



**NORTH ADAMS-JEROME PUBLIC SCHOOLS
HILLSDALE COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2023**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
North Adams-Jerome Public Schools
North Adams, Michigan

Report on the Audit of the Financial Statements***Opinions***

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School 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'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'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'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, budgetary comparison information, and the schedules of proportionate share of net pension and OPEB liabilities and contributions, 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

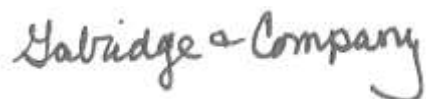
by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information 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's basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2023, on our consideration of the School'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'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's internal control over financial reporting and compliance.



Gabridge & Company, PLC
Grand Rapids, MI
October 13, 2023

Management's Discussion and Analysis

**North Adams-Jerome Public Schools
Management's Discussion and Analysis
June 30, 2023**

This section of the North Adams-Jerome Public Schools (the "School District"), Hillsdale County, Michigan's annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2023. It is to be read in conjunction with the School District's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and is intended to provide the financial results for the fiscal year ending June 30, 2023.

FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of the School District exceeded its assets and deferred outflows at the close of this fiscal year by \$(2,530,147) (shown as a deficit *net position*). The School District had a deficit unrestricted net position of \$(4,764,863).
- Revenues of \$5,434,674 exceeded expenses of \$5,482,665 leading to a decrease in net position of \$(47,991) during the year.
- During the year, the School District's fund balances decreased by \$(237,620), for an ending fund balance of \$463,167 across all funds.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$57,209, or 1.1% of the general fund's total expenditures and transfers out. Fund balance of the general fund *increased* by \$337,537 during the year.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the School District:

- The first two statements, the statement of net position and the statement of activities, are *government-wide financial statements* that provide both short-term and long-term information about the School District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the School District, reporting the School District's operations in more detail than the government-wide statements. *Governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.

The basic financial statements also include the notes to the financial statements that explain the information in the basic financial statements and provide more detailed data. Supplementary

information follows and includes combining and individual fund statements as well as a budgetary comparison schedule for the general fund.

Government-wide Financial Statements

The government-wide financial statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the School District's net position, and how they have changed. Net position – the difference between the School District's assets, deferred outflows and inflows, and liabilities - is one way to measure the School District's financial health or position.

Over time, increases or decreases in the School District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

To assess the School District's overall health, one should consider additional non-financial factors such as changes in the School District's property tax-base and the condition of school buildings and other facilities.

In the government-wide financial statements, the School District's activities are presented as governmental activities. *Governmental activities* include the School District's basic services, such as regular and special education, instructional support, transportation, administration, community services, food service and athletics. State aid and property taxes finance most of these activities.

Financial Analysis of the School District as a Whole

On the following page is a comparative highlight of the current and prior year financial activities.

North Adams-Jerome Public Schools' Net Position

ASSETS	2023	2022
<i>Current Assets</i>		
Cash and Investments	\$ 1,337,519	\$ 1,153,394
Due from Other Governmental Units	818,621	753,448
Other Receivables	1,110	740
Inventories and Prepaid Expenses	131,922	44,291
Total Current Assets	2,289,172	1,951,873
<i>Noncurrent Assets</i>		
Capital Assets, Net	2,233,074	2,117,217
Total Assets	4,522,246	4,069,090
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related	3,123,727	1,491,924
OPEB Related	870,954	625,365
Total Deferred Outflows of Resources	3,994,681	2,117,289
LIABILITIES		
<i>Current Liabilities</i>		
Accounts Payable	233,625	177,403
Payroll Liabilities	408,824	405,216
Unearned Revenue	265,826	65,834
State Aid Anticipation Loan	917,730	602,633
Current Portion of Long-term Debt	84,453	84,279
Total Current Liabilities	1,910,458	1,335,365
<i>Noncurrent Liabilities</i>		
Long-term Debt	132,020	223,141
Net Pension Liability	7,557,837	4,276,779
Net OPEB Liability	455,800	292,765
Total Liabilities	10,056,115	6,128,050
DEFERRED INFLOWS OF RESOURCES		
Pension Related	45,352	1,426,018
OPEB Related	945,607	1,114,467
Total Deferred Inflows of Resources	990,959	2,540,485
NET POSITION		
Net Investment in Capital Assets	2,016,601	1,809,797
Restricted	218,115	123,253
Unrestricted	(4,764,863)	(4,415,206)
Total Net Position	\$ (2,530,147)	\$ (2,482,156)

Cash and investments increased largely as a result of the decrease in governmental funds' fund balance coupled with the increase in the State-aid anticipation note of \$315,097; that increase in the anticipation note was a request for additional funds to ensure cash flow needs were met for the fiscal year. Inventory and prepaid amounts increased by \$87,631 as a result of paying the July

2023 bus lease payment of \$90,947, in June of 2023. Capital assets increased by \$115,857 as capital additions of \$307,404 exceeded depreciation expense of \$188,578 and a loss on asset disposal of \$2,969. Unearned revenues increased by \$199,992 due to the School District having received more grant funds in advance prior to incurring the underlying expense, compared to the previous year.

Net pension liability and the related deferred inflows and deferred outflows of resources experienced quite significant swings during the year. Net pension liability increased by \$3,281,058, pension related deferred outflows increased by \$1,631,803, and pension related deferred inflows decreased by \$1,380,666. This is almost entirely the result of pension assets having a loss on investment of 4.18% during the year; 80% of these losses have been deferred to be recognized as expenses over the next four years; and the amortization of prior year deferred pension expenses combined with the reclassification of prior excess earnings caused the significant decrease in the pension deferred inflow amounts.

