

**BARAGA AREA SCHOOLS  
BARAGA, 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  
Baraga Area Schools  
210 Lyons Street  
Baraga, Michigan 49908

### **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 Baraga Area Schools (the School District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

#### ***Basis for Opinions***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplemental information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any

assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2023, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

October 31, 2023

## **Baraga Area Schools**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

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

#### **FINANCIAL HIGHLIGHTS**

- Net position for the School District as a whole was reported at \$803,336 and comprised of 100% governmental activities.
- During the year, the School District's expenses were \$5,662,513, while revenues from all sources totaled \$7,424,793 resulting in an increase in net position of \$1,762,280.
- The General Fund reported an increase of \$558,473. This is \$179,183 or 24% less than the forecasted increase of \$737,656. This was a result of revenues being \$3,291 higher, expenses being \$117,496 lower, and other financing uses being \$299,970 more than the forecasted change, all of which are insignificant when compared with budgeted revenues of \$6,495,448, budgeted expenditures of \$5,755,862, and budgeted other financing (uses) of (\$1,930).

#### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

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

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

- ***Governmental Funds*** – Most of the School District's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.
- ***Proprietary Funds*** – When the School District charges customers for the services it provides – whether to outside customers – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the School District's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. The School District does not have any proprietary funds.



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

### 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	\$8,822,703	\$7,389,604
Capital assets, net	1,166,226	1,305,656
Total Assets	<u>9,988,929</u>	<u>8,695,260</u>
Deferred outflows of resources	<u>3,239,025</u>	<u>1,774,959</u>
Current liabilities	699,002	699,158
Long-term liabilities	9,838,299	6,615,282
Total Liabilities	<u>10,537,301</u>	<u>7,314,440</u>
Deferred inflows of resources	<u>1,887,317</u>	<u>4,114,723</u>
Net Position:		
Net investment in capital assets	1,166,226	1,305,656
Restricted	4,667,745	4,091,236
Unrestricted	<u>(5,030,635)</u>	<u>(6,355,836)</u>
Total Net Position	<u><u>\$803,336</u></u>	<u><u>(\$958,944)</u></u>

The School District's net position was \$803,336 as of June 30, 2023. Net investment in capital assets totaling \$1,166,226, compares the original cost, less depreciation of the School District's capital assets to long-term debt, used to finance the acquisition of those assets. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations. The remaining amount of net position of (\$5,030,635) was unrestricted.

The (\$5,030,635) 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.

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

**Table 2  
Statement of Activities**

	<u>Governmental Activities – 2023</u>	<u>Governmental Activities – 2022</u>
Revenues:		
Program Revenues:		
Charges for services	\$26,879	\$18,351
Operating grants and contributions	3,708,316	1,999,975
Capital grants and contributions	-	-
General Revenues:		
Property taxes	1,313,964	1,270,674
State sources not restricted to specific program	1,987,394	1,862,767
Investment earnings	247,055	4,620
Gain/(loss) on disposal of capital assets	-	-
Miscellaneous	141,185	130,011
Total Revenues	<u>7,424,793</u>	<u>5,286,398</u>
Program Expenses:		
Instruction	3,139,782	2,498,177
Supporting services	2,128,187	1,916,944
Payments to other governmental agencies	2,180	-
Facilities acquisitions	-	-
Food service activities	231,087	240,092
Interest on retirement of debt	1,422	-
Depreciation – unallocated	159,855	166,233
Total Expenses	<u>5,662,513</u>	<u>4,821,446</u>
Increase (decrease) in net position	1,762,280	464,952
Net position, beginning	<u>(958,944)</u>	<u>(1,423,896)</u>
Net Position, Ending	<u>\$803,336</u>	<u>(\$958,944)</u>

As reported in the Statement of Activities, the cost of all of our governmental activities this year was \$5,662,513. Certain activities were partially funded from those who benefited from the programs in the amount of \$26,879 or by other governments and organizations that subsidized certain programs with grants and contributions in the amount of \$3,708,316. In addition, capital grants were received in the amount of \$0. We paid for the remaining "public benefit" portion of our governmental activities with \$1,313,964 in taxes, \$1,987,394 in State Foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced an increase in net position for the year of \$1,762,280.

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

- Net change in governmental fund balances of \$1,433,255.
- Depreciation charged to expense of (\$159,855).
- Capital outlays of \$20,425.
- Gain/(loss) on disposals of \$0.
- Change in pension related activity of \$49,313.
- Change in OPEB related activity of \$466,835
- Change in compensated absences (\$47,693).

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

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

**Table 3**  
**Governmental Activities**

	Total Cost Of Services	Net Cost/(Benefit) Of Services
Instruction	\$3,139,782	(\$213,724)
Supporting services	2,128,187	1,993,354
Food service activities	231,087	(15,769)

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 \$8,123,701 an increase of \$1,433,255 from the beginning of the year.

This was due to a net increase in the General Fund of \$558,473, a net increase in the School Lunch Fund of \$10,627, a net increase in the Scholarship Fund of \$181,766, a net decrease in the Student Activity Fund of \$796, a net increase in the Sinking Fund of \$383,166, and a net increase in the Capital Projects Fund of \$300,018.

### **General Fund Budgetary Highlights**

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

Changes to the General Fund original budget were as follows:

- Budgeted revenues were increased by \$1,667,547 to reflect expected actual use of various grants.
- Budgeted expenditures were increased by \$822,033 to reflect changes in various grant activity.

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

### **Enrollment**

The School District's 2022-2023 State aid blended membership enrollment from the fall count totaled 312. This is a decrease of 21 students from the previous year. The School District has been declining in enrollment for several years and projects the decline to continue in coming years. The School District is located in Michigan's Upper Peninsula, which is currently experiencing an economic downturn. A decline in birth rate is another factor in the decline in enrollment. School of choice is another factor in declining enrollment.

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

Fiscal Year	(Fall) Student FTE	Increase (Decrease) in Student Enrollment (FTE)
2022-2023	312	(21)
2021-2022	333	(2)
2020-2021	335	4
2019-2020	331	(9)
2018-2019	340	(40)

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

### **Capital Asset and Debt Administration**

#### ***Capital Assets***

As of June 30, 2023, the School District had \$1,166,226 (Net of Depreciation) invested in a variety of capital assets including land, buildings, and machinery and equipment. (See Table 4 below)

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

	Governmental Activities – 2023	Governmental Activities – 2022
Land	\$600	\$600
Land improvements	54,872	100,793
Buildings	979,013	1,069,958
Equipment	110,141	105,505
Buses	21,600	28,800
Total	<u>\$1,166,226</u>	<u>\$1,305,656</u>

During the current fiscal year, the School District replaced the server and the server room air conditioner. In the current year, the School District had no disposals. Further detail on capital assets can be found in the notes to the financial statements.

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

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

### **Debt**

As of June 30, 2023, the School District had \$-0- in outstanding debt as depicted in Table 5 below.

**Table 5**  
**Outstanding Debt at Year End**

Loan		Governmental Activities – 2023	Governmental Activities – 2022
		\$-	\$-
	Total	\$-	\$-

We present more detailed information about our long-term debt in the notes to the financial statements.

### **Economic Factors and Next Year's Budgets**

Our elected officials and administration consider many factors when setting the School District's fiscal year 2023-2024 budget. One of the most important factors affecting the budget is the student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2023-2024 fiscal year budget was adopted in June 2023, based on an estimate of students that will be enrolled in September 2023. Approximately 44 percent of total General Fund revenues are from the foundation allowance.

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

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

### **Contacting the School District's Financial Management**

This financial report is designated to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Baraga Area Schools, 210 Lyons Street, Baraga, Michigan, 49908.

