

**WELLS TOWNSHIP SCHOOL DISTRICT No.18
ARNOLD, MICHIGAN**

AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Wells Township School District No. 18
38211 County Road 426
Arnold, Michigan 49819

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wells Township School District No. 18 (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 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 Other Supplemental Information, as listed in the table of contents, 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 Other Supplemental Information 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 25, 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 School District's internal control over financial reporting and compliance.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

October 25, 2023

Wells Township School District No.18

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of Wells Township School District No.18 (the 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 \$1,555,240. Net position is comprised of 100% governmental activities.
- During the year, the School District expenses were \$695,719, while revenues from all sources totaled \$975,184, resulting in an increase in net position of \$279,465.
- The General Fund reported an increase of \$250,786 before other financing sources (uses) and a total increase of \$30,497. This is \$30,557 more than the forecasted decrease of \$60.

USING THIS ANNUAL REPORT

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

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

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

These two statements report the School District's net position and changes in it. The School District's net position – the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources – are one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net position – as reported in the Statement of Activities – is an indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

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, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

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

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

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

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	\$1,990,356	\$1,739,865
Capital assets, net	370,229	261,126
Total Assets	2,360,585	2,000,991
Deferred outflows of resources	515,775	367,344
Current liabilities	71,106	56,562
Long-term liabilities	1,123,693	677,763
Total Liabilities	1,194,799	734,325

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

**Table 1
Net Position
(Continued)**

	Governmental Activities – 2023	Governmental Activities – 2022
Deferred inflows of resources	\$126,321	\$358,235
Net Position:		
Net investment in capital assets	370,229	261,126
Restricted	6,524	122
Unrestricted	1,178,487	1,014,527
Total Net Position	<u>\$1,555,240</u>	<u>\$1,275,775</u>

The School District's net position was \$1,555,240 at June 30, 2023. Net investment in capital assets totaling \$370,229, compares the original cost, less depreciation of the School District's capital assets to long-term debt, including accreted interest on capital appreciation bonds, 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 those net position for day-to-day operations. The remaining amount of net position of \$1,178,487 was unrestricted.

The \$1,178,487 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	\$842	\$642
Operating grants and contributions	144,860	97,787
General Revenues:		
Property taxes	787,298	651,876
State sources not restricted to specific program	5,981	1,968
Investment earnings	27,137	3,897
Gain/(loss) on disposal of assets	-	10,000
Miscellaneous	9,066	6,143
Total Revenues	<u>975,184</u>	<u>772,313</u>

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

**Table 2
Statement of Activities
(Continued)**

	Governmental Activities – 2023	Governmental Activities – 2022
Program Expenses:		
Instruction	\$370,328	\$318,667
Supporting services	270,477	238,228
Community services	-	-
Facilities acquisition	438	-
School lunch activities	32,392	30,841
Depreciation - unallocated	22,084	20,877
Total Expenses	<u>695,719</u>	<u>608,613</u>
Increase (decrease) in net position	279,465	163,700
Net position, beginning	<u>1,275,775</u>	<u>1,112,075</u>
Net Position, Ending	<u>\$1,555,240</u>	<u>\$1,275,775</u>

As reported in the Statement of Activities, the cost of all of our governmental activities this year was \$695,719. Certain activities were partially funded from those who benefited from the programs with \$842 or by other governments and organizations that subsidized certain programs with grants and contributions of \$144,860. We paid for the remaining “public benefit” portion of our governmental activities with \$787,298 in property taxes, and \$42,184 in our other revenues, such as interest and miscellaneous income.

The School District experienced an increase in net position for the year of \$279,465.

Key reasons for change in net position are as follows:

- Net change in governmental fund balances of \$235,947.
- Depreciation charged to expense of (\$22,084).
- Capital outlay of \$131,187.
- Net book value of disposed assets of \$-0-.
- Activity related to net pension liability and net OPEB liability of (\$66,487).
- Compensated absences change of \$902.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

**Table 3
Governmental Activities**

	Total Cost of Services	Net Cost of Services
Instruction	\$370,328	(\$351,131)
Supporting services	270,477	(160,229)
School lunch activities	32,392	(16,135)

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 \$1,919,250 an increase of \$235,947 from the beginning of the year. This was due to an increase of \$30,497 in the General Fund, an increase of \$203,878 in the Capital Projects fund, an increase of \$276 in the School Lunch Fund, and an increase of \$1,296 in the Student Activities Fund.

General Fund Budgetary Highlights

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

Changes to the General Fund original budget occurred during the annual budget reviews in February and June 2023.

BUDGETED REVENUES

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

	Original Budget	Final Budget	Increase (Decrease)	
			Amount	Percent
Total	\$710,259	\$945,380	\$235,121	33.10%

Final budgeted revenues differed from the original budget due to changes in local, federal and state sources.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

BUDGETED EXPENDITURES

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

	Original Budget	Final Budget	Increase (Decrease)	
			Amount	Percent
Total	<u>\$682,025</u>	<u>\$725,151</u>	<u>\$43,126</u>	6.32%

Final budgeted expenditures differed from the original budget due to an increase in basic instruction, special education, and school administration.