Net OPEB liability and the related deferred inflows and deferred outflows or resources also experienced significant fluctuations compared to the previous year. Net OPEB liability increased by \$163,035, OPEB related deferred outflows increased by \$245,589, and OPEB related deferred inflows decreased by \$168,860. This is almost entirely the result of OPEB assets having a loss on investment of 4.99% during the year; 80% of these losses have been deferred to be recognized as expenses over the next four years; and the amortization of prior year deferred OPEB expenses combined with the reclassification of prior excess earnings caused the significant decrease in the pension deferred inflow amounts.

The results of operations for the School District as a whole are reported in the Change in Net Position table below. This statement shows the changes in net position for the fiscal years ended June 30, 2023 and 2022.

North Adams-Jerome Public Schools' Changes in Net Position

	2023	2022
Revenues		
Program Revenues		
Charges for Services	\$ 135,751	\$ 84,763
Operating Grants and Contributions	1,933,204	2,118,993
Total Program Revenues	2,068,955	2,203,756
General Revenues		
Property Taxes	944,404	691,317
Unrestricted State Sources	2,418,339	2,712,407
Interest and Investment Earnings	2,976	1,115
Total General Revenues	3,365,719	3,404,839
Total Revenues	5,434,674	5,608,595
Expenses		
Instruction	2,937,497	2,435,956
Supporting Services	2,112,544	2,353,497
Food Service Activities	267,387	299,620
Interest on Long-term Debt	17,730	-
Depreciation (Unallocated)	147,507	156,652
Total Expenses	5,482,665	5,245,725
Change in Net Position	(47,991)	362,870
<i>Net Position at Beginning of Period</i>	(2,482,156)	(2,845,026)
Net Position at End of Period	\$ (2,530,147)	\$ (2,482,156)

The School District had an overall decrease in net position of \$47,991 for the year ended June 30, 2023.

Charges for services increased by \$90,754 due to no COVID restrictions in fiscal year 2023 leading to an increase in activity and charges. Students paid approximately \$42,000 more for meals that were provided at no charge in prior years due to COVID funding.

Operating grants and contributions decreased by \$185,789 due to a reduction in ESSER funding from approximately \$745,000 in the previous year to approximately \$293,000 in the current year netted with the increase in funding from the State for the MERS one-time 147(c) grant of \$212,790.

A significant increase in taxable property value of 29.9%, due the addition of wind turbines to the tax roll, lead to increased tax revenues of \$253,087. While unrestricted state sources were \$294,068 less than the previous year as there were 28 fewer students in the current year.

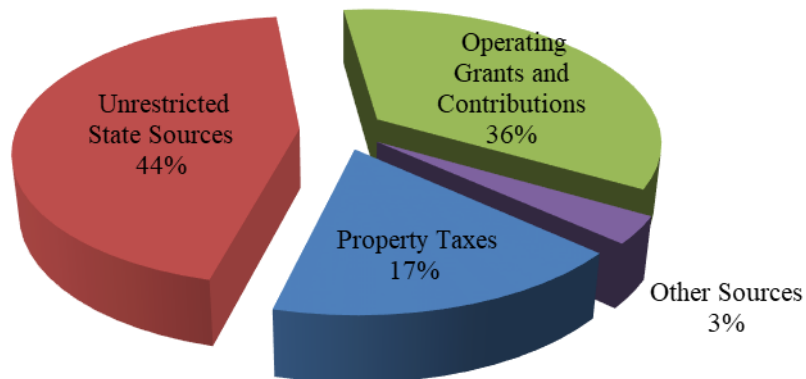
The \$501,541 increase in instruction costs is mostly attributable to the \$448,720 increase in pension expenses from the prior year. Supporting services were \$201,187 less than 2022 as a result of decreased ESSER funding was not available to provide the ability to spend for additional

textbooks and technology related expenses. Due to there being no COVID funding for free meals, less meals were served during the year which lead to decreased costs for food service activities.

The School District recognized interest on long-term debt during the year of \$17,730 related to the bus leases and state-aid anticipation note.

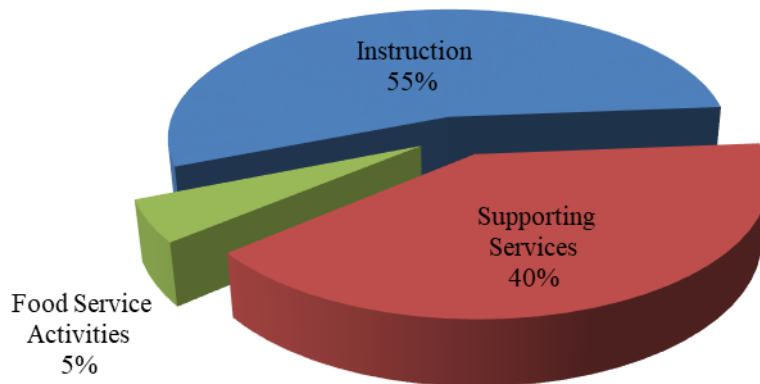
The following chart summarizes the major revenue sources for the governmental activities of the School District for the most recent fiscal year-end:

Governmental Activities Revenues



The following chart illustrates the major expenses for the activities of the School District:

Governmental Activities Expenses



Fund Financial Statements

The fund financial statements provide more detailed information about the School District's funds, focusing on its most significant or "major" funds - not the School District as a whole. Funds are accounting devices the School District uses to keep track of specific sources of funding and spending on particular programs.

The School District utilizes one kind of fund, each referred to as a governmental fund:

Governmental funds: Most of the School District's basic services are included in governmental funds, which generally focus on: 1) how cash and other financial assets that can readily be converted to cash flow in and out and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that 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. Since the government-wide financial statements and the fund financial statements use different methods of accounting to report the School District's financial condition, a reconciliation is included in the financial statements showing the differences between the two types of statements.

