anse Area Schools

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2023

Federal Grantor Pass Through Grantor Program Title Grant Number	Assistance Listing Number	Approved Grant Award Amount	(Memorandum Only) Prior Year Expenditures	Accrued (Deferred) Revenue 7/1/2022	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue 6/30/2023	Current Year Cash Transferred to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE								
Child Nutrition Program:								
Passed Through the Michigan Department of Education:								
School Breakfast Program								
221971	10.553	$ 48,526	$ 48,526	$ -	$ -	$ -	$ -	$ -
231970	10.553	44,252	-	-	44,252	44,252	-	-
		92,778	48,526	-	44,252	44,252	-	-
National School Lunch Program:								
Direct Award:								
Non-cash Bonus Commodities	10.555	2,427	-	-	2,427	2,427	-	-
Non-cash Entitlement Commodities	10.555	19,780	21,692	-	19,780	19,780	-	-
Passed Through the Michigan Department of Education:								
National School Lunch Program:								
Seamless Summer Option (SSO) - Lunch								
221961	10.555	297,581	297,581	-	-	-	-	-
Supply chain Assistance								
231960	10.555	214,479	-	-	214,479	214,479	-	-
Total National School Lunch Program		534,267	319,273	-	236,686	236,686	-	-
Summer Food Service Program for Children								
Passed Through the Michigan Department of Education:								
Summer Food Service Program for Children								
210904	10.559	62,819	62,819	-	-	-	-	-
Total Summer Food Service Program for Children		62,819	62,819	-	-	-	-	-
Total Child Nutrition Cluster		689,864	430,618	-	280,938	280,938	-	-
State Pandemic Benefit Transfer (P-EBT) Adminstrative Costs Grant:								
Passed Through the Michigan Department of Education:								
210980 2021	10.649	614	614	-	-	-	-	-
220980 2022	10.649	628	-	-	628	628	-	-
Total State Pandemic Benefit Transfer (P-EBT) Adminstrative Costs Grant		1,242	614	-	628	628	-	-
Passed Through Houghton County Ottowa National Forest:								
Schools & Road Grant FY22-23	10.665	29,116	-	-	29,116	29,116	-	-
Passed Through Houghton County Ottowa National Forest:								
Schools & Road Grant FY21-22	10.665	117,233	117,233	-	-	-	-	-
Schools & Road Grant FY22-23	10.665	83,720	-	-	83,720	83,720	-	-
Total Schools & Road Grant		230,069	117,233	-	112,836	112,836	-	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE		921,175	548,465	-	394,402	394,402	-	-

The accompanying notes are an integral part of this schedule.