**Baraga Area Schools**

**STATEMENT OF NET POSITION**

June 30, 2023

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 2,483,124
Investments	5,536,231
Receivables:	
Accounts receivable	4,159
Delinquent property taxes	-
Due from other governmental units	763,806
Inventories	29,516
Prepaid expense	5,867
Non-current Assets:	
Capital Assets:	
Land and construction in progress	600
Other capital assets, net	<u>1,165,626</u>
<b>TOTAL ASSETS</b>	<u>9,988,929</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to proportionate share of net pension liability	1,736,305
District's contributions made subsequent to pension measurement date	814,420
Deferred outflows related to proportionate share of net OPEB liability	532,339
District's contributions made subsequent to OPEB measurement date	<u>155,961</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>3,239,025</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	178,588
Accrued liabilities	407,157
Accrued interest	-
Unearned revenue	113,257
Non-current Liabilities:	
Portion due or payable within one year	
Bonds payable	-
Compensated absences	-
Portion due or payable after one year	
Bonds payable	-
Compensated absences	88,423
Proportionate share of net pension liability	9,222,459
Proportionate share of net OPEB liability	<u>527,417</u>
<b>TOTAL LIABILITIES</b>	<u>10,537,301</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to proportionate share of net pension liability	655,081
Deferred inflows related to proportionate share of net OPEB liability	<u>1,232,236</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>1,887,317</u>
<b>NET POSITION</b>	
Net investment in capital assets	1,166,226
Restricted	4,667,745
Unrestricted	<u>(5,030,635)</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 803,336</u></u>

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

**Baraga Area Schools**

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	Capital Grants and Contributions	
<b>Governmental Activities:</b>					
Instruction	\$ 3,139,782	\$ -	\$ 3,353,506	\$ -	\$ 213,724
Supporting services	2,128,187	16,057	118,776	-	(1,993,354)
Community services	2,180	-	-	-	(2,180)
Payments to other governmental agencies	-	-	-	-	-
Facilities acquisitions	-	-	-	-	-
Food service activities	231,087	10,822	236,034	-	15,769
Interest on retirement of debt	1,422	-	-	-	(1,422)
Depreciation - unallocated	159,855	-	-	-	(159,855)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 5,662,513</b>	<b>\$ 26,879</b>	<b>\$ 3,708,316</b>	<b>\$ -</b>	<b>(1,927,318)</b>
<b>General revenues:</b>					
Taxes:					
Property taxes, levied for general purposes					929,766
Property taxes, levied for capital projects					384,198
State aid not restricted to specific purposes					1,987,394
Interest and investment earnings					247,055
Gain/(loss) on disposal of capital assets					-
Miscellaneous					141,185
			<b>TOTAL GENERAL REVENUES</b>		<b>3,689,598</b>
			<b>CHANGES IN NET POSITION</b>		<b>1,762,280</b>
Net position, beginning of year					(958,944)
			<b>NET POSITION, END OF YEAR</b>		<b>\$ 803,336</b>

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

**Baraga Area Schools**  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
June 30, 2023

	General Fund	Special Revenue			Capital Projects		Total
		School Lunch Fund	Scholarship Fund	Non-Major Student Activity Fund	Sinking Fund	Non-Major Capital Project Fund	
<b>ASSETS</b>							
Cash and cash equivalents	\$ 512,913	\$ 36,618	\$ 40,424	\$ 116,682	\$ 1,445,424	\$ 331,063	\$ 2,483,124
Investments	2,432,416	-	3,103,815	-	-	-	5,536,231
Receivables:							
Accounts receivable	1,253	713	-	-	2,193	-	4,159
Delinquent property taxes	-	-	-	-	-	-	-
Due from other funds	-	3,626	-	-	-	-	3,626
Due from other governmental units	763,806	-	-	-	-	-	763,806
Inventories	26,589	2,927	-	-	-	-	29,516
Prepaid expense	5,867	-	-	-	-	-	5,867
<b>TOTAL ASSETS</b>	<b>3,742,844</b>	<b>43,884</b>	<b>3,144,239</b>	<b>116,682</b>	<b>1,447,617</b>	<b>331,063</b>	<b>8,826,329</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 3,742,844</b>	<b>\$ 43,884</b>	<b>\$ 3,144,239</b>	<b>\$ 116,682</b>	<b>\$ 1,447,617</b>	<b>\$ 331,063</b>	<b>\$ 8,826,329</b>
<b>LIABILITIES</b>							
Accounts payable	\$ 178,588	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 178,588
Accrued liabilities	406,706	451	-	-	-	-	407,157
Unearned revenue	113,257	-	-	-	-	-	113,257
Due to other funds	3,626	-	-	-	-	-	3,626
<b>TOTAL LIABILITIES</b>	<b>702,177</b>	<b>451</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>702,628</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Tax revenue for a subsequent period	-	-	-	-	-	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>							
Non-spendable	32,456	2,927	-	-	-	-	35,383
Restricted	-	40,506	3,144,239	-	1,447,617	-	4,632,362
Committed	-	-	-	116,682	-	-	116,682
Assigned	415,550	-	-	-	-	331,063	746,613
Unassigned	2,592,661	-	-	-	-	-	2,592,661
<b>TOTAL FUND BALANCES</b>	<b>3,040,667</b>	<b>43,433</b>	<b>3,144,239</b>	<b>116,682</b>	<b>1,447,617</b>	<b>331,063</b>	<b>8,123,701</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 3,742,844</b>	<b>\$ 43,884</b>	<b>\$ 3,144,239</b>	<b>\$ 116,682</b>	<b>\$ 1,447,617</b>	<b>\$ 331,063</b>	<b>\$ 8,826,329</b>

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



**Baraga Area Schools**

**GOVERNMENTAL FUNDS**

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

June 30, 2023

**Total Fund Balances for Governmental Funds** **\$ 8,123,701**

*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	\$ 6,935,947	
Accumulated depreciation	<u>(5,769,721)</u>	1,166,226

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

Proportionate share of net pension liability	9,222,459	
Deferred outflows related to proportionate share of net pension liability	(1,736,305)	
District's contributions made subsequent to pension measurement date	(814,420)	
Deferred inflows related to proportionate share of net pension liability	<u>655,081</u>	(7,326,815)

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

Proportionate share of net OPEB liability	527,417	
Deferred outflows related to proportionate share of net OPEB liability	(532,339)	
District's contributions made subsequent to OPEB measurement date	(155,961)	
Deferred inflows related to proportionate share of net OPEB liability	<u>1,232,236</u>	(1,071,353)

Long-term liabilities are not due and payable in the current period  
and are not reported in the funds. Long-term liabilities at year-end  
consist of:

Bonds payable - current	-	
Bonds payable - long term	-	
Accrued interest	-	
Compensated absences	<u>88,423</u>	<u>(88,423)</u>