Financial Analysis of the School District's Funds

The School District uses funds to record and analyze financial information. The School District has one major fund, the general fund.

The ***general fund*** is the chief operating fund of the School District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$57,209. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures and transfers out. Unassigned fund balance represents approximately 1.1% of total general fund expenditures and transfers out.

The fund balance of the School District's general fund decreased by \$337,537 for a total fund balance of \$191,354. The primary reason for the decrease in general fund revenues when compared to the previous year was the decrease of 28 students when compared to the previous year resulted in a significant reduction of unrestricted state aid. The addition of debt service principal and interest accounted for a majority of the increase in general fund expenditures compared to the previous year.

General Fund Budgetary Highlights

During the year the School District revised its budget to attempt to match changes in the school funding environment and current needs of students and faculty. State law requires that budgets be amended during the year so actual expenditures do not exceed appropriations. The initial budget for the year ended June 30, 2023, was adopted by the Board of Education in June 2022, with the final amendments made in June 2023.

Original budget compared to final budget. The original budget was amended during the year as actual results needed adjusting from the original budgeted estimates. The original budgeted amounts for property tax revenues was \$624,240 and was later increased to \$827,056 to account for the significant additions of taxable value to the tax roll. The original budgeted amounts for total expenditures was \$4,854,943 which was later amended to \$5,574,818; the largest change from original budget to final amended can be seen on other support services having increased from \$174,321 to 446,920

Final budget compared to actual results. The School District had the following expenditure in excess of the amounts appropriated during the year ended June 30, 2023:

<i>General Fund</i>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Negative Variance</u>
Transfers Out	\$ 2,500	\$ 42,266	\$ (39,766)

Capital Assets and Debt Administration

Capital Assets

At June 30, 2023, the School District had \$2,233,074 invested in capital assets. This was a net increase of \$115,857 from the prior year, comprising of capital asset additions of \$307,404 and depreciation expense of \$118,578 and loss on asset disposal of \$2,969. The following table represents the School Districts investment in capital assets:

Land	\$ 12,000
Buildings and Improvements	4,741,039
Equipment and Vehicles	610,127
Intangible Right to use - Bus Leases	377,510
Subtotal	<u>5,740,676</u>
Accumulated Depreciation/Amortization	<u>(3,507,602)</u>
<i>Net Capital Assets</i>	<u>\$ 2,233,074</u>

More information on the School District’s investment in capital assets can be found in the notes to the financial statements.

Long-term Debt

At year-end, the School District had total long-term obligations of \$216,473. The State allows districts to issue general obligation debt up to 15% of the assessed value of all taxable property within the School District’s boundaries. The School District is under this limit by a considerable amount as it has no debt outstanding.

More information on the School District’s long-term debt can be found in the notes to the financial statements.

Economic Factors and Next Year's Budget and Rates

There are five basic financial considerations as the School District prepares itself for the future:

General Economy: The District as being close to the southern border has a transient family population. Families are locating “out-of state” in search of a more productive job market. This coupled with families locating elsewhere within the state creates a reflected loss in student enrollment.

School of Choice: The issue of school of choice has been controversial at the least. The bottom line is that a snapshot of student enrollment may change on a daily basis due to the ability of families to enroll in their school of choice. The superintendents have tried to mitigate this by staying within the designated parameters; however, the financial consideration has led to a competitive marketplace.

In-district Enrollment: The District for the present year, and predicted for the next several, is faced with the graduating class as being larger than the incoming kindergarten class. This creates an automatic deficit in student count, leading to the reduction in funding through the state per-pupil formula process.

Federal Grants: The District benefitted for several years through federal grant allocations such as the “Educational Job Fund”. As these are withdrawn, the District needs to supplement these funds or reduce expenditures accordingly.

General Conclusion: The North Adams-Jerome Public Schools like many smaller rural districts are feeling a squeeze between community desires and expectation for continuation, and the economy-driven consideration of downsizing. If the District is to maintain and even grow, it will be required to re-invent many of the processes for offering services, academically, and administratively. The need to consolidate services, such as financial, is paramount to this.

REQUESTS FOR INFORMATION

If you have any questions about this report or need additional information, contact the Business Manager's office at:

North Adams-Jerome Public Schools
4555 Knowles Road
North Adams, MI 49262
Ph | (517) 287-4214

Basic Financial Statements

North Adams-Jerome Public Schools
Statement of Net Position
June 30, 2023

ASSETS

Current Assets

Cash and Investments	\$	1,337,519
Due from Other Governmental Units		818,621
Other Receivables		1,110
Inventories		1,049
Prepaid Items		130,873
Total Current Assets		2,289,172

Noncurrent Assets

Capital Assets not being Depreciated		12,000
Capital Assets being Depreciated		2,221,074
Total Assets		4,522,246

DEFERRED OUTFLOWS OF RESOURCES

Pension Related		3,123,727
OPEB Related		870,954
Total Deferred Outflows of Resources		3,994,681

LIABILITIES

Current Liabilities

Accounts Payable		233,625
Payroll Liabilities		408,824
Unearned Revenue		265,826
State Aid Anticipation Loan		917,730
Current Portion of Long-term Debt		84,453
Total Current Liabilities		1,910,458

Noncurrent Liabilities

Long-term Debt		132,020
Net Pension Liability		7,557,837
Net OPEB Liability		455,800
Total Liabilities		10,056,115

DEFERRED INFLOWS OF RESOURCES

Pension Related		45,352
OPEB Related		945,607
Total Deferred Inflows of Resources		990,959

NET POSITION

Net Investment in Capital Assets		2,016,601
<i>Restricted for:</i>		
Sinking Fund		106,719
Food Service		111,396
<i>Unrestricted</i>		(4,764,863)
Total Net Position		\$ (2,530,147)