ACTUAL REVENUES

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

	Final Budget	Actual	Budget Variance Positive (Negative)	
			Amount	Percent
Total	<u>\$945,380</u>	<u>\$952,974</u>	<u>\$7,594</u>	0.80%

Final budgeted revenues differed from the actual revenues due to local, state, and federal sources being more than expected.

ACTUAL EXPENDITURES

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

	Final Budget	Actual	Budget Variance Positive (Negative)	
			Amount	Percent
Total	<u>\$725,151</u>	<u>\$702,188</u>	<u>\$22,963</u>	3.17%

Final budgeted expenditures differed from the actual expenditures due to basic instruction and operations and maintenance expenses being less than anticipated.

Enrollment

The School District's 2022-2023 State aid blended membership enrollment from the fall count totaled 14; a decrease of 1 student from the prior year. While the School District's enrollment has increased over the past five years, a decline in birth rate and school of choice have played a role in the School District's declined enrollment in years past.

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

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

<u>Fiscal Year</u>	<u>(Fall) Student FTE</u>	<u>Increase (Decrease) in Student Enrollment (FTE)</u>
2022-2023	14	(1)
2021-2022	15	3
2020-2021	12	(1)
2019-2020	13	3
2018-2019	10	-

State funding for the School District is based on a per pupil formula; however, due to the amount of property taxes collected, the School District is considered to be out-of-formula and fluctuations in enrollment have less of an impact on the School Districts financial health.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2023 and 2022, the School District had \$370,229 and \$261,126 respectively, invested in a variety of capital assets including land, buildings and improvements, and school buses. (See Table 4 below)

**Table 4
Capital Assets
(Net of Accumulated Depreciation)**

	<u>Governmental Activities – 2023</u>	<u>Governmental Activities – 2022</u>
Land	\$150	\$150
Construction in progress	33,360	-
Land improvements	-	-
Buildings	8,750	11,250
Building improvements	209,420	224,222
School buses and vehicles	118,549	25,504
Total	<u>\$370,229</u>	<u>\$261,126</u>

Depreciation expense for the year was \$22,084. During the current year the School District purchased a school bus and started work on a bathroom remodel project. The School District did not have any disposals in the current year.

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

Debt

As of June 30, 2023, the School District had \$0- in outstanding bonds and notes.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

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 collection of local property taxes. Local property taxes account for approximately 81 percent of our revenue.

The collection of revenues by the State can also affect the School District's general operation budget. School districts throughout the state must adjust their budgets if the State decreases the pupil foundation grant or categorical funding during its fiscal year. While we are optimistic about the 2023-2024 school year, the state of the economy on a state and national level will be reflected in our budget.

Contacting the School District's Financial Management

This financial report is designed 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 Wells Township School District No.18 Administration, 38211 County Road 426, Arnold, Michigan, 49819.

Wells Township School District No. 18

STATEMENT OF NET POSITION

June 30, 2023

	Governmental Activities
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 1,319,335
Investments	642,359
Receivables:	
Accounts receivable	-
Due from other governmental units	22,138
Prepaid expenses	6,403
Inventories	121
Non-current Assets:	
Capital assets:	
Land and construction in progress	33,510
Other capital assets, net	336,719
	TOTAL ASSETS
	2,360,585
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to proportionate share of net pension liability	315,159
District's contributions made subsequent to pension measurement date	86,123
Deferred outflows related to proportionate share of net OPEB liability	98,050
District's contributions made subsequent to OPEB measurement date	16,443
	TOTAL DEFERRED OUTFLOWS OF RESOURCES
	515,775
 LIABILITIES	
Current Liabilities:	
Accounts payable	3,952
Accrued liabilities	46,902
Due to other government units	18,060
Unearned revenue	2,192
Non-current Liabilities:	
Employee benefits payable	19,279
Proportionate share of net pension liability	1,045,372
Proportionate share of net OPEB liability	59,042
	TOTAL LIABILITIES
	1,194,799
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to proportionate share of net pension liability	5,182
Deferred inflows related to proportionate share of net OPEB liability	121,139
	TOTAL DEFERRED INFLOWS OF RESOURCES
	126,321
 NET POSITION	
Net investment in capital assets	370,229
Restricted	6,524
Unrestricted	1,178,487
	TOTAL NET POSITION
	\$ 1,555,240

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

Wells Township School District No. 18

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2023

Function / Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 370,328	\$ -	\$ 19,197	\$ (351,131)
Supporting services	270,477	-	110,248	(160,229)
Community services	-	-	-	-
Facility acquisition	438	-	-	(438)
School lunch activities	32,392	842	15,415	(16,135)
Depreciation - unallocated	22,084	-	-	(22,084)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 695,719</u>	<u>\$ 842</u>	<u>\$ 144,860</u>	<u>(550,017)</u>
General revenues:				
Taxes				
Property taxes, levied for general purposes				787,298
State aid not restricted to specific purposes				
General				5,981
Interest and investment earnings				27,137
Gain/(loss) on disposed assets				-
Miscellaneous				9,066
				<u>829,482</u>
				CHANGES IN NET POSITION
				279,465
Net Position, July 1				<u>1,275,775</u>
				NET POSITION, JUNE 30
				<u>\$ 1,555,240</u>