**Net Position of Governmental Activities** **\$ 803,336**

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

**Baraga Area Schools**

GOVERNMENTAL FUNDS

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended June 30, 2023

	General Fund	Special Revenue			Capital Projects		Total
		School Lunch Fund	Scholarship Fund	Non-Major Student Activity Fund	Sinking Fund	Non-Major Capital Project Fund	
<b>REVENUES:</b>							
Local sources	\$ 1,157,839	\$ 10,822	\$ 207,216	\$ 87,376	\$ 384,588	\$ 18	\$ 1,847,859
State sources	3,286,335	5,175	-	-	-	-	3,291,510
Federal sources	2,054,565	230,859	-	-	-	-	2,285,424
<b>TOTAL REVENUES</b>	<b>6,498,739</b>	<b>246,856</b>	<b>207,216</b>	<b>87,376</b>	<b>384,588</b>	<b>18</b>	<b>7,424,793</b>
<b>EXPENDITURES:</b>							
Instruction	3,485,938	-	-	-	-	-	3,485,938
Supporting services	2,150,248	-	25,450	88,171	-	-	2,263,869
Community services	2,180	-	-	-	-	-	2,180
Payments to other governmental agencies	-	-	-	-	-	-	-
Facilities acquisitions	-	-	-	-	-	-	-
Food service activities	-	238,129	-	-	-	-	238,129
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Tax write-offs	-	-	-	-	1,422	-	1,422
Capital project activities:							
Capital projects	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>5,638,366</b>	<b>238,129</b>	<b>25,450</b>	<b>88,171</b>	<b>1,422</b>	<b>-</b>	<b>5,991,538</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>860,373</b>	<b>8,727</b>	<b>181,766</b>	<b>(795)</b>	<b>383,166</b>	<b>18</b>	<b>1,433,255</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Transfers in	-	1,900	-	-	-	300,000	301,900
Transfers (out)	(301,900)	-	-	-	-	-	(301,900)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(301,900)</b>	<b>1,900</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>300,000</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>558,473</b>	<b>10,627</b>	<b>181,766</b>	<b>(795)</b>	<b>383,166</b>	<b>300,018</b>	<b>1,433,255</b>
Fund Balance, July 1	2,482,194	32,806	2,962,473	117,477	1,064,451	31,045	6,690,446
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 3,040,667</b>	<b>\$ 43,433</b>	<b>\$ 3,144,239</b>	<b>\$ 116,682</b>	<b>\$ 1,447,617</b>	<b>\$ 331,063</b>	<b>\$ 8,123,701</b>

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

**Baraga Area Schools**

**GOVERNMENTAL FUNDS**

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

For the Year Ended June 30, 2023

**Net Change in Fund Balances - Total Governmental Funds** **\$ 1,433,255**

*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	\$ (159,855)	
Capital outlays	20,425	
Gain/(loss) on disposals	<u>-</u>	(139,430)

Change in proportionate share of net pension liability reported in the statement of activities does not require the use of current resources, and therefore, is not reported in the fund statements until it is due for payment.

Pension expense	49,313
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Change in proportionate share of net OPEB liability reported in the statement of activities does not require the use of current resources, and therefore, is not reported in the fund statements until it is due for payment.

OPEB expense	466,835
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Some expense reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in sick and vacation leave	<u>(47,693)</u>
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<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ 1,762,280</u></u></b>
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The accompanying notes are an integral part of these financial statements.

BARAGA AREA SCHOOLS  
NOTES TO FINANCIAL STATEMENTS

June 30, 2023

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

*Reporting Entity*

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

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

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

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

**BASIS OF PRESENTATION**

*District-Wide Financial Statements:*

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

*Fund Financial Statements:*

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

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

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

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

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

### Governmental Funds

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

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

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

### **Basis of Accounting**

In the district-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Agency Fund financial statements are

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

presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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

### **Cash and Equivalents**

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

### **Investments**

Investments are carried at market value.

### **Receivables**

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

### **Due From and To Other Funds**

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

### **Inventory**

Inventories are stated at cost, on a first-in, first-out basis, which approximates market value. Inventories recorded in the General Fund consist of centrally warehoused teaching and operating supplies for the School District. The 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 that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

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

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

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

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

### Deferred Outflows of Resources

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

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

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

### Long-Term Debt

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

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

### Compensated Absences

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

### Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (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

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

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:

1. Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted Net Position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation. These amounts are derived from the fund financial statements by combining non-spendable and restricted fund balance classifications.
3. Unrestricted Net Position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

#### *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, and are classified as either program revenue or general revenue. Program revenues include charges to customers



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

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

### Expenses/Expenditures

#### *District-Wide Statements*

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

### *Fund Statements*

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

### Interfund Activity

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

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

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

### Budgets and Budgetary Accounting

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

- a. The Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.

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

- c. Prior to July 1, the budget is approved by the Board of Education.
- d. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board of Education.
- e. All annual appropriations lapse at fiscal year-end.

### Use of Estimates

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

### Subsequent events

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

## NOTE B – DEPOSITS AND INVESTMENTS:

### Cash Equivalents

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

Unrestricted:	
Cash and cash equivalents	\$2,483,124
Investments	5,536,231
Total	<u>\$8,019,355</u>

### *Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. State law does not require, and the School District does not have a deposit policy for custodial credit risk. The carrying amounts of the School District's deposits with financial institutions were \$2,483,124 and the bank balance was \$2,532,179. The bank balance is categorized as follows.

Amount insured by the FDIC	\$250,000
Collateralized and uninsured	-
Amount uncollateralized and uninsured	2,282,179
Total	<u>\$2,532,179</u>

## NOTE B – DEPOSITS AND INVESTMENTS (Continued):

### Investments

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

		Fair Value Measurements Using		
Investments	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
<i>Equity securities:</i>				
Michigan Liquid Asset Fund – Mutual Funds	\$2,432,416 *	\$-	\$2,432,416	\$-
Fixed Income Securities	1,604,038 *	1,604,038	-	-
Fixed Income Securities	940,421 **	940,421	-	-
Fixed Income Securities	559,356 ***	559,356	-	-
Total	\$5,536,231	\$3,103,815	\$2,432,416	\$-

\*Investment matures within one year

\*\* Investment matures in 1-5 years

\*\*\*Investment matures in 6-10 years

### *Interest Rate Risk*

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

### *Credit Risk*

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

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

### *Concentration of Credit Risk*

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

**NOTE C – DUE FROM OTHER GOVERNMENTAL UNITS:**

Amounts due from other governments totaled \$763,806. This amount consisted of \$604,560 due from the State of Michigan for State Aid and \$159,246 due from other governmental units for the operation of special programs and grant projects.

**NOTE D – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:**

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

DUE FROM OTHER FUNDS				
	General Fund	Sinking Fund	School Lunch Fund	Total Due To Other Funds
DUE TO OTHER FUNDS				
General Fund	\$-	\$-	\$3,626	\$3,626
Sinking Fund	-	-	-	-
School Lunch Fund	-	-	-	-
Total Due From Other Funds	\$-	\$-	\$3,626	\$3,626

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

TRANSFERS IN FROM OTHER FUNDS				
	General Fund	Capital Projects Fund	School Lunch Fund	Total Transfers Out To Other Funds
TRANSFERS OUT TO OTHER FUNDS				
General Fund	\$-	\$300,000	\$1,900	\$301,900
School Lunch Fund	-	-	-	-
Sinking Fund	-	-	-	-
Capital Projects Fund	-	-	-	-
Total Transfers In From Other Funds	\$-	\$300,000	\$1,900	\$301,900

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

**NOTE E – CAPITAL ASSETS:**

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

	Balance at June 30, 2022	Additions	Disposals	Balance at June 30, 2023
<b>GOVERNMENTAL ACTIVITIES:</b>				
Capital assets not being depreciated:				
Land	\$600	\$-	\$-	\$600
Total capital assets not being depreciated	600	-	-	600
Capital assets being depreciated:				
Land improvements	1,257,957	-	-	1,257,957
Buildings	4,547,261	-	-	4,547,261
Equipment	826,235	20,425	-	846,660
Buses	283,469	-	-	283,469
Total capital assets being depreciated	6,914,922	20,425	-	6,935,347
Less accumulated depreciation:				
Land improvements	(1,157,164)	(45,921)	-	(1,203,085)
Buildings	(3,477,303)	(90,945)	-	(3,568,248)
Equipment	(720,730)	(15,789)	-	(736,519)
Buses	(254,669)	(7,200)	-	(261,869)
Total accumulated depreciation	(5,609,866)	(159,855)	-	(5,769,721)
Capital assets, net	<u>\$1,305,656</u>	<u>(\$139,430)</u>	<u>\$-</u>	<u>\$1,166,226</u>