The Notes to the Financial Statements are an integral part of these Financial Statements-

**North Adams-Jerome Public Schools
Statement of Activities
For the Year Ended June 30, 2023**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Food Service Activities	\$ 267,387	\$ 8,250	\$ 280,275	\$ --	\$ 21,138
Supporting Services	2,112,544	126,941	587,924	--	(1,397,679)
Instruction	2,937,497	560	1,065,005	--	(1,871,932)
Depreciation (Unallocated)	147,507	--	--	--	(147,507)
Interest on Long-term Debt	17,730	--	--	--	(17,730)
Total	\$ 5,482,665	\$ 135,751	\$ 1,933,204	\$ --	(3,413,710)
General Purpose Revenues:					
					2,418,339
					817,331
					127,073
					2,976
					<u>3,365,719</u>
					(47,991)
					<u>(2,482,156)</u>
					\$ (2,530,147)

The Notes to the Financial Statements are an integral part of these Financial Statements-

North Adams-Jerome Public Schools
Balance Sheet
Governmental Funds
June 30, 2023

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Investments	\$ 1,045,037	\$ 292,482	\$ 1,337,519
Due from Other Governmental Units	816,808	1,813	818,621
Other Receivables	1,005	105	1,110
Inventories	--	1,049	1,049
Prepaid Items	130,873	--	130,873
<i>Total Assets</i>	<u>\$ 1,993,723</u>	<u>\$ 295,449</u>	<u>\$ 2,289,172</u>
LIABILITIES			
Accounts Payable	\$ 232,615	\$ 1,010	\$ 233,625
Payroll Liabilities	399,739	9,085	408,824
Unearned Revenue	252,285	13,541	265,826
State Aid Anticipation Loan	917,730	--	917,730
<i>Total Liabilities</i>	<u>1,802,369</u>	<u>23,636</u>	<u>1,826,005</u>
FUND BALANCE			
Nonspendable	130,873	1,049	131,922
Restricted	--	217,066	217,066
Committed	--	53,698	53,698
Assigned	3,272	--	3,272
Unassigned	57,209	--	57,209
<i>Total Fund Balance</i>	<u>191,354</u>	<u>271,813</u>	<u>463,167</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 1,993,723</u>	<u>\$ 295,449</u>	<u>\$ 2,289,172</u>

The Notes to the Financial Statements are an integral part of these Financial Statements-

North Adams-Jerome Public Schools
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2023

Total Fund Balance - Governmental Funds	\$	463,167
General government capital assets of \$5,740,676, net of accumulated depreciation of \$3,507,602, are not financial resources and, accordingly, are not reported in the funds.		2,233,074
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds.		(4,479,462)
The net OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds.		(530,453)
Long-term liabilities, including lease obligations payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(216,473)
Total Net Position - Governmental Activities	\$	<u>(2,530,147)</u>

North Adams-Jerome Public Schools
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2023

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Property Taxes	\$ 817,331	\$ 127,073	\$ 944,404
Other Local Sources	32,046	100,292	132,338
State Sources	3,674,700	21,970	3,696,670
Federal Sources	392,543	258,305	650,848
Other Sources	10,414	--	10,414
Total Revenues	<u>4,927,034</u>	<u>507,640</u>	<u>5,434,674</u>
Expenditures			
Instruction	2,925,737	--	2,925,737
Supporting Services	2,201,178	86,203	2,287,381
Food Service Activities	--	266,925	266,925
Building and Site Improvements	--	83,574	83,574
Debt Service - Principal	90,947	--	90,947
Debt Service - Interest	17,730	--	17,730
Total Expenditures	<u>5,235,592</u>	<u>436,702</u>	<u>5,672,294</u>
Excess of Revenues Over (Under) Expenditures	<u>(308,558)</u>	<u>70,938</u>	<u>(237,620)</u>
Other Financing Sources (Uses)			
Transfers In	13,287	42,266	55,553
Transfers Out	(42,266)	(13,287)	(55,553)
Net Other Financing Sources (Uses)	<u>(28,979)</u>	<u>28,979</u>	<u>--</u>
Net Change in Fund Balance	<u>(337,537)</u>	<u>99,917</u>	<u>(237,620)</u>
<i>Fund Balance at Beginning of Period</i>	528,891	171,896	700,787
Fund Balance at End of Period	<u>\$ 191,354</u>	<u>\$ 271,813</u>	<u>\$ 463,167</u>

The Notes to the Financial Statements are an integral part of these Financial Statements-

North Adams-Jerome Public Schools
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2023

Total Net Change in Fund Balances - Governmental Funds	\$	(237,620)
<p>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 and reported as depreciation expense. This amount is the capital outlay expenditures of \$307,404 exceed depreciation expense of \$188,578 and a loss on disposal of \$2,969.</p>		
		115,857
<p>The statement of activities reports the changes in net pension liability and pension related deferrals as pension expense. However, the expenditures recorded on the governmental funds equals actual pension contributions.</p>		
		(268,589)
<p>The statement of activities reports the changes in net OPEB liability and OPEB related deferrals as OPEB expense. However, the expenditures recorded on the governmental funds equals actual OPEB contributions.</p>		
		251,414
<p>The issuance of long-term debt (e.g., bonds or leases) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has an effect on net position. This amount is the net effect of these differences in the treatment of long-term debt.</p>		
		90,947
Changes in Net Position-Governmental Funds	\$	<u>(47,991)</u>

Notes to the Financial Statements

North Adams-Jerome Public Schools

Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of North Adams-Jerome Public Schools, Hillsdale County, Michigan (the “School District” or “government”) have been prepared as prescribed by the Michigan Department of Education. These policies are in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies.