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

Wells Township School District No. 18

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2023

	Non-major Governmental Funds				Total
	General Fund	Capital Projects Fund	School Lunch Fund	Student Activities Fund	
ASSETS					
Cash and cash equivalents	\$ 1,106,699	\$ 203,878	\$ 6,125	\$ 2,633	\$ 1,319,335
Investments	642,359	-	-	-	642,359
Receivables:					
Accounts receivable	-	-	-	-	-
Due from other governmental units	22,109	-	29	-	22,138
Due from other funds	-	-	-	-	-
Prepaid expenditures	6,403	-	-	-	6,403
Inventories	-	-	121	-	121
TOTAL ASSETS	1,777,570	203,878	6,275	2,633	1,990,356
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 1,777,570	\$ 203,878	\$ 6,275	\$ 2,633	\$ 1,990,356
LIABILITIES					
Accounts payable	\$ 3,952	\$ -	\$ -	\$ -	\$ 3,952
Accrued liabilities	43,786	-	3,116	-	46,902
Due to other government units	18,060	-	-	-	18,060
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	2,192	-	2,192
TOTAL LIABILITIES	65,798	-	5,308	-	71,106
DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-
FUND BALANCES:					
Non-spendable	6,403	-	121	-	6,524
Restricted	-	-	-	-	-
Committed	-	-	-	2,633	2,633
Assigned	-	203,878	846	-	204,724
Unassigned	1,705,369	-	-	-	1,705,369
TOTAL FUND BALANCES	1,711,772	203,878	967	2,633	1,919,250
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 1,777,570	\$ 203,878	\$ 6,275	\$ 2,633	\$ 1,990,356

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

Wells Township School District No. 18

GOVERNMENTAL FUNDS

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

June 30, 2023

Total Fund Balances for Governmental Funds **\$ 1,919,250**

*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	\$ 707,008	
Accumulated depreciation	<u>(336,779)</u>	370,229

Proportionate share of net pension liability and related deferred outflows
and inflows is not due and payable in the current period and is not
reported in the funds.

Deferred outflows related to proportionate share of net pension liability	315,159	
District's contributions made subsequent to pension measurement date	86,123	
Proportionate share of net pension liability	(1,045,372)	
Deferred inflows related to proportionate share of net pension liability	<u>(5,182)</u>	(649,272)

Proportionate share of net OPEB liability and related deferred outflows
and inflows is not due and payable in the current period and is not
reported in the funds.

Deferred outflows related to proportionate share of net OPEB liability	98,050	
District's contributions made subsequent to OPEB measurement date	16,443	
Proportionate share of net OPEB liability	(59,042)	
Deferred inflows related to proportionate share of net OPEB liability	<u>(121,139)</u>	(65,688)

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:

Notes payable - current	-	
Notes payable - long-term	-	
Employee benefits payable	<u>19,279</u>	<u>(19,279)</u>

Net Position of Governmental Activities		<u>\$ 1,555,240</u>
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The accompanying notes are an integral part of these financial statements.

Wells Township School District No. 18

GOVERNMENTAL FUNDS

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended June 30, 2023

	General Fund	Capital Projects Fund	Non-major Governmental Funds		Total
			School Lunch Fund	Student Activities Fund	
REVENUES:					
Local sources	\$ 827,900	\$ -	\$ 842	\$ 5,953	\$ 834,695
State sources	103,738	-	1,023	-	104,761
Federal sources	21,336	-	14,392	-	35,728
TOTAL REVENUES	952,974	-	16,257	5,953	975,184
EXPENDITURES:					
Current:					
Instruction	333,660	-	-	-	333,660
Supporting services	236,903	-	-	4,657	241,560
Community services	-	-	-	-	-
Facility acquisition	131,625	-	-	-	131,625
School lunch activities	-	-	32,392	-	32,392
Capital projects	-	-	-	-	-
TOTAL EXPENDITURES	702,188	-	32,392	4,657	739,237
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	250,786	-	(16,135)	1,296	235,947
OTHER FINANCING SOURCES (USES):					
Sale of capital assets	-	-	-	-	-
Transfers in	-	203,878	16,411	-	220,289
Transfers (out)	(220,289)	-	-	-	(220,289)
TOTAL OTHER FINANCING SOURCES (USES)	(220,289)	203,878	16,411	-	-
NET CHANGE IN FUND BALANCES	30,497	203,878	276	1,296	235,947
Fund balance, July 1	1,681,275	-	691	1,337	1,683,303
FUND BALANCE, JUNE 30	\$ 1,711,772	\$ 203,878	\$ 967	\$ 2,633	\$ 1,919,250

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

Wells Township School District No. 18

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 \$ 235,947

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	\$ (22,084)	
Capital outlays	131,187	
Net book value of disposed assets	<u>-</u>	109,103

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

-

Increase in 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 comes due for payment.

Pension expense	(94,673)	
OPEB expense	<u>28,186</u>	(66,487)

Some expense reported in the Statement of Activities, such as compensated absences, do not require the use of current in governmental funds.

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Change in Net Position of Governmental Activities \$ 279,465

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

WELLS TOWNSHIP SCHOOL DISTRICT No.18

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE A – THE FINANCIAL REPORTING ENTITY:

In evaluating how to define Wells Township School District No. 18 (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.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING 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. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. All of the School District's district-wide activities are considered to be governmental activities.