L'Anse Area Schools

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2023

Federal Grantor Pass Through Grantor Program Title Grant Number	Assistance Listing Number	Approved Grant Award Amount	(Memorandum Only) Prior Year Expenditures	Accrued (Deferred) Revenue 7/1/2022	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue 6/30/2023	Current Year Cash Transferred to Subrecipients
U.S. FEDERAL COMMUNICATIONS COMMISSION								
Emergency Connectivity Funds								
Passed Through the Universal Service Adminstrative Company:								
COVID-19 - Emergency Connectivity Funds	21.019	$ 29,791	$ 22,849	$ -	$ -	$ -	$ -	$ -
COVID-19 - Emergency Connectivity Funds	21.019	15,248	-	-	15,248	-	15,248	-
Total Emergency Connectivity Funds		45,039	22,849	-	15,248	-	15,248	-
TOTAL U.S. FEDERAL COMMUNICATIONS COMMISSION		45,039	22,849	-	15,248	-	15,248	-
DEPARTMENT OF EDUCATION								
Indian Education:								
Direct Award:								
Indian Education:								
E-T003E000999	84.003E	483,500	483,500	-	-	-	-	-
Total Title I Cluster		483,500	483,500	-	-	-	-	-
Title I Cluster:								
Passed Through Michigan Department of Education:								
Title I, Part A:								
221530-2022	84.010	139,932	135,917	-	2,757	2,757	-	-
231530-2223	84.010	138,843	-	-	138,843	96,442	42,401	-
Total Title I Cluster		278,775	135,917	-	141,600	99,199	42,401	-
Impact Aid Cluster:								
Direct Award:								
P.L. 81-874 Title VIII of ESEA Impact Aid								
MI-2021-321015	84.041	56,514	-	-	56,514	56,514	-	-
MI-2022-321015	84.041	397,789	388,752	-	-	-	-	-
MI-2023-321015	84.041	402,829	-	-	402,829	402,829	-	-
Total Impact Aid Cluster		857,132	388,752	-	459,343	459,343	-	-
Title VI								
Direct Award:								
S060A210658	84.060A	50,928	54,433	-	-	-	-	-
S060A220658	84.060A	63,869	-	-	64,028	47,478	16,550	-
Total P.L. 107-110 ESEA		114,797	54,433	-	64,028	47,478	16,550	-
REAP Small Rural School Achievement Program								
Direct Award:								
S358A211520	84.358A	21,711	21,711	-	-	-	-	-
S358A221520	84.358A	26,970	-	-	26,924	18,603	8,321	-
Total REAP Small Rural School Achievement Program		48,681	21,711	-	26,924	18,603	8,321	-

The accompanying notes are an integral part of this schedule.

L'Anse Area Schools

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2023

Federal Grantor Pass Through Grantor Program Title Grant Number	Assistance Listing Number	Approved Grant Award Amount	(Memorandum Only) Prior Year Expenditures	Accrued (Deferred) Revenue 7/1/2022	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue 6/30/2023	Current Year Cash Transferred to Subrecipients
Title II, Part A								
Passed Through the Michigan Department of Education:								
220520-2022	84.367	$ 33,618	$ 32,394	$ -	$ 1,224	$ 1,224	$ -	$ -
230520-2223	84.367	22,786	-	-	20,330	18,308	2,022	-
Total Title II, Part A		56,404	32,394	-	21,554	19,532	2,022	-
Title IV, Part A								
Passed Through the Michigan Department of Education:								
220750 2022	84.424	20,626	16,478	-	-	-	-	-
230750 2223	84.424	14,400	-	-	11,681	8,474	3,207	-
Total Title IV, Part A		35,026	16,478	-	11,681	8,474	3,207	-
Education Stabilization Fund:								
Passed Through the Michigan Department of Education:								
Governor's Emergency Education Relief (GEER):								
COVID-19 211202 2122	84.425C	3,750	3,750	-	-	-	-	-
Elementary and Secondary School Emergency Relief (ESSER):								
COVID-19 203711 2021	84.425D	8,022	8,022	-	-	-	-	-
Elementary and Secondary School Emergency Relief II (ESSER II):								
COVID-19 213712 2021	84.425D	487,002	476,632	-	10,370	-	10,370	-
COVID-19 213722 2122	84.425D	23,100	20,191	-	2,400	2,400	-	-
COVID-19 213742 2122	84.425D	9,900	8,204	-	-	-	-	-
COVID-19 213782 2223	84.425D	29,735	-	-	29,442	13,111	16,331	-
Elementary and Secondary School Emergency Relief II (ESSER III):								
COVID-19 213713 2122	84.425U	1,094,515	21,191	-	543,630	372,487	171,143	-
Total Education Stabilization Fund		1,656,024	537,990	-	585,842	387,998	197,844	-
Office of School Support & Technology Programs:								
Direct Award:								
Office of School Support & Technology Programs	84.U01	30,730	30,730	-	-	-	-	-
Total Title IV, Part A		30,730	30,730	-	-	-	-	-
TOTAL DEPARTMENT OF EDUCATION		3,561,069	1,701,905	-	1,310,972	1,040,627	270,345	-
GRAND TOTAL		$ 4,527,283	$ 2,273,219	$ -	$ 1,720,622	$ 1,435,029	$ 285,593	$ -

The accompanying notes are an integral part of this schedule.