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:	
Unallocated	\$159,855
Total Governmental Activities Depreciation Expense	<u>\$159,855</u>

**NOTE F – ACCRUED LIABILITIES:**

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

	Governmental Activities
Accrued wages	\$291,177
Retirement payable	76,056
Flexible benefits	16,625
MESSA payable	2,947
FICA payable	20,352
Total	<u>\$407,157</u>

## NOTE G – LONG-TERM OBLIGATIONS:

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

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year
GOVERNMENTAL ACTIVITIES:					
Loan	\$-	\$-	\$-	\$-	\$-
Subtotal	-	-	-	-	-
Compensated absences:					
Sick and vacation leave	40,730	47,693	-	88,423	-
Subtotal	40,730	47,693	-	88,423	-
TOTAL LONG-TERM DEBT	<u>\$40,730</u>	<u>\$47,693</u>	<u>\$-</u>	<u>\$88,423</u>	<u>\$-</u>

## NOTE H – COMPENSATED ABSENCES:

The School District accrues the liability for earned sick leave based on the termination method. The liability is accrued as the benefits are earned. The current labor agreements stipulate sick leave must be taken in order to be paid, except at retirement. Teachers and administration personnel have the option of being paid for one-half of accumulated sick leave days, up to a maximum of 180 accumulated days, or they may request payment for the Universal Service Credit up to a maximum of \$32,500, upon retirement. Other non-teaching employees may accrue up to 90 sick leave days, and are paid for up to 70 sick leave days upon retirement.

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

Sick leave – teachers	\$81,142
Vacation leave – non-teaching personnel	7,281
Total	<u>\$88,423</u>

The liability has been recognized as follows:

Current portion	\$-
Long-term portion	88,423
Total	<u>\$88,423</u>

## NOTE I – FUND BALANCES – GOVERNMENTAL FUNDS:

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

*Unassigned* — all other spendable amounts.

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

	General Fund	School Lunch Fund	Scholarship Fund	Student Activity Fund	Sinking Fund	Capital Projects Fund	Total Governmental Funds
Non-Spendable:							
Inventories	\$26,589	\$2,927	\$-	\$-	\$-	\$-	\$29,516
Prepaid expense	5,867	-	-	-	-	-	5,867
Restricted:							
School Lunch Fund	-	40,506	-	-	-	-	40,506
Scholarship	-	-	3,144,239	-	-	-	3,144,239
Capital projects	-	-	-	-	1,447,617	-	1,447,617
Committed:							
Student Activities	-	-	-	116,682	-	-	116,682
Assigned:							
Athletic activities	913	-	-	-	-	-	913
Community schools	180,633	-	-	-	-	-	180,633
FY 23/24 budgeted shortfall	234,004	-	-	-	-	-	234,004
Capital projects funds	-	-	-	-	-	331,063	331,063
Unassigned	2,592,661	-	-	-	-	-	2,592,661
Total Fund Balances	<u>\$3,040,667</u>	<u>\$43,433</u>	<u>\$3,144,239</u>	<u>\$116,682</u>	<u>\$1,447,617</u>	<u>\$331,063</u>	<u>\$8,123,701</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).

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

**NOTE J – ECONOMIC DEPENDENCY:**

The School District received approximately 75 percent of its revenue through state and federal sources to be used for providing elementary and secondary education for the residents of Baraga. The School District's Foundation Allowance is set by the state and includes the local contribution from Non-Homestead taxes. Increases in the local Non-Homestead property tax revenues are offset by a corresponding decrease in state aid on a per pupil basis.

**NOTE K – STATE REVENUE:**

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

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

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

**NOTE L – NON-MONETARY TRANSACTIONS:**

The School District receives USDA donated food commodities for use in its food service program which are accounted for in the 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 \$17,054 during fiscal year 2023 in revenues and expenditures for USDA commodities.

**NOTE M – PROPERTY TAXES:**

The taxable value of real and personal property located in the School District at December 1, 2022 totaled \$126,710,323 (consisting of \$43,052,300 for PRE; \$31,614,113 for Industrial Personal Property, \$51,713,338 for Non-PRE and \$330,572 for Commercial Personal Property). The total tax levied consists of 17.9820 mills on all non-homestead property for the General Fund, 6.0000 mills on all commercial personal property for the General Fund, and 2.9970 on all property types for the Sinking Fund. One mill is equal to \$1.00 per \$1,000 of taxable value.



## **NOTE N – 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.

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

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

## **NOTE O – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN:**

### Plan Description

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

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

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

The System's financial statements are available on the ORS website at [Michigan.gov/ORSSchools](http://Michigan.gov/ORSSchools).

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

### **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.

### **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.

<b>Pension Contribution Rates</b>		
<b>Benefit Structure</b>	<b>Member</b>	<b>Employer</b>
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 \$834,632 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 \$9,222,459 for its proportionate share of the MPERS net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2021. The School District's proportion of the

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

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 0.02452213 percent, which was a decrease of 0.001610 percent from its proportion measured as of September 30, 2021.

For the year ended June 30, 2023, the School District recognized pension expense of \$867,294. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred (Inflows) of Resources</b>
Differences between actual and expected experience	\$92,257	(\$20,620)
Changes of assumptions	1,584,749	-
Net difference between projected and actual earnings on pension plan investments	21,627	-
Changes in proportion and differences between the employer contributions and proportionate share of contributions	37,672	(634,461)
Subtotal	<u>1,736,305</u>	<u>(\$655,081)</u>
Employer contributions subsequent to the measurement date	<u>814,420</u>	
Total	<u><u>\$2,550,725</u></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:

<b>Deferred (Inflows) and Deferred Outflows of Resources by Year (to Be Recognized in Future Pension Expenses)</b>	
Year Ended September 30	Amount
2023	\$279,418
2024	161,253
2025	153,586
2026	486,967
Total	<u><u>\$1,081,224</u></u>

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

### Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

### Summary of Actuarial Assumptions

Valuation Date:	September 30, 2021
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- 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](http://Michigan.gov/ORSSchools).

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long Term Expected Real Rate of Return*</b>
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.

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

### 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:

<b>1% Decrease</b>	<b>Current Single Discount Rate Assumption</b>	<b>1% Increase (Non-Hybrid/Hybrid)</b>
<b>5.00% / 5.00% / 5.00%*</b>	<b>6.00% / 6.00% / 6.00%*</b>	<b>7.00% / 7.00% / 7.00%*</b>
\$12,170,220	\$9,222,459	\$6,793,371

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

### Michigan Public School Employees' Retirement System (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](http://Michigan.gov/ORSSchools).

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

At June 30, 2023, the School District reported a payable of \$122,275 for the outstanding amount of contributions to the pension and OPEB plan required for the year ended June 30, 2023.

## NOTE P – EMPLOYEE RETIREMENT SYSTEM – DEFINED CONTRIBUTION PLANS:

Employees of the School District who began working for a Michigan public school July 1, 2010, or later, are members of the Pension Plus plan or Defined Contribution (DC) plan, defined contribution pension plans. Under Public Act 300 of 2012, eligible members of 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.

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

Defined Contribution Plan

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

The total amount contributed to the Plan for the year ended June 30, 2023 was \$89,487 which consisted of \$35,102 from the School District and \$54,385 from employees.