Fund Financial Statements:

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

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

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

The School District reports the General Fund and Capital Projects 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), such as the School Lunch Service.

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus

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

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

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

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. 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 Cash Equivalents

The School District’s 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 measurement of investments is based on the hierarchy established by generally accepted accounting principles, which has three levels based on the valuation inputs used to measure an asset’s fair value.

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. Inventory recorded in the General Fund consists of centrally warehoused teaching and operating supplies for the School District. The School Lunch Fund consists of food and paper goods. For other funds, expenditures are recorded at the time of use.

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 \$5,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Costs of normal repair and maintenance

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

that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

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

Land improvements	15 – 20 years
Buildings and improvements	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.

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.

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

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

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

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:

- a. 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.
- b. 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.
- c. Unrestricted Net Position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

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

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.

Revenues

District-Wide Statements

In the district-wide Statement of Activities, revenues are segregated by activity (governmental or business-type) and are classified as either a program revenue or a 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.

Property Taxes

Property taxes are levied on July 1 and December 1, on behalf of the School District by various taxing units and are payable without penalty by September 30 and 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.

Expenses/Expenditures

District-Wide Statements

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

Fund Statements

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

Interfund Activity

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

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

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through October 25, 2023, the date of the accompanying independent auditor’s report, which is the date the financial statements were available to be issued.

NOTE C – 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 from the Statement of Net Position.

	<u>Primary Government</u>
Unrestricted:	
Cash and cash equivalents	\$1,319,335
Investments	<u>642,359</u>
Total	<u>\$1,961,694</u>

NOTE C – DEPOSITS AND INVESTMENTS (Continued):

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 amount of the School District’s deposits with financial institutions was \$1,319,335 and the bank balance was \$1,321,972. The bank balance is categorized as follows.

Amount insured by the FDIC	\$250,000
Amount uncollateralized and uninsured	<u>1,071,972</u>
Total	<u>\$1,321,972</u>

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:

	Level	Fair Value	Investment Maturities (in years)			
			< 1	1-5	6-10	> 10
Primary Government:						
MILAF Funds	2	\$642,359	\$642,359	\$-	\$-	\$-
TOTAL		<u>\$642,359</u>	<u>\$642,359</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>

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 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.

NOTE C – DEPOSITS AND INVESTMENTS (Continued):

The School District has no investment policy that would further limit its investment choices and has no investments for which ratings are required. 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 D – DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governmental units totaled \$22,138. Of that balance, \$18,509 is due from the State of Michigan for State Aid, \$1,373 is due from federal grants for the operation of special programs and grant projects, and \$2,256 is due for reimbursement on expenses.

NOTE E – 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	
		School Lunch Fund	Total Due To Other Funds
DUE TO OTHER FUNDS	General Fund	\$-	\$-
	Total Due From Other Funds	<u>\$-</u>	<u>\$-</u>

All internal 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.

The amounts transferred to and from individual funds are as follows:

		TRANSFERS OUT TO OTHER FUNDS		
		General Fund	School Lunch Fund	Total Transfers In
TRANSFERS IN FROM OTHER FUNDS	School Lunch Fund	\$16,411	\$-	\$16,411
	Capital Projects Fund	203,878	-	203,878
	Total Transfers Out	<u>\$220,289</u>	<u>\$-</u>	<u>\$220,289</u>

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 F – CAPITAL ASSETS:

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

	Balance 6/30/2022	Additions	Deductions	Balance 6/30/2023
GOVERNMENTAL ACTIVITIES:				
Capital assets not being depreciated:				
Land	\$150	\$-	\$-	\$150
Construction in progress	-	33,360	-	33,360
Subtotal	<u>150</u>	<u>33,360</u>	<u>-</u>	<u>33,510</u>
Capital assets being depreciated:				
Land improvements	11,375	-	-	11,375
Buildings	230,000	-	-	230,000
Building improvements	296,040	-	-	296,040
School buses and vehicles	38,256	97,827	-	136,083
Subtotal	<u>575,671</u>	<u>97,827</u>	<u>-</u>	<u>673,498</u>
Total Capital Assets	<u>575,821</u>	<u>131,187</u>	<u>-</u>	<u>707,008</u>
Less accumulated depreciation:				
Land improvements	(11,375)	-	-	(11,375)
Buildings	(218,750)	(2,500)	-	(221,250)
Building improvements	(71,818)	(14,802)	-	(86,620)
School buses and vehicles	(12,752)	(4,782)	-	(17,534)
Total Accumulated Depreciation	<u>(314,695)</u>	<u>(22,084)</u>	<u>-</u>	<u>(336,779)</u>
CAPITAL ASSETS, NET	<u>\$261,126</u>	<u>\$109,103</u>	<u>\$-</u>	<u>\$370,229</u>

Depreciation expense charged to governmental activities was \$22,084.

Construction in Progress

In fiscal year 2023, the School District started a bathroom remodel project. Expenses related to the bathroom remodel project totaled \$33,360 as of June 30, 2023, and are classified as construction in progress. The project is expected to be completed in fiscal year 2024 as a total cost of approximately \$40,000.