Reporting Entity

The financial reporting entity consists of a primary government and its component units. The School District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the School District for financial statement presentation purposes, and the School District is not included in any other governmental reporting entity. Consequently, the School District’s financial statements include the funds of those organizational entities for which its elected governing board is financially accountable.

Basis of Presentation

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues.

The *statement of activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Major individual funds are reported as separate columns in the fund financial statements.

North Adams-Jerome Public Schools

Notes to the Financial Statements

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, or one year for reimbursement-based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues susceptible to accrual are property taxes, state aid, federal and inter-district revenues, and interest income and, accordingly, have been recognized as revenues of the current fiscal year. Other revenues are recognized when received.

The School District reports the following major fund:

General fund - the general operating fund of the School District. This fund is used to account for all financial resources except those required to be accounted for in another fund.

Additionally, the School District typically reports the following fund types:

Special revenue funds - are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

Capital project fund (sinking fund) - accounts for the accumulation and disbursement of resources for the construction of capital projects.

North Adams-Jerome Public Schools

Notes to the Financial Statements

Budgets and Budgetary Accounting

Budgets are adopted for general and special revenue funds as required by state law and are adopted on a basis consistent with generally accepted accounting principles (GAAP). The School District also prepares budgets for its capital project and debt service funds. The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

- Starting in the spring, School District administrative personnel and department heads work with the Superintendent to establish proposed operating budgets for the fiscal year commencing the following July 1.
- In June, preliminary operating budgets are submitted to the Board of Education. These budgets include proposed expenditures and the means of financing them.
- Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budgets.
- After the budgets are finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.
- The original general and special revenue funds budgets were amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act).
- Budgets for the general and special revenue funds were adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

Appropriations lapse at year-end and amounts may be reappropriated for expenditures to be incurred in the following fiscal year.

Property Taxes

Property taxes are recognized as revenue in the general and debt service funds on a levy year basis. The 2022 levy amounts are recognized as current property tax revenue to the extent that they are collected during the year or within 60 days after year-end. Collections of delinquent taxes in subsequent years are recognized as property tax revenues. Property taxes are levied July 1 on the assessed valuation of property located within the School District as of the preceding December 31, the lien date. Assessed values are established annually by the various governmental units within the School District and are equalized by the State of Michigan.

North Adams-Jerome Public Schools

Notes to the Financial Statements

Assets, Liabilities, Deferred Outflows/Inflows, and Fund Equity

Cash and Cash Equivalents

The School District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes and School District policy authorize the School District to invest in:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers' acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

Investments

Investments are stated at fair market value. Investments are exposed to various risks, such as significant external events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position.

North Adams-Jerome Public Schools

Notes to the Financial Statements

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and all other outstanding balances between funds are referred to as “due to/from other funds” (i.e., the current portion of interfund loans).

All receivables are shown net of an allowance for uncollectibles, as applicable. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. No amounts have been deemed uncollectible during the current year.

Inventories and Prepaid Expenditures

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of food commodities and related supplies.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include land, land improvements, buildings, vehicles and furniture and equipment, are reported in the government-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset’s useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Buildings and improvements, and equipment and vehicles are depreciated using the straight-line method over the following estimated useful lives:

	Years
Buildings and Improvements	20 - 50
Equipment and Vehicles	5 - 20
Intangible Right to Use Assets	3 - 10

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

North Adams-Jerome Public Schools

Notes to the Financial Statements

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

Postemployment Benefits Other Than Pensions

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

Deferred Outflows of Resources

In addition to assets, the statement of net 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 a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School District has two items that qualify for reporting in this category. They are the pension and other postemployment benefits related items reporting in the government-wide statement of net position. Deferred outflows are recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position 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 School District has two items that qualify for reporting in this category. They are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

Unearned Revenues

The unexpended balance of various federal and / or state categorical and local grants is carried forward as an unearned revenue until the period in which eligible expenditures are incurred.

North Adams-Jerome Public Schools

Notes to the Financial Statements

Short-term Obligations

Short-term debt is recognized as a liability of a governmental fund and is included on the balance sheet of the applicable fund. During the current year, the School District borrowed funds to meet short-term cash flow borrowing needs. The final payment is due in the following year, and anticipated state aid is expected to be sufficient to cover this commitment.

Salaries Payable and Accrued Employee Benefits

A liability is recorded at June 30 for those amounts owed to teachers and other employees of the School District who do not work during the summer when school is not in session but have elected to have their salaries paid over an entire year. This has the effect of properly charging their salaries to expenditures in the fiscal year in which their services are received, even though they are not paid until July and August of the following fiscal year.

The liability for accrued retirement and the employer share of FICA related to the salaries payable has been recorded as has the liability for the employee health insurance premiums for the months of July and August. The School District pays these insurances for this period as part of the compensation for services rendered in the preceding school year.

Compensated Absences

School District employees are granted vacation and sick leave in varying amounts based on length of service. Unused vacation time and sick leave accumulate from year to year at varying rates, depending on the employees' applicable rate of pay and/or employment category. The liability for compensated absences includes salary-related payments.

In the fund financial statements, only the matured liability for compensated absences is reported. The total liability is reported in the government-wide financial statements.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bond issuance costs are recorded as a period expense. Bonds payable are reported at the total amount of bonds issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

North Adams-Jerome Public Schools

Notes to the Financial Statements

Net Position Flow Assumption

Sometimes the School District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the School District’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumptions

Sometimes the School District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The School District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The *committed fund balance* classification includes amounts that can be used only for the specific purposes determined by a formal action of the School District’s highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the *assigned fund balance* classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as committed. The Board of Education can assign fund balance as it does when appropriating fund balance to cover a gap

North Adams-Jerome Public Schools

Notes to the Financial Statements

between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance is the residual classification for the School District's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the Board of Education.