L'ANSE AREA SCHOOLS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2023

NOTE A – BASIS OF PRESENTATION:

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

NOTE C – OVERSIGHT AGENCY:

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

NOTE D – FINAL COST REPORT – FORM DS4044:

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

L'ANSE AREA SCHOOLS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

For the Year Ended June 30, 2023

NOTE E – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS RECONCILIATION:

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

Current payments per Grant Auditor Report		$774,563
Add – payments not on Grant Auditor Report:		
Direct programs	$550,295	
Passed through Houghton County Ottawa National Forest	112,836	
Passed through Universal Service Administrative Company	15,248	
Bonus and entitlement commodities	22,207	700,586
Adjustments:		
MDE Accrued/(deferred) – End of year	245,473	
MDE (Accrued)/deferred – Beginning of year	-	
Rounding	-	245,473
PER THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS		$1,720,622

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

Total Federal Revenue Sources Reported in the Financial Statements:	
General Fund	$1,151,514
Food Service Fund	280,938
Capital Project Fund	313,470
Reconciling Items:	
Qualified zone academy bond payment	(25,300)
Rounding	-
TOTAL FEDERAL AWARDS EXPENDITURES REPORTED IN THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	$1,720,622

L'ANSE AREA SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2023

SECTION I – SUMMARY OF AUDITORS' RESULTS

General Purpose Financial Statements

- Type of auditors' report issued: *Unmodified*
- Internal control over financial reporting:
  No material weaknesses were reported.
  There were significant deficiencies and no reportable instances of noncompliance reported, as listed in Section II.
- There were no instances of noncompliance material to the financial statements reported.

Federal Awards

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

Major Programs

- The programs tested as a major program were:

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

- Dollar threshold used to distinguish between Type A and Type B Programs: *$750,000*
- Auditee qualified as low-risk auditee? *YES.*

SECTION II – FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCIES

2023-001 – ASSISTANCE IN PREPARING FINANCIAL STATEMENTS AND FOOTNOTES

Condition/Criteria: Statement on Auditing Standards #115 requires us to communicate in writing when a client requires assistance to prepare the financial statements and footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

Cause of the Condition: The staff of the School District does not have adequate time to prepare all the information included in the annual financial statements. Therefore, we assisted in preparing the financial statements and related footnotes.

Effect: We assisted management with the external financial reporting responsibility to ensure their financial statements are in accordance with GAAP.

Recommendation: We do not recommend any changes to this situation at this time and communicate this as required by professional standards.

Management Response – See separate Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
    - Superintendent
- Anticipated Completion Date:
    - Not applicable

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2023-002 NON-COMPLIANCE WITH WAGE RATE REQUIREMENTS

Federal Agency: Department of Education

Federal Program: Education Stabilization Fund Program

Assistance Listings: 84.425D and 84.425U

Pass-through Agency: Michigan Department of Education

Grant Number(s): 213712 Project 2021 and 213713 Project 2122

Criteria: Wage Rate Requirements states that for construction contracts in excess of $2,000 non-federal entities notify contractors and subcontractors about the Department of Labor prevailing wage rate requirements. Additionally, non-federal entities are required to obtain copies of certified payrolls for contractors and/or subcontractors.

Cause: When the Window Replacement Project and the Electronic Thermostat Controls Upgrade Project were bid Wate Rate Requirements were discussed, however it was not included in writing in the bid or contract agreement.

Effect: The School District is not in compliance with the Wage Rate Requirements.

Perspective: Although the prevailing wage clause was not included in the construction contract, the contractors hired do pay at or above the required wage rates set by the Department of Labor.