NOTE G – ACCRUED LIABILITIES:

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

Accrued wages	\$29,158
Accrued benefits	17,744
Accrued payroll taxes	-
Total	<u>\$46,902</u>

NOTE H – LONG-TERM DEBT:

The following is a summary of the long-term debt activity for the year ending June 30, 2023:

	Balance 6/30/2022	Additions	Deductions	Balance 6/30/2023	Due in One year
GOVERNMENTAL ACTIVITIES:					
Employee Benefits:					
Accrued sick leave	\$20,181	\$-	(\$902)	\$19,279	\$-
TOTAL	<u>\$20,181</u>	<u>\$-</u>	<u>(\$902)</u>	<u>\$19,279</u>	<u>\$-</u>

NOTE I – ACCRUED SICK LEAVE:

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 have the option of being paid for 75% of accumulated sick leave days, up to a maximum of 120 accumulated days up to \$7,500 or 50% reimbursement of actual daily pay if leaving the district up to \$5,000. Administration and supporting services personnel have the option of being paid 100% of accumulated sick leave days, up to a maximum of 50 accumulated days up to \$5,000.

As of June 30, 2023, accrued employee benefits reported in the Statement of Net Position consist of the following:

	Sick Leave
Current portion	\$-
Long-term portion	19,279
Total	<u>\$19,279</u>

NOTE J – 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 intended to be used for a specific purpose that do not meet the criteria to be classified as restricted or committed. The superintendent and finance committee may request amounts to be assigned, but only the Board of Education may assign amounts for specific purposes. Residual amounts in governmental funds other than the general fund are assigned. Also, an appropriation of the existing fund balance to cover current year expenditures is considered as assignment of fund balance. 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 or a board policy.

Unassigned — all other spendable amounts.

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

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

	General Fund	Capital Projects Fund	Special Revenue Funds	Total Governmental Funds
Non-Spendable:				
Prepaid expense	\$6,403	\$-	\$-	\$6,403
Inventories	-	-	121	121
Restricted:				
None	-	-	-	-
Committed:				
School activities	-	-	2,633	2,633
Assigned:				
Capital projects	-	203,878	-	203,878
School lunch	-	-	846	846
Unassigned	1,705,369	-	-	1,705,369
Total Fund Balances	<u>\$1,711,772</u>	<u>\$203,878</u>	<u>\$3,600</u>	<u>\$1,919,250</u>

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). Assigned fund balance is established by the Board of Education through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

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

NOTE K – ECONOMIC DEPENDENCY:

The School District receives approximately 14 percent of its revenues through State and Federal sources and 86 percent through property tax revenue to be used for providing elementary and secondary education to students of the School District.

NOTE L – 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 statewide 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 and October.

NOTE L – 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 received 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 M – NON-MONETARY TRANSACTIONS:

The School District receives USDA donated food commodities for use in its food service program which are accounted for in the School Lunch Fund. The commodities are accounted for on the modified accrual basis and the related revenues and expenditures are recognized as commodities as utilized. The School District recognized \$119 during fiscal year 2023 in revenues and expenditures for USDA commodities.

NOTE N – PROPERTY TAXES:

The taxable value of real and personal property located in the School District for the 2022 tax year which represents approximately 50% of the estimated current value, totaled \$43,618,186 (consisting of \$10,959,011 for Homestead, \$21,059,175 for Non-Homestead, and \$11,600,000 for Commercial Personal Property). The tax levy for the year was based on a rate of 18.0000 mills on the Non-homestead property (one mill is equal to \$1.00 per \$1,000 of taxable value), and 6.0000 mills on the Commercial Personal Property, and is remitted to the School District's general fund by the taxing unit.

NOTE O – CONTINGENT LIABILITIES:

Grant Assistance

The School District has received significant assistance from federal and state agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and 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.

Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The School District 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 O – 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 P – 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 R 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 P – 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 \$94,606 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 \$1,045,372 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 0.00277960 percent, which was an increase of 0.00017567 percent from its proportion measured as of September 30, 2021.

For the year ended June 30, 2023, the School District recognized pension expense of \$193,684. 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 P – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between actual and expected experience	\$10,457	(\$2,337)
Changes of assumptions	179,632	-
Net difference between projected and actual earnings on pension plan investments	2,451	-
Changes in proportion and differences between the employer contributions and proportionate share of contributions	122,619	(2,845)
Subtotal	<u>315,159</u>	<u>(\$5,182)</u>
Employer contributions subsequent to the measurement date	<u>86,123</u>	
Total	<u>\$401,282</u>	

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	\$111,530
2024	80,001
2025	53,971
2026	64,475
Total	<u>\$309,977</u>

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2021
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%

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

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 P – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return*</u>
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	<u>100.0%</u>	

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

Rate of Return

For the fiscal year ended 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%*
\$1,379,503	\$1,045,372	\$770,033

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

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

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

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

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

At June 30, 2023, the School District reported a payable of \$9,773 for the outstanding amount of contributions to the pension and OPEB plan required for the year ended June 30, 2023.

NOTE Q– 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 MPERS had the option to increase, maintain, or stop their contributions to the pension fund as of the transition date. Members of MPERS 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 MPERS. 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 MPERS. 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 \$4,419 which consisted of \$723 from the School District and \$3,696 from employees.

**NOTE Q– 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 \$2,002 which consisted of \$1,001 from the School District and \$1,001 from employees.

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

Plan Description

The MPERS 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.