Interfund Activity

Outstanding balances between funds are reported as due from/to other funds at year-end.

Use of Estimates

The preparation of financial statements requires estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Michigan law provides that a local unit shall not incur expenditures in excess of the amount appropriated.

The School District's actual expenditures and budgeted expenditures for the budgeted funds have been shown at the activity level. The approved budgets of the School District for these budgeted funds were also adopted at the activity level.

Budgetary compliance – The School District had the following expenditures in excess of the amounts appropriated during the year ended June 30, 2023:

	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Negative Variance</u>
Transfers Out	\$ 2,500	\$ 42,266	\$ (39,766)

Government-wide Deficits

The School District had an unrestricted net position deficit and a total net position deficit for government-wide activities in the amount of \$(4,476,863) and \$(2,530,147), respectively, as of June 30, 2023. The primary cause for the unrestricted net position deficit is the School District's net pension liability and net OPEB liability.

North Adams-Jerome Public Schools

Notes to the Financial Statements

NOTE 3 - CASH AND INVESTMENTS

The School District maintains pooled and individual fund demand deposits, certificates of deposit, and short-term investment accounts.

Following is a reconciliation of deposit and investment balances as of June 30, 2023:

Deposits and Investments	
Checking and Savings Accounts	\$ 1,334,864
Certificate of Deposit (matures in one year)	2,555
Cash on Hand	100
Total Deposits and Investments	\$ 1,337,519

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits might not be returned. State law does not require and the School District does not have a policy for deposit custodial credit risk. As of year-end, \$1,056,537 of the School District's bank balance of \$1,363,698 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the School District believes it is impractical to insure all bank deposits. As a result, the School District evaluates each financial institution with which it deposits School District funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

NOTE 4 - LONG-TERM LIABILITIES

Long-term liability balances and activity for the year ended June 30, 2023 were as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Lease Obligations	\$ 307,420	\$ -	\$ 90,947	\$ 216,473	\$ 84,453
Compensated Absences	19,748	-	19,748	-	-
Total	\$ 327,168	\$ -	\$ 110,695	\$ 216,473	\$ 84,453

The compensated absences will be paid by the general fund and food service fund.

2019 Lease Payable

\$65,060 has been recorded as an intangible right to use lease for a 71-passenger bus. Due to the implementation of GASB Statement No. 87, *Leases*, this lease for bus met the criteria for a lease; thus, requiring it to be recorded by the School District. This asset will be amortized over the lease term of five years since it is shorter than the useful life and the School District is not taking ownership of the bus. There are no residual value guarantees in the lease provisions. The lease will end in July 2026.

North Adams-Jerome Public Schools

Notes to the Financial Statements

2020 Lease Payable

\$111,012 has been recorded as an intangible right to use lease for a 77-passenger bus. Due to the implementation of GASB Statement No. 87, *Leases*, this lease for bus met the criteria for a lease; thus, requiring it to be recorded by the School District. This asset will be amortized over the lease term of five years since it is shorter than the useful life and the School District is not taking ownership of the bus. There are no residual value guarantees in the lease provisions. The lease will end in July 2024.

2020 Lease Payable

\$117,674 has been recorded as an intangible right to use lease for a 77-passenger bus. Due to the implementation of GASB Statement No. 87, *Leases*, this lease for bus met the criteria for a lease; thus, requiring it to be recorded by the School District. This asset will be amortized over the lease term of five years since it is shorter than the useful life and the School District is not taking ownership of the bus. There are no residual value guarantees in the lease provisions. The lease will end in July 2024.

A summary of the principal and interest amounts for the remaining leases is as follows:

Fiscal Year			
Ending	Principal	Interest	Total
2024	\$ 84,453	\$ 6,494	\$ 90,947
2025	106,555	3,961	110,516
2026	8,239	764	9,003
2027	8,486	517	9,003
2027	8,740	263	9,003
Total	\$ 216,473	\$ 11,999	\$ 228,472

North Adams-Jerome Public Schools

Notes to the Financial Statements

NOTE 5 - CAPITAL ASSETS

Capital assets balances and activity for the year ended June 30, 2023 were as follows:

	Beginning Balance	Additions	Disposals / Transfers	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 12,000	\$ -	\$ -	\$ 12,000
Construction in Progress	107,253	-	(107,253)	-
Subtotal	<u>119,253</u>	<u>-</u>	<u>(107,253)</u>	<u>12,000</u>
Capital Assets Being Depreciated				
Buildings and Improvements	4,440,375	193,411	107,253	4,741,039
Equipment and Vehicles	540,174	113,993	(44,040)	610,127
Intangible Right to Use - Bus Leases	377,510	-	-	377,510
Subtotal	<u>5,358,059</u>	<u>307,404</u>	<u>63,213</u>	<u>5,728,676</u>
Less Accumulated Depreciation				
Buildings and Improvements	2,870,016	87,214	-	2,957,230
Equipment and Vehicles	422,064	19,388	(41,071)	400,381
Intangible Right to Use - Bus Leases	68,015	81,976	-	149,991
Subtotal	<u>3,360,095</u>	<u>188,578</u>	<u>(41,071)</u>	<u>3,507,602</u>
Capital Assets Being Depreciated, Net	<u>1,997,964</u>	<u>118,826</u>	<u>104,284</u>	<u>2,221,074</u>
Capital Assets, Net	<u>\$ 2,117,217</u>	<u>\$ 118,826</u>	<u>\$ (2,969)</u>	<u>\$ 2,233,074</u>

Depreciation expense for the fiscal year ended June 30, 2023 amounted to \$188,578. The School District determined that it was impractical to allocate depreciation expense to the various government activities as the capital assets serve multiple functions.