Personal Healthcare Fund

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

The total amount contributed to the Plan for the year ended June 30, 2023 was \$35,230 which consisted of \$17,615 from the School District and \$17,615 from employees.

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

Plan Description

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

Benefits Provided

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

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

those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

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

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

### Contributions

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

Employer 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.

<b>OPEB Contribution Rates</b>		
<b>Benefit Structure</b>	<b>Member</b>	<b>Employer</b>
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 \$189,678 for the year ended September 30, 2022.



**NOTE Q – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued):****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 \$527,417 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 0.0249009 percent, which was a decrease of 0.000491 percent from its proportion measured as of September 30, 2021.

For the year ended June 30, 2023, the School District recognized OPEB expense of (\$263,651). At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred (Inflows) of Resources</b>
Differences between actual and expected experience	\$-	(\$1,033,007)
Changes of assumptions	470,103	(38,278)
Net difference between projected and actual earnings on OPEB plan investments	41,222	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	21,014	(160,951)
Subtotal	<u>532,339</u>	<u>(\$1,232,236)</u>
Employer contributions subsequent to the measurement date	<u>155,961</u>	
Total	<u>\$688,300</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:

<b>Deferred (Inflows) and Deferred Outflows of Resources by Year (to Be Recognized in Future OPEB Expenses)</b>	
Year Ended September 30	Amount
2023	(\$243,097)
2024	(201,834)
2025	(189,682)
2026	(46,061)
2027	(18,226)
Thereafter	(997)
Total	<u>(\$699,897)</u>

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

### Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

### Summary of Actuarial Assumptions

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.

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

- 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](https://Michigan.gov/ORSSchools).

**Rate of Return**

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

**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:

<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
<b>5.00%</b>	<b>6.00%</b>	<b>7.00%</b>
<u>\$884,691</u>	<u>\$527,417</u>	<u>\$226,548</u>

**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:

<b>1% Decrease</b>	<b>Current Healthcare</b>	<b>1% Increase</b>
<b>Cost Trend Rate</b>	<b>Cost Trend Rate</b>	
<u>\$220,857</u>	<u>\$527,417</u>	<u>\$871,536</u>

**OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2022 MPSERS Annual Comprehensive Financial Report, available on the ORS website at [Michigan.gov/ORSSchools](https://Michigan.gov/ORSSchools).

#### **NOTE R – SINGLE AUDIT:**

The School District's schedule of expenditures of federal awards reports a total of \$2,278,924 in federal expenditures. As the amount is more than the single audit threshold of \$750,000, the School District is required to have an audit in accordance with the Uniform Guidance for the fiscal year ended June 30, 2023.

#### **NOTE S – SINKING FUNDS:**

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

#### **NOTE T – TAX ABATEMENTS:**

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

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

#### **NOTE U – NEW GASB STANDARDS:**

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

##### 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

#### **NOTE U – NEW GASB STANDARDS (Continued):**

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 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.

## **NOTE V – UPCOMING STANDARDS (Continued):**

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

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

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

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

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

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

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

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

## **NOTE V – UPCOMING STANDARDS (Continued):**

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

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

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

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

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

## **REQUIRED SUPPLEMENTAL INFORMATION**



**Baraga Area Schools**

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

For the Plan Year Ended September 30

	<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	0.02452%	0.02613%	0.02760%	0.02718%	0.02788%	0.02901%	0.02940%	0.02953%	0.02978%	
District's proportionate share of net pension liability	\$ 9,222,459	\$ 6,186,980	\$ 9,480,041	\$ 9,003,513	\$ 8,382,238	\$ 7,518,968	\$ 7,341,743	\$ 7,212,815	\$ 6,560,455	
District's covered-employee payroll	\$ 2,412,798	\$ 2,284,768	\$ 2,441,644	\$ 2,396,137	\$ 2,295,887	\$ 2,422,037	\$ 2,476,361	\$ 2,395,918	\$ 2,680,138	
District's proportionate share of net pension liability as a percentage of covered-employee payroll	382.23%	270.79%	388.26%	375.75%	365.10%	310.44%	296.47%	301.05%	244.78%	
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%	
<b>Notes to Required Supplementary Information:</b>										
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.

**Baraga Area Schools**

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	\$ 926,810	\$ 825,794	\$ 801,985	\$ 750,174	\$ 722,279	\$ 702,769	\$ 831,399	\$ 808,065	\$ 493,589	
Contributions in relation to statutorily required contributions	<u>926,810</u>	<u>825,794</u>	<u>801,985</u>	<u>750,174</u>	<u>722,279</u>	<u>702,769</u>	<u>831,399</u>	<u>808,065</u>	<u>493,589</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	\$ 2,657,085	\$ 2,369,881	\$ 2,351,628	\$ 2,418,335	\$ 2,373,569	\$ 2,326,460	\$ 2,431,494	\$ 2,390,553	\$ 2,461,851	
Contributions as a percentage of covered-employee payroll	34.88%	34.85%	34.10%	31.02%	30.43%	30.21%	34.19%	33.80%	20.05%	

**Baraga Area Schools**

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

For the Plan Year Ended September 30

	<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	0.02490%	0.02539%	0.02764%	0.02745%	0.02703%	0.02912%				
District's proportionate share of net OPEB liability	\$ 527,417	\$ 387,572	\$ 1,480,595	\$ 1,970,356	\$ 2,148,943	\$ 2,578,661				
District's covered-employee payroll	\$ 2,412,798	\$ 2,284,768	\$ 2,441,644	\$ 2,396,137	\$ 2,295,887	\$ 2,422,037				
District's proportionate share of net OPEB liability as a percentage of covered-employee payroll	21.86%	16.96%	60.64%	82.23%	93.60%	106.47%				
Plan fiduciary net position as a percentage of total OPEB liability	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%				
<b>Notes to Required Supplementary Information:</b>										
Changes in benefit terms:	NONE	NONE	NONE	NONE	NONE	NONE				
Changes in assumptions:	2022	2021	2020	2019	2018	NONE				

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

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

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

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

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

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.

**Baraga Area Schools**

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	\$ 200,983	\$ 190,489	\$ 190,303	\$ 192,091	\$ 181,861	\$ 173,522				
Contributions in relation to statutorily required contributions	<u>200,983</u>	<u>190,489</u>	<u>190,303</u>	<u>192,091</u>	<u>181,861</u>	<u>173,522</u>				
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
District's covered-employee payroll	\$ 2,657,085	\$ 2,369,881	\$ 2,351,628	\$ 2,418,335	\$ 2,373,569	\$ 2,326,460				
Contributions as a percentage of covered-employee payroll	7.56%	8.04%	8.09%	7.94%	7.66%	7.46%				