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

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

Contributions

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

Employer 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 \$21,234 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 \$59,042 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 0.00278753 percent, which was an increase of 0.00009544 percent from its proportion measured as of September 30, 2021.

For the year ended June 30, 2023, the School District recognized OPEB expense of \$7,314. 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 R– POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued):

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between actual and expected experience	\$-	(\$115,640)
Changes of assumptions	52,626	(4,285)
Net difference between projected and actual earnings on OPEB plan investments	4,615	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	40,809	(1,214)
Subtotal	<u>98,050</u>	<u>(\$121,139)</u>
Employer contributions subsequent to the measurement date	<u>16,443</u>	
Total	<u>\$114,493</u>	

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	(\$7,405)
2024	(7,780)
2025	(9,807)
2026	1,730
2027	(8)
Thereafter	181
Total	<u>(\$23,089)</u>

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 R– 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.

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

Rate of Return

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

Discount Rate

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

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

The following presents the School District’s proportionate share of the net OPEB liability calculated using 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	Current Discount Rate	1% Increase
5.00%	6.00%	7.00%
\$99,037	\$59,042	\$25,361

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

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$24,724	\$59,042	\$97,564

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued 2022 MPERS Annual Comprehensive Financial Report, available on the ORS website at Michigan.gov/ORSSchools.

NOTE S – SINGLE AUDIT:

The School District’s audited financial statements report a total of \$35,728 in federal expenditures. As this amount is less than the single audit threshold of \$750,000, the School District is not required to have an audit in accordance with the Uniform Guidance for the fiscal year ended June 30, 2023.

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*.

Recently Issued and Adopted Accounting Pronouncements

None.

Other Recently Issued Accounting Pronouncements

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.

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

NOTE U – NEW GASB STANDARDS (Continued):

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.

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

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

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

NOTE V – UPCOMING STANDARDS (Continued):

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

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

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

GASB 101: Compensated Absences

Effective for fiscal years beginning after December 15, 2023 (School District's fiscal year 2025)

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

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

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

NOTE V – UPCOMING STANDARDS (Continued):

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**

Wells Township School District No. 18

**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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of net pension liability	0.0027796%	0.0026040%	0.0023290%	0.0020005%	0.0017456%	0.0016593%	0.0016682%	0.0018613%	0.0017900%
District's proportionate share of net pension liability	\$ 1,045,372	\$ 616,491	\$ 800,020	\$ 662,508	\$ 524,765	\$ 429,998	\$ 416,192	\$ 454,613	\$ 393,816
District's covered-employee payroll	\$ 268,398	\$ 242,744	\$ 220,626	\$ 186,011	\$ 151,448	\$ 140,582	\$ 133,641	\$ 152,157	\$ 146,304
District's proportionate share of net pension liability as a percentage of covered-employee payroll	389.49%	253.97%	362.61%	356.17%	346.50%	305.87%	311.43%	298.78%	269.18%
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

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

Wells Township School District No. 18

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

For the Fiscal Year Ended June 30

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 100,463	\$ 93,222	\$ 76,410	\$ 62,888	\$ 33,723	\$ 43,128	\$ 34,395	\$ 51,347	\$ 54,417
Contributions in relation to statutorily required contributions	<u>100,463</u>	<u>93,222</u>	<u>76,410</u>	<u>62,888</u>	<u>33,723</u>	<u>43,128</u>	<u>34,395</u>	<u>51,347</u>	<u>54,417</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 269,828	\$ 266,426	\$ 232,685	\$ 213,779	\$ 179,636	\$ 145,613	\$ 136,858	\$ 123,101	\$ 162,922
Contributions as a percentage of covered-employee payroll	37.23%	34.99%	32.84%	29.42%	18.77%	29.62%	25.13%	41.71%	33.40%

Wells Township School District No. 18

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of net OPEB liability	0.0027875%	0.0026921%	0.0024846%	0.0021348%	0.0017808%	0.0016483%
District's proportionate share of net OPEB liability	\$ 59,042	\$ 41,091	\$ 133,106	\$ 153,230	\$ 141,553	\$ 145,967
District's covered-employee payroll	\$ 268,398	\$ 242,744	\$ 220,626	\$ 186,011	\$ 151,448	\$ 140,582
District's proportionate share of net OPEB liability as a percentage of covered-employee payroll	22.00%	16.93%	60.33%	82.38%	93.47%	103.83%
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:	<i>NONE</i>	<i>NONE</i>	<i>NONE</i>	<i>NONE</i>	<i>NONE</i>	<i>NONE</i>
Changes in assumptions:	<i>2022</i>	<i>2021</i>	<i>2020</i>	<i>2019</i>	<i>2018</i>	<i>NONE</i>

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

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

Wells Township School District No. 18

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

For the Fiscal Year Ended June 30

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>				
Statutorily required contributions	\$ 21,188	\$ 20,446	\$ 18,415	\$ 16,441	\$ 14,070	\$ 11,078				
Contributions in relation to statutorily required contributions	<u>21,188</u>	<u>20,446</u>	<u>18,415</u>	<u>16,441</u>	<u>14,070</u>	<u>11,078</u>				
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
District's covered-employee payroll	\$ 269,828	\$ 266,426	\$ 232,685	\$ 213,779	\$ 179,636	\$ 145,613				
Contributions as a percentage of covered-employee payroll	7.85%	7.67%	7.91%	7.69%	7.83%	7.61%				