The bus lease amortization is presented as amortization expense on the statement of activities related to the School District's intangible asset of buses, which is included in the above table as intangible right to use - bus leases. With the implementation of Governmental Accounting Standards Board Statement No. 87 *Leases*, a lease meeting the criteria of this Statement requires the lessee to recognize a lease liability and an intangible right to use asset.

NOTE 6 - MPSERS PENSION 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.

North Adams-Jerome Public Schools

Notes to the Financial Statements

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

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

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

Benefits Provided

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

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

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.

North Adams-Jerome Public Schools

Notes to the Financial Statements

The schedule below summarizes pension contribution rates in effect for fiscal year ended Sept. 30, 2022:

Benefit Structure	Member	Non-Universities
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 \$638,984 for the year ended Sept. 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 \$7,557,837 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of Sept. 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At Sept. 30, 2022, the School District's proportion was .02009 percent, which was an increase of .00203 percent from its proportion measured as of Sept. 30, 2021.

For the year ending June 30, 2023, the School District recognized pension expense of \$1,238,457. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Actual and Expected Experience	\$ 75,605	\$ 16,899
Changes of Assumptions	1,298,707	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	17,723	-
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	855,641	28,453
Employer Contributions Subsequent to the Measurement Date	876,051	-
Total	\$ 3,123,727	\$ 45,352

North Adams-Jerome Public Schools

Notes to the Financial Statements

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:

Plan Year Ended		Amount
September 30		
2023	\$	693,238
2024		576,049
2025		446,728
2026		486,309

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.

North Adams-Jerome Public Schools

Notes to the Financial Statements

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 Plan:	6.00%, net of investment expenses
- Pension Plus 2 Plan:	6.00%, net of investment expenses
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	
Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Notes:

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the Sept. 30, 2018 valuation. The total pension liability as of Sept. 30, 2022, is based on the results of an actuarial valuation date of Sept. 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 for non-university employers.

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2022 MPSERS Annual Comprehensive Financial Report found on the ORS website at Michigan.gov/ORSSchools.

Long-term Expected Return on Plan Assets

North Adams-Jerome Public Schools

Notes to the Financial Statements

The long-term expected rate of return on pension plan investments was determined using a buildingblock 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic equity pools	25.0%	5.1%
Private equity pools	16.0	8.7
International equity pools	15.0	6.7
Fixed income pools	13.0	(0.2)
Real estate and infrastructure pools	10.0	5.3
Absolute return pools	9.0	2.7
Real return/opportunistic pools	10.0	5.8
Short-term investment pools	2.0	(0.5)
Total	100.0%	

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

Rate of Return

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

Discount Rate

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

North Adams-Jerome Public Schools

Notes to the Financial Statements

the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School’s proportionate share of the net pension liability to changes in the discount rate

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

1% Decrease	Current Discount	1% Increase
(5.0%)	Rate	(7.0%)
(5.0%)	(6.0%)	(7.0%)
\$9,973,537	\$7,557,837	\$5,567,191

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 ACFR, available on the ORS website at Michigan.gov/ORSSchools.

NOTE 7 – MPERS POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

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

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

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.

North Adams-Jerome Public Schools

Notes to the Financial Statements

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

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 Jan. 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending Sept 3, 2012 or were on an approved professional services or military leave of absence on Sept. 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 Feb. 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.

North Adams-Jerome Public Schools

Notes to the Financial Statements

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 OPEB contribution rates in effect for fiscal year ended Sept. 30, 2022:

<u>Benefit Structure</u>	<u>Member</u>	<u>Non-Universities</u>
Premium subsidy	3.00%	8.09%
Personal healthcare fund (PHF)	0.00%	7.23%

Required contributions to the OPEB plan from the School were \$163,923 for the year ended Sept. 30, 2022.

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

At June 30, 2023, the School District reported a liability of \$455,800 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of Sept. 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 employer's 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 Sept. 30, 2022, the School District's proportion was .02151 percent, which was an increase of .00233 percent from its proportion measured as of Oct. 1, 2021.

For the year ending June 30, 2023, the School District recognized OPEB expense of negative **\$(102,410)**. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

North Adams-Jerome Public Schools

Notes to the Financial Statements

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Actual and Expected Experience	\$ -	\$ 892,738
Changes of Assumptions	406,269	33,081
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	305,090	-
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	35,624	19,788
Employer Contributions Subsequent to the Measurement Date	123,971	-
Total	\$ 870,954	\$ 945,607

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:

Plan Year Ended September 30	Amount
2023	\$ (102,204)
2024	(90,170)
2025	(72,494)
2026	43,985
2027	17,393
Thereafter	4,866

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.

North Adams-Jerome Public Schools

Notes to the Financial Statements

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2021
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.00%, net of investment expenses
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	Pre-65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 Post-65: 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120
Mortality:	
Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Other Assumptions:	
Opt-Out Assumption	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 period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the Sept. 30, 2018 valuation. The total OPEB liability as of Sept. 30, 2022, is based on the results of an actuarial valuation date of Sept. 30, 2021, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 6.2250 for non-university employers.

North Adams-Jerome Public Schools

Notes to the Financial Statements

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2022 MPSERS Annual Comprehensive Financial Report found on the ORS website at Michigan.gov/ORSSchools.