**Baraga Area Schools**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2023

			Variances							
			Actual (GAAP Basis)	Positive (Negative)						
		Original Budget to Final Budget		Final Budget to Actual						
			Budgeted Amounts							
			Original	Final						
<b>REVENUES:</b>										
Local sources	\$	1,060,558	\$	1,159,470	\$	1,157,839	\$	98,912	\$	(1,631)
State sources		2,930,063		3,301,590		3,286,335		371,527		(15,255)
Federal sources		837,280		2,034,388		2,054,565		1,197,108		20,177
<b>TOTAL REVENUES</b>			4,827,901	6,495,448		6,498,739		1,667,547		3,291
<b>EXPENDITURES:</b>										
<b>Instruction:</b>										
Basic programs		2,502,607		2,757,548		2,467,862		(254,941)		289,686
Added needs		640,081		841,064		891,789		(200,983)		(50,725)
Adult/continuing education		130,573		130,573		126,287		-		4,286
<b>Total Instruction</b>			3,273,261	3,729,185		3,485,938		(455,924)		243,247
<b>Supporting Services:</b>										
Pupil services		165,777		214,824		191,937		(49,047)		22,887
Instructional staff		58,749		91,419		92,703		(32,670)		(1,284)
General administration		283,720		314,843		340,861		(31,123)		(26,018)
School administration		335,787		360,482		383,797		(24,695)		(23,315)
Business services		107,372		135,028		229,796		(27,656)		(94,768)
Operation and maintenance		392,778		526,037		522,482		(133,259)		3,555
Pupil transportation		171,311		144,370		153,720		26,941		(9,350)
Central support		38,785		136,586		135,950		(97,801)		636
Athletic activities		104,100		101,107		99,002		2,993		2,105
<b>Total Supporting Services</b>			1,658,379	2,024,696		2,150,248		(366,317)		(125,552)
<b>Community Services:</b>										
Community activities		2,189		1,981		2,180		208		(199)
<b>Total Community Services</b>			2,189	1,981		2,180		208		(199)
<b>Payments to Other Governmental Agencies</b>			-	-		-		-		-
<b>Facilities Acquisition</b>			-	-		-		-		-
<b>TOTAL EXPENDITURES</b>			4,933,829	5,755,862		5,638,366		(822,033)		117,496
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>			(105,928)	739,586		860,373		845,514		120,787
<b>OTHER FINANCING SOURCES (USES):</b>										
Transfers in		-		-		-		-		-
Transfers (out)		(1,969)		(1,930)		(301,900)		39		(299,970)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>			(1,969)	(1,930)		(301,900)		39		(299,970)
<b>NET CHANGE IN FUND BALANCE</b>			(107,897)	737,656		558,473		845,553		(179,183)
Fund Balance, July 1			2,482,194	2,482,194		2,482,194		-		-
<b>FUND BALANCE, JUNE 30</b>			\$ 2,374,297	\$ 3,219,850		\$ 3,040,667		\$ 845,553		\$ (179,183)

**Baraga Area Schools**

**SCHOOL LUNCH 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
<b>REVENUES:</b>					
Local sources	\$ 6,200	\$ 12,527	\$ 10,822	\$ 6,327	\$ (1,705)
State sources	-	7,037	5,175	7,037	(1,862)
Federal sources	141,160	242,994	230,859	101,834	(12,135)
<b>TOTAL REVENUES</b>	<b>147,360</b>	<b>262,558</b>	<b>246,856</b>	<b>115,198</b>	<b>(15,702)</b>
<b>EXPENDITURES:</b>					
School lunch activities:					
Salaries	62,000	71,088	71,438	(9,088)	(350)
Fringe benefits	61,873	55,049	55,213	6,824	(164)
Purchased services	9,066	298	298	8,768	-
Supplies and materials	106,000	89,977	100,718	16,023	(10,741)
Other expenses	3,585	4,061	3,392	(476)	669
Capital outlay	12,160	7,070	7,070	5,090	-
<b>TOTAL EXPENDITURES</b>	<b>254,684</b>	<b>227,543</b>	<b>238,129</b>	<b>27,141</b>	<b>(10,586)</b>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(107,324)</b>	<b>35,015</b>	<b>8,727</b>	<b>142,339</b>	<b>(26,288)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	7,000	1,900	1,900	(5,100)	-
Transfers (out)	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>7,000</b>	<b>1,900</b>	<b>1,900</b>	<b>(5,100)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(100,324)</b>	<b>36,915</b>	<b>10,627</b>	<b>137,239</b>	<b>(26,288)</b>
Fund Balance, July 1	32,806	32,806	32,806	-	-
<b>FUND BALANCE, JUNE 30</b>	<b>\$ (67,518)</b>	<b>\$ 69,721</b>	<b>\$ 43,433</b>	<b>\$ 137,239</b>	<b>\$ (26,288)</b>

**Baraga Area Schools**

**SCHOLARSHIP 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
<b>REVENUES:</b>					
Local sources	\$ -	\$ -	\$ 207,216	\$ -	\$ 207,216
State sources	-	-	-	-	-
Federal sources	-	-	-	-	-
<b>TOTAL REVENUES</b>	-	-	207,216	-	207,216
<b>EXPENDITURES:</b>					
Supporting services:					
Scholarships	24,000	24,000	25,450	-	(1,450)
Loss on investments	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	24,000	24,000	25,450	-	(1,450)
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	(24,000)	(24,000)	181,766	-	205,766
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	-	-	-	-
Transfers (out)	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	-	-	-	-	-
<b>NET CHANGE IN FUND BALANCE</b>	(24,000)	(24,000)	181,766	-	205,766
Fund Balance, July 1	2,962,473	2,962,473	2,962,473	-	-
<b>FUND BALANCE, JUNE 30</b>	<u>\$ 2,938,473</u>	<u>\$ 2,938,473</u>	<u>\$ 3,144,239</u>	<u>\$ -</u>	<u>\$ 205,766</u>

## **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  
Baraga Area Schools  
210 Lyons Street  
Baraga, Michigan 49908

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

**Report on Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies (Items 2023-001 and 2023-002).

## **Report on Compliance and Other Matters**

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

## **The School District's Response to Findings**

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

## **Purpose of this Report**

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

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

October 31, 2023



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

To the Board of Education of the  
Baraga Area Schools  
210 Lyons Street  
Baraga, Michigan 49908

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Baraga Area School's (the School District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2023. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

***Basis for Opinion on Each Major Federal Program***

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

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

***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

### **Report on Internal Control over Compliance**

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

Board of Education of the  
Baraga Area Schools

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

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

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

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

October 31, 2023

**Baraga Area Schools**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended June 30, 2023

Federal Grantor Pass Through Grantor Program Title Grant Number	Assistance Listing Number	Approved Grant Award Amount	(Memorandum Only) Prior Year Expenditures	Accrued (Deferred) Revenue 7/1/2022	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue 6/30/2023	Current Year Cash Transferred to Subrecipients
<b>U.S. DEPARTMENT OF AGRICULTURE</b>								
<b>Child Nutrition Program:</b>								
<i>Passed Through the Michigan Department of Education:</i>								
School Breakfast Program								
221971	10.553	\$ 41,302	\$ 41,302	\$ -	\$ -	\$ -	\$ -	\$ -
231970	10.553	49,184	-	-	49,184	49,184	-	-
		<u>90,486</u>	<u>41,302</u>	<u>-</u>	<u>49,184</u>	<u>49,184</u>	<u>-</u>	<u>-</u>
<b>National School Lunch Program:</b>								
<i>Direct Award:</i>								
Non-cash Bonus Commodities	10.555	1,969	-	-	1,969	1,969	-	-
Non-cash Entitlement Commodities	10.555	15,085	15,060	-	15,085	15,085	-	-
<i>Passed Through the Michigan Department of Education:</i>								
National School Lunch Program:								
Seamless Summer Option (SSO) - Lunch								
221961	10.555	144,235	144,235	-	-	-	-	-
Supply Chain Assistance								
231960	10.555	158,115	-	-	158,115	158,115	-	-
Total National School Lunch Program		<u>319,404</u>	<u>159,295</u>	<u>-</u>	<u>175,169</u>	<u>175,169</u>	<u>-</u>	<u>-</u>
<b>Summer Food Service Program for Children</b>								
<i>Passed Through the Michigan Department of Education:</i>								
Extended Summer Food Service Program								
210904	10.559	18,691	18,691	-	-	-	-	-
Total Summer Food Service Program for Children		<u>18,691</u>	<u>18,691</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Child Nutrition Cluster		<u>428,581</u>	<u>219,288</u>	<u>-</u>	<u>224,353</u>	<u>224,353</u>	<u>-</u>	<u>-</u>
<b>Food Equipment Assistance Grant:</b>								
<i>Passed Through the Michigan Department of Education:</i>								
201991 EAG22	10.579	21,147	14,640	-	6,507	6,507	-	-
Total Food Equipment Assistance Grant		<u>21,147</u>	<u>14,640</u>	<u>-</u>	<u>6,507</u>	<u>6,507</u>	<u>-</u>	<u>-</u>
<b>State Pandemic Benefit Transfer (P-EBT) Administrative Costs Grant:</b>								
<i>Passed Through the Michigan Department of Education:</i>								
210980 2021	10.649	614	614	-	-	-	-	-
220980 2022	10.649	628	-	-	628	628	-	-
Total State Pandemic Benefit Transfer (P-EBT) Administrative Costs Grant		<u>1,242</u>	<u>614</u>	<u>-</u>	<u>628</u>	<u>628</u>	<u>-</u>	<u>-</u>
<i>Direct Award:</i>								
Schools & Road Grant FY21-22	10.665	25,663	25,663	-	-	-	-	-
Schools & Road Grant FY22-23	10.665	24,290	-	-	24,290	24,290	-	-
Total Schools & Road Grant		<u>49,953</u>	<u>25,663</u>	<u>-</u>	<u>24,290</u>	<u>24,290</u>	<u>-</u>	<u>-</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>		<u>500,923</u>	<u>260,205</u>	<u>-</u>	<u>255,778</u>	<u>255,778</u>	<u>-</u>	<u>-</u>