Wells Township School District No. 18

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2023

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original Budget to Final Budget	Final Budget to Actual
REVENUES:					
Local sources	\$ 655,400	\$ 823,276	\$ 827,900	\$ 167,876	\$ 4,624
State sources	54,417	101,077	103,738	46,660	2,661
Federal sources	442	21,027	21,336	20,585	309
TOTAL REVENUES	710,259	945,380	952,974	235,121	7,594
EXPENDITURES:					
Instruction:					
Basic instruction	307,203	315,238	308,420	(8,035)	6,818
Special education	26,286	25,753	25,240	533	513
Total Instruction	333,489	340,991	333,660	(7,502)	7,331
Supporting Services:					
Pupil support	5,100	9,092	9,070	(3,992)	22
Instructional Staff	675	4,933	5,102	(4,258)	(169)
General administration	17,500	16,359	16,485	1,141	(126)
School administration	108,777	118,350	116,330	(9,573)	2,020
Business support	14,700	7,979	6,818	6,721	1,161
Operation and maintenance	50,320	51,714	45,532	(1,394)	6,182
Pupil transportation	43,137	40,416	37,358	2,721	3,058
Central support	500	240	208	260	32
Total Supporting Services	240,709	249,083	236,903	(8,374)	12,180
Community Services:					
Community Activities	-	-	-	-	-
Total Community Services	-	-	-	-	-
Facility Acquisitions:					
Capital outlay	107,827	135,077	131,625	(27,250)	3,452
Total Facility Acquisitions	107,827	135,077	131,625	(27,250)	3,452
TOTAL EXPENDITURES	682,025	725,151	702,188	(43,126)	22,963
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	28,234	220,229	250,786	191,995	30,557
OTHER FINANCING SOURCES (USES):					
Sale of capital assets	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers (out)	(25,909)	(220,289)	(220,289)	(194,380)	-
TOTAL OTHER FINANCING SOURCES (USES)	(25,909)	(220,289)	(220,289)	(194,380)	-
NET CHANGE IN FUND BALANCE	2,325	(60)	30,497	(2,385)	30,557
Fund balance, July 1	1,681,275	1,681,275	1,681,275	-	-
FUND BALANCE, JUNE 30	\$ 1,683,600	\$ 1,681,215	\$ 1,711,772	\$ (2,385)	\$ 30,557

OTHER SUPPLEMENTAL INFORMATION

Wells Township School District No. 18

CAPITAL PROJECTS FUND

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Local sources	\$ -	\$ -	\$ -
State sources	-	-	-
Federal sources	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	<hr/> -	<hr/> -	<hr/> -
EXPENDITURES:			
Capital projects	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	<hr/> -	<hr/> -	<hr/> -
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<hr/> -	<hr/> -	<hr/> -
OTHER FINANCING SOURCES (USES):			
Transfers in	-	203,878	203,878
Transfers (out)	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	<hr/> -	<hr/> 203,878	<hr/> 203,878
NET CHANGE IN FUND BALANCE	-	203,878	203,878
Fund balance, July 1	<hr/> -	<hr/> -	<hr/> -
FUND BALANCE, JUNE 30	<hr/> <u>\$ -</u>	<hr/> <u>\$ 203,878</u>	<hr/> <u>\$ 203,878</u>

Wells Township School District No. 18

SCHOOL LUNCH FUND

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Local sources	\$ 842	\$ 842	\$ -
State sources	2,636	1,023	(1,613)
Federal sources	<u>14,779</u>	<u>14,392</u>	<u>(387)</u>
TOTAL REVENUES	<u>18,257</u>	<u>16,257</u>	<u>(2,000)</u>
EXPENDITURES:			
School Lunch Activities:			
Salaries	15,534	15,473	61
Fringe benefits	9,690	7,569	2,121
Purchased services	1,288	1,193	95
Supplies and materials	7,247	7,241	6
Capital outlay	-	-	-
Other expense	<u>915</u>	<u>916</u>	<u>(1)</u>
TOTAL EXPENDITURES	<u>34,674</u>	<u>32,392</u>	<u>2,282</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(16,417)</u>	<u>(16,135)</u>	<u>282</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	16,411	16,411	-
Transfers (out)	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>16,411</u>	<u>16,411</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(6)	276	282
Fund balance, July 1	<u>691</u>	<u>691</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u><u>\$ 685</u></u>	<u><u>\$ 967</u></u>	<u><u>\$ 282</u></u>

Wells Township School District No. 18

SCHOOL ACTIVITIES FUND

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Local sources	\$ 5,000	\$ 5,953	\$ 953
State sources	-	-	-
Federal sources	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	5,000	5,953	953
	<hr/>	<hr/>	<hr/>
EXPENDITURES:			
School activities	5,000	4,657	343
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	5,000	4,657	343
	<hr/>	<hr/>	<hr/>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	1,296	1,296
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers (out)	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCE	-	1,296	1,296
	<hr/>	<hr/>	<hr/>
Fund balance, July 1	1,337	1,337	-
	<hr/>	<hr/>	<hr/>
FUND BALANCE, JUNE 30	\$ 1,337	\$ 2,633	\$ 1,296
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