Recommendation: Prior to using federal dollars to fund any project, all the applicable compliance requirements should be reviewed to ensure the School District remains in compliance with federal standards related to the grant.

Management Response: See separate Corrective Action Plan.

L'Anse Area Schools
"If you seek a better school, look about you"
201 North 4th Street L'Anse,
Michigan 49946
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CORRECTIVE ACTION PLAN

For the Year Ended June 30, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS:

2023-001 – ASSISTANCE IN PREPARING FINANCIAL STATEMENTS AND FOOTNOTES
Corrective Action Plan: We are aware of this deficiency and believe it is not cost beneficial in our situation to allocate the time needed to prepare the audit report in the current fiscal year.

Responsible Parties:

- Superintendent

Anticipated Completion Date: Not applicable.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2023-002 – NON-COMPLIANCE WITH WAGE RATE REQUIREMENTS
Corrective Action Plan: Wage rate requirements were discussed during the bidding process. However, the School District and engineers were not aware the specific language needed to be included in the bid and contract. The School District used two contractors that did pay at and above the required wage rates; however, certified payrolls were not required to be provided and the subcontractor agreements were not required to have prevailing wage language. The School District is aware of the written requirement for future projects.

Responsible Parties:

- Superintendent

Anticipated Completion Date: Not applicable.

L'Anse Area Schools
"If you seek a better school, look about you"
201 North 4th Street L'Anse,
Michigan 49946
Phone 906-524-6000 • Fax 906-524-6001

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS

2022-001 – ACCOUNTING CLOSE

Status: Corrected.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

- None reported.

COMMUNICATIONS SECTION

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

PARTNERS
Michael A. Grentz, CPA
William C. Sheltrow, CPA

L'Anse Area Schools
Report to Management
For the Year Ended June 30, 2023

To the Board of Education and Management of
L'Anse Area Schools
201 N. 4th Street
L'Anse, Michigan 49946

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of L'Anse Area Schools (the School District) as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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

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. We consider the deficiencies listed in the School District's internal control presented in the accompanying schedule of findings and questioned costs to be significant deficiencies (items 2023-001 and 2023-002).

The School District's written response to the significant deficiencies identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Board of Education and Management of the
L'Anse Area Schools

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

Anderson, Tackman & Company, PLC
Certified Public Accountants

October 31, 2023

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

PARTNERS
Michael A. Grentz, CPA
William C. Sheltrow, CPA

L'Anse Area Schools
Communication with Those Charged with Governance
For the Year Ended June 30, 2023

October 31, 2023

To the Board of Education of the
L'Anse Area Schools
201 N. 4th Street
L'Anse, Michigan 49946

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of L'Anse Area Schools (the School District) for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 24, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in the footnotes to the financial statements. Newly adopted GASB standards are disclosed in the notes to the financial statements. We noted no transactions entered into by the School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

> Management's estimate of accumulated depreciation is based on historical cost. Depreciation is calculated using the straight-line method. We evaluated the methods, assumptions, and data used to develop the current years depreciation expense and accumulated depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

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

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

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

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

The disclosure of the School District's proportionate share of the Defined Benefit Pension Plan and Other Post-Employment Benefits includes significant actuarial assumptions used in calculating the valuation. Gabriel, Roeder, Smith & Company was the actuarial company hired by the Retirement Board of the Michigan Public Employees' Retirement System (MPSERS) and the Michigan Department of Technology, Management and Budget Office of Retirement Services for preparation of the annual actuarial valuation. A full listing of the actuarial assumptions used can be found MPSERS' Annual Comprehensive Financial Report of the Fiscal Year Ended September 30, 2022.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 31, 2023.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Our consideration of internal control was for the limited purpose described in a separate letter and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies item 2023-001.

We have audited the School District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2023. The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2023-002.

<u>Other Matters</u>

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

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

Restriction on Use

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

Very truly yours,

Anderson, Tackman & Company, PLC
Certified Public Accountants