The accompanying notes are an integral part of this schedule.

**Baraga Area Schools**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended June 30, 2023

Federal Grantor Pass Through Grantor Program Title Grant Number	Assistance Listing Number	Approved Grant Award Amount	(Memorandum Only) Prior Year Expenditures	Accrued (Deferred) Revenue 7/1/2022	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue 6/30/2023	Current Year Cash Transferred to Subrecipients
<b>U.S. FEDERAL COMMUNICATIONS COMMISSION:</b>								
Emergency Connectivity Funds								
<i>Passed Through the Universal Service Administrative Company:</i>								
COVID-19 - Emergency Connectivity Funds	32.009	\$ 18,407	\$ -	\$ -	\$ 18,407	\$ 18,407	\$ -	\$ -
Total Emergency Connectivity Funds		<u>18,407</u>	<u>-</u>	<u>-</u>	<u>18,407</u>	<u>18,407</u>	<u>-</u>	<u>-</u>
<b>TOTAL U.S. FEDERAL COMMUNICATIONS COMMISSION</b>		<u>18,407</u>	<u>-</u>	<u>-</u>	<u>18,407</u>	<u>18,407</u>	<u>-</u>	<u>-</u>
<b>DEPARTMENT OF EDUCATION</b>								
<b>Title I Cluster:</b>								
<i>Passed Through Michigan Department of Education:</i>								
Title I, Part A:								
221530-2122	84.010	95,158	84,809	22,004	-	22,353	(349)	-
231530-2223	84.010	94,375	-	-	94,375	80,282	14,093	-
Total Title I Cluster		<u>189,533</u>	<u>84,809</u>	<u>22,004</u>	<u>94,375</u>	<u>102,635</u>	<u>13,744</u>	<u>-</u>
<b>Impact Aid Cluster:</b>								
<i>Direct Award:</i>								
P.L. 81-874 Title VIII of ESEA Impact Aid								
32-MI-2021-1013	84.041	872,751	392,861	-	479,890	479,890	-	-
32-MI-2022-1013	84.041	413,770	413,770	-	-	-	-	-
32-MI-2023-1013	84.041	783,177	-	-	783,177	783,177	-	-
<i>Passed Through L'Anse Area Schools:</i>								
P.L. 81-874 Title VIII of ESEA Impact Aid								
N/A	84.041	-	8,025	-	-	-	-	-
Total Impact Aid Cluster		<u>2,069,698</u>	<u>814,656</u>	<u>-</u>	<u>1,263,067</u>	<u>1,263,067</u>	<u>-</u>	<u>-</u>
<b>P.L. 107-110 ESEA</b>								
<i>Direct Award:</i>								
S060A210439	84.060A	39,495	34,246	7,990	-	7,990	-	-
S060A220439	84.060A	42,079	-	-	42,079	39,459	2,620	-
Total P.L. 107-110 ESEA		<u>81,574</u>	<u>34,246</u>	<u>7,990</u>	<u>42,079</u>	<u>47,449</u>	<u>2,620</u>	<u>-</u>
<b>REAP Small Rural School Achievement Program</b>								
<i>Direct Award:</i>								
S358A203611	84.358A	15,391	15,391	-	-	-	-	-
S358A211523	84.358A	16,802	11,279	2,534	5,523	8,057	-	-
S358A221448	84.358A	20,714	-	-	17,015	4,613	12,402	-
Total REAP Small Rural School Achievement Program		<u>52,907</u>	<u>26,670</u>	<u>2,534</u>	<u>22,538</u>	<u>12,670</u>	<u>12,402</u>	<u>-</u>

The accompanying notes are an integral part of this schedule.

**Baraga Area Schools**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended June 30, 2023

Federal Grantor Pass Through Grantor Program Title Grant Number	Assistance Listing Number	Approved Grant Award Amount	(Memorandum Only) Prior Year Expenditures	Accrued (Deferred) Revenue 7/1/2022	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue 6/30/2023	Current Year Cash Transferred to Subrecipients
<b>Title II, Part A</b>								
<i>Passed Through the Michigan Department of Education:</i>								
220520-2122	84.367	\$ 16,312	\$ 16,312	\$ -	\$ -	\$ -	\$ -	\$ -
230520-2223	84.367	14,975	-	-	14,975	9,477	5,498	-
Total Title II, Part A		<u>31,287</u>	<u>16,312</u>	<u>-</u>	<u>14,975</u>	<u>9,477</u>	<u>5,498</u>	<u>-</u>
<b>Title IV, Part A</b>								
<i>Passed Through the Michigan Department of Education:</i>								
220750 2122	84.424	12,164	8,288	167	3,876	5,038	(995)	-
230750 2223	84.424	12,881	-	-	9,005	4,105	4,900	-
Total Title IV, Part A		<u>25,045</u>	<u>8,288</u>	<u>167</u>	<u>12,881</u>	<u>9,143</u>	<u>3,905</u>	<u>-</u>
<b>Title IV, Effective Use of Technology</b>								
<i>Passed Through the Michigan Department of Education:</i>								
220775 2023	84.424	19,500	-	-	17,358	16,034	1,324	-
Total Title IV, Part A		<u>19,500</u>	<u>-</u>	<u>-</u>	<u>17,358</u>	<u>16,034</u>	<u>1,324</u>	<u>-</u>
<b>Education Stabilization Fund:</b>								
<i>Passed Through the Michigan Department of Education:</i>								
Elementary and Secondary School Emergency Relief II (ESSER II):								
COVID-19 213712 2021	84.425D	329,417	135,761	-	193,656	193,656	-	-
COVID-19 213782 2223	84.425D	17,148	-	-	17,140	8,543	8,597	-
Elementary and Secondary School Emergency Relief III (ESSER III):								
COVID-19 213713 2122	84.425D	740,348	-	-	326,670	216,859	109,811	-
Total Education Stabilization Fund		<u>1,086,913</u>	<u>135,761</u>	<u>-</u>	<u>537,466</u>	<u>419,058</u>	<u>118,408</u>	<u>-</u>
<b>TOTAL DEPARTMENT OF EDUCATION</b>		<u>3,556,457</u>	<u>1,120,742</u>	<u>32,695</u>	<u>2,004,739</u>	<u>1,879,533</u>	<u>157,901</u>	<u>-</u>
<b>GRAND TOTAL</b>		<u>\$ 4,075,787</u>	<u>\$ 1,380,947</u>	<u>\$ 32,695</u>	<u>\$ 2,278,924</u>	<u>\$ 2,153,718</u>	<u>\$ 157,901</u>	<u>\$ -</u>

The accompanying notes are an integral part of this schedule.