COMPLIANCE SECTION



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
Wells Township School District No. 18
38211 County Road 426
Arnold, Michigan 49819

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 Wells Township School District No. 18, (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 District's basic financial statements and have issued our report thereon dated October 25, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School District's response to the findings identified in our audit and described in the accompanying Corrective Action Plan. 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, PLLC
Certified Public Accountants

October 25, 2023

COMMUNICATIONS SECTION



Wells Township School District No. 18
Report to Management
For the Year Ended June 30, 2023

To the Board of Education and Management of
Wells Township School District No. 18
38211 County Road 426
Arnold, Michigan 49819

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wells Township School District No. 18 (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 the School District's system of 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 following deficiencies in internal control to be significant deficiencies:

SIGNIFICANT DEFICIENCIES

2023-001 – ASSISTANCE IN PREPARING FINANCIAL STATEMENTS AND FOOTNOTES (REPEAT)

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 School District's staff did not have adequate knowledge and/or time to prepare all the information included in the annual financial statements. Although the School District contracted with an outside party to assist with the financial statement close, additional closing entries were required. Additionally, we assisted in preparing the financial statements and related footnotes.

Effect: We assisted management with the preparation of the financial statements to ensure their financial statements are in accordance with GAAP.

Recommendation: The School District should contract with an outside party to provide these accounting services. If the outside party cannot also prepare the financial statements and related footnotes in accordance with GAAP. The School District should continue to rely on its auditor to assist with preparing the financial statements and footnotes. Management is required to have someone with suitable skill, knowledge, and/or experience oversee such services.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Superintendent

- Corrective Action Planned:
 - See separate Corrective Action Plan

- Anticipated Completion Date:
 - June 30, 2024

2023-002 – SEGREGATION OF DUTIES (REPEAT)

Condition/Criteria: Internal controls rely on the principle of checks and balances and an individual should not have responsibility for more than one of the three transaction components: authorization, custody, and record keeping. The Superintendent maintains responsibility for more than one of the three transaction components.

Cause of Condition: The size of the organization's accounting staff precludes certain internal design controls that would be preferred if the office staff were large enough to provide optimum segregation of duties.

Effect: The lack of segregation of duties increases that misstatements, whether caused by error or fraud, could occur and not be prevented or detected on a timely basis.

Recommendation: Smaller organizations, due to limited resources, are generally more sensitive to the cost of implementing these design controls and often have compensating controls to partially mitigate this deficiency. If possible, the School District should contract with an outside party to provide accounting services to help mitigate the risk. If the School District is unable to contract these services to an outside party then the Board of Education needs to take a more active role

Board of Education and Management of
Wells Township School District No. 18

in the day-to-day operations of the School District such as opening and reviewing bank statements, reviewing bank reconciliations, reviewing/approving journal entries, and other key controls. It should also be noted that the Board of Education should verify that key reconciliations are performed timely.

Management Response – See separate Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Board of Education

- Corrective Action Planned:
 - See separate Corrective Action Plan

- Anticipated Completion Date:
 - Not applicable

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.

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

Anderson, Tackman & Company, PLLC
Certified Public Accountants

October 25, 2023



Wells Township School District No. 18
Communication with Those Charged with Governance
For the Year Ended June 30, 2023

October 25, 2023

To the Board of Education of the
Wells Township School District No. 18
38211 County Road 426
Arnold, Michigan 49819

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wells Township School District No. 18 (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 August 30, 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 Schools District are described in the notes to the financial statements. Newly adopted GASB standards are disclosed in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. 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 employee benefit obligations 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 affecting the financial statements was:

The disclosure of the School District's proportionate share of the Defined Benefit Pension and OPEB Plan includes significant actuarial assumptions used in calculating the valuation. Gabriel, Roeder, Smith & Company was the actuarial company hired by the Retirement Board of the Michigan Public Employees' Retirement System (MPSERS) and the Michigan Department of Technology, Management and Budget Office of Retirement Services for preparation of the annual actuarial valuation. A full listing of the actuarial assumptions used can be found MPSERS' Annual Comprehensive Financial Report of the Fiscal Year Ended September 30, 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 25, 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 identify certain deficiencies in internal control, described in the accompanying Report to Management that we consider to be significant deficiencies as items 2023-001 and 2023-002.

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

Other Matters

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

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

Restriction on Use

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

Very truly yours,

Anderson, Tackman & Company, PLLC
Certified Public Accountants



Wells Township School District

38211 Co. Rd. 426

Arnold, MI 49819

906.238.4200

*Corrective Action Plan
For the Year Ended June 30, 2023*

October 25, 2023

In response to the findings disclosed in the audited financial statements for the year ended June 30, 2023:

2023-001 – ASSISTANCE IN PREPARING FINANCIAL STATEMENTS AND FOOTNOTES (REPEAT)

Corrective Action Plan:

The School District has hired an outside party to provide accounting services.

2023-002 – SEGREGATION OF DUTIES (REPEAT)

Corrective Action Plan:

Members of the Board of Education are given monthly financial reports and review checks prior to them being mailed whenever possible. Certain payments, such as purchases required for the education of students and/or the operations of the building (such as utilities) may be required to be remitted prior to a board meeting. When that is the case the Superintendent informs the Board of the purpose, amount, and vendor.