## **BARAGA AREA SCHOOLS**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For the Year Ended June 30, 2023**

#### **NOTE A – BASIS OF PRESENTATION:**

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

#### **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

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

#### **NOTE C – OVERSIGHT AGENCY:**

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

#### **NOTE D – FINAL COST REPORT – FORM DS4044:**

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

**BARAGA AREA SCHOOLS**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**

**For the Year Ended June 30, 2023**

**NOTE E – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS RECONCILIATION:**

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

Current payments per Grant Auditor Report			\$770,780
Add – payments not on Grant Auditor Report:			
Direct programs	\$1,347,476		
Passed through Universal Service Administrative Company	18,407		
Bonus and entitlement commodities	<u>17,054</u>	1,382,937	
Adjustments:			
MDE Accrued/(deferred) – End of year	157,901		
MDE (Accrued)/deferred – Beginning of year	(32,695)		
Rounding	<u>1</u>	<u>125,207</u>	
PER THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS			<u>\$2,278,924</u>

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

Total Federal Revenue Sources Reported in the Financial Statements:		
General Fund		\$2,054,565
School Lunch Fund		230,859
Reconciling Items:		
Federal revenue received as a beneficiary, not included on schedule of expenditures of federal awards		(6,500)
Rounding		<u>-</u>
TOTAL FEDERAL AWARDS EXPENDITURES REPORTED IN THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS		<u>\$2,278,924</u>

**BARAGA AREA SCHOOLS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2023**

**SECTION I – SUMMARY OF AUDITORS' RESULTS**

**General Purpose Financial Statements**

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

**Federal Awards**

- Types of auditors' report issued on compliance for major programs: *Unmodified*
- Internal control over major programs:  
No material weaknesses were reported.  
No significant deficiencies were reported.
- Audit findings that are required to be reported in accordance with the Uniform Guidance:  
None reported.

**Major Programs**

- The programs tested as a major program were:

<u>Program</u>	<u>Assistance Listing</u>
Impact Aid Cluster:	
P.L. 81-874 Title VIII of ESEA Impact Aid	84.041

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

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**SIGNIFICANT DEFICIENCIES**

**2023-001 – ASSISTANCE IN PREPARING FINANCIAL STATEMENTS AND FOOTNOTES (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 staff of the School District does not have adequate time to prepare all the information included in the annual financial statements. Therefore, we assisted in preparing the financial statements and related footnotes.

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

## BARAGA AREA SCHOOLS

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended June 30, 2023

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

**Management Response –** See separate Corrective Action Plan:

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

#### **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. Our testing discovered the Business Manager maintains responsibility for two of the three transaction components: custody and record keeping.

**Cause of Condition:** The size of the organization's accounting staff, at times, 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.

**Management Response –** See separate Corrective Action Plan:

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

#### **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

- None reported.

# BARAGA AREA SCHOOLS

## Administration

Mrs. Lori Wisniewski  
Superintendent

Mrs. Christina Gallup  
K-12<sup>th</sup> Principal



## Board of Education

Sarah Smith, President  
JoAnne Danielson, Vice-President  
Sheila Osterman, Secretary  
Megan Haataja, Treasurer  
Christy Miron, Trustee  
Steve Jahfetson, Trustee  
Tony Loonsfoot, Trustee

## CORRECTIVE ACTION PLAN

For the Year Ended June 30, 2023

### SECTION II – FINANCIAL STATEMENT FINDINGS:

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

- Corrective Action Plan:
  - We are aware of this deficiency and believe it is not cost beneficial in our situation to allocate the time needed to prepare the audit report in the current fiscal year.
- Contact Person(s) Responsible for Correction:
  - Superintendent
- Anticipated Completion Date:
  - Not applicable

#### Finding: 2023-002 – SEGREGATION OF DUTIES (REPEAT)

- Corrective Action Plan:
  - The Board of Education closely monitors all payments and will review the financial statements on a monthly basis.
- Contact Person(s) Responsible for Correction:
  - Superintendent
- Anticipated Completion Date:
  - Not applicable

### SECTION II – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

- None reported.

# BARAGA AREA SCHOOLS

## Administration

Mrs. Lori Wisniewski  
Superintendent

Mrs. Christina Gallup  
K-12<sup>th</sup> Principal



## Board of Education

Sarah Smith, President  
JoAnne Danielson, Vice-President  
Sheila Osterman, Secretary  
Megan Haataja, Treasurer  
Christy Miron, Trustee  
Steve Jahfetson, Trustee  
Tony Loonsfoot, Trustee

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2023

### SECTION II – FINANCIAL STATEMENT FINDINGS

#### SIGNIFICANT DEFICIENCIES

#### 2022-001 – 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 staff of the School District does not have adequate time to prepare all the information included in the annual financial statements. Therefore, we assisted in preparing the financial statements and related footnotes.

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

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

**Management Response –** See separate Corrective Action Plan:

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

**Status:** Repeated, refer to current year finding 2023-001.

#### 2022-002 – 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. Our testing discovered the Business Manager maintains responsibility for two of the three transaction components: custody and record keeping.

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

### For the Year Ended June 30, 2023

**Cause of Condition:** The size of the organization's accounting staff, at times, 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.

**Management Response –** See separate Corrective Action Plan:

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

**Status:** Repeated, refer to current year finding 2023-002.

### SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

- None reported.

## **COMMUNICATIONS SECTION**





***Baraga Area Schools***  
***Report to Management***  
***For the Year Ended June 30, 2023***

To the Board of Education and Management of  
Baraga Area Schools  
210 Lyons Street  
Baraga, Michigan 49908

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Baraga Area Schools (the School District) as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered School District's 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 deficiencies listed in the School District's internal control presented in the accompanying schedule of findings and questioned costs to be significant deficiencies (items 2023-001 through 2023-002).

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

Board of Education and Management of the  
Baraga Area Schools

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

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

October 31, 2023



***Baraga Area Schools***  
*Communication with Those Charged with Governance*  
*For the Year Ended June 30, 2023*

October 31, 2023

To the Board of Education of the  
Baraga Area Schools  
210 Lyons Street  
Baraga, Michigan 49908

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Baraga Area Schools (the School District) for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 17, 2023. Professional standards also require that we communicate to you the following information related to our audit.

**Significant Audit Matters**

*Qualitative Aspects of Accounting Practices*

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

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

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

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

Management's estimate of the School District's proportionate share of Net Pension Liability and Net OPEB Liability is based on an actuarial performed for the Michigan Public Employees' Retirement System (MPERS) to determine its liability. We evaluated the methods, assumptions, and data used to develop the 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 on 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 Plan 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 (MPERS) 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 MPERS' Comprehensive Annual 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 dated October 31, 2023.

### *Management Consultations with Other Independent Accountants*

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

### *Other Audit Findings or Issues*

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

Our consideration of internal control was for the limited purpose described in a separate letter and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies items 2023-001 through 2023-002.

### Other Matters

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

We were engaged to report on the schedule of expenditures of federal awards, as listed in the table of contents, which accompany the financial statements but are not RSI. With respect to this information, we made certain inquiries of management and evaluated the form, content, and

Board of Education of the  
Baraga Area Schools

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 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