Long-term Expected Return on Plan Assets

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic equity pools	25.0%	5.1%
Private equity pools	16.0	8.7
International equity pools	15.0	6.7
Fixed income pools	13.0	(0.2)
Real estate and infrastructure pools	10.0	5.3
Absolute return pools	9.0	2.7
Real return/opportunistic pools	10.0	5.8
Short-term investment pools	2.0	(0.5)
Total	100.0%	

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

Rate of Return

For the fiscal year ended Sept. 30, 2022, the annual money-weighted rate of return on 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

North Adams-Jerome Public Schools

Notes to the Financial Statements

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’s proportionate share of the net OPEB liability to changes in the discount rate

The following presents the School District’s proportionate share of the net OPEB liability calculated using the discount rate of 6.00%, as well as what [the employer]’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 higher:

1% Decrease	Current Discount Rate	1% Increase
5.00%	6.00%	7.00%
\$764,561	\$455,800	\$195,785

Sensitivity of the School District’s proportionate share of the net OPEB liability to Healthcare Cost Trend Rate

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$190,867	\$455,800	\$753,193

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued 2022 MPSERS ACFR, available on the ORS website at Michigan.gov/ORSSchools.

NOTE 8 - RISK MANAGEMENT

The District also participates in a pool, the SEG Self-Insured Workers’ Disability Compensation Fund, with other school districts for workers’ compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The District has no liability for additional assessments based on the claims filed against the pool no do they have any right to the dividends.

North Adams-Jerome Public Schools

Notes to the Financial Statements

The School District has purchased commercial insurance for fleet, building, employee health and accident insurance.

Management estimates that the amount of actual or potential claims against the School District as of June 30, 2023 will not materially affect the financial condition of the School District. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 9 - INTERFUND TRANSACTIONS

The following schedule summarizes operating transfers during the year ended June 30, 2023:

Transfers In	Transfers Out	Amount
General	Food service	\$ 13,287
Food service	General	2,500

Interfund transfers are used to: 1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; 2) move receipts restricted to or allowed for 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 to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 10 - STATE AID ANTICIPATION LOANS

During the year ended June 30, 2023, the District was approved for borrowings of \$600,000 for cash flow needs. The following schedule summarizes the short-term debt:

Short-term Obligations	Interest Rate	Maturity	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
State Aid Note, 2023	1.97%	August 2023	\$ -	\$ 900,000	\$ -	\$ 900,000	\$ 900,000
State Aid Note, 2022	0.445%	August 2022	600,000	-	600,000	-	-
State Aid - Accrued Interest			2,633	17,730	2,633	17,730	17,730
Total Short-term Obligations			\$ 602,633	\$ 917,730	\$ 602,633	\$ 917,730	\$ 917,730

NOTE 11 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 13, 2023, the date these financial statements were available to be issued. Management is not aware of any subsequent events that would have a significant impact on the School District.

NOTE 12 - SINKING FUNDS

The School District's 2009 Sinking Fund records capital project activities funded with a sinking fund millage. For this fund, the School District has complied with the applicable provisions of Section 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

Required Supplementary Information

North Adams-Jerome Public Schools
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Consolidated General Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative) Final to Actual
Revenues				
Property Tax	\$ 624,240	\$ 827,056	\$ 817,331	\$ (9,725)
Other Local Sources	3,500	34,067	32,046	(2,021)
State Sources	3,775,541	3,854,657	3,674,700	(179,957)
Federal Sources	188,411	482,505	392,543	(89,962)
Other Sources	--	10,600	10,414	(186)
Total Revenues	<u>4,591,692</u>	<u>5,208,885</u>	<u>4,927,034</u>	<u>(281,851)</u>
Other Financing Sources				
Transfers In	--	13,003	13,287	284
Total Revenues and Other Financing Sources	<u>4,591,692</u>	<u>5,221,888</u>	<u>4,940,321</u>	<u>(281,567)</u>
Expenditures				
Instruction				
Basic Needs	2,085,252	2,393,832	2,336,191	57,641
Added Needs	571,629	639,076	589,546	49,530
Total Instruction	<u>2,656,881</u>	<u>3,032,908</u>	<u>2,925,737</u>	<u>107,171</u>
Supporting Services				
Pupil	321,401	327,282	322,813	4,469
Instructional Staff	209,864	213,761	184,759	29,002
General Administration	304,883	331,942	270,034	61,908
School Administration	229,295	243,137	240,354	2,783
Business Services	153,728	122,178	119,958	2,220
Operations and Maintenance	360,651	401,422	370,614	30,808
Transportation	400,349	321,460	289,918	31,542
Central Support Services	23,770	25,131	22,560	2,571
Other Support Services	174,321	446,920	380,168	66,752
Total Supporting Services	<u>2,178,262</u>	<u>2,433,233</u>	<u>2,201,178</u>	<u>232,055</u>
Debt Service	<u>19,800</u>	<u>108,677</u>	<u>108,677</u>	<u>--</u>
Total Expenditures	<u>4,854,943</u>	<u>5,574,818</u>	<u>5,235,592</u>	<u>339,226</u>
Other Financing Uses				
Transfers Out	--	2,500	42,266	(39,766)
Total Expenditures and Other Financing Uses	<u>4,854,943</u>	<u>5,577,318</u>	<u>5,277,858</u>	<u>299,460</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(263,251)</u>	<u>(355,430)</u>	<u>(337,537)</u>	<u>17,893</u>
Net Change in Fund Balance	<u>(263,251)</u>	<u>(355,430)</u>	<u>(337,537)</u>	<u>17,893</u>
Fund Balance at Beginning of Period	<u>528,891</u>	<u>528,891</u>	<u>528,891</u>	<u>--</u>
Fund Balance at End of Period	<u>\$ 265,640</u>	<u>\$ 173,461</u>	<u>\$ 191,354</u>	<u>\$ 17,893</u>

North Adams-Jerome Public Schools
Schedule of School District's Proportionate Share of Net Pension Liability
Michigan Public School Employee Retirement Plan
Last Nine Fiscal Years (Amounts were determined as of September 30 of each fiscal year)

	<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>
School District's Portion of Net Pension Liability (%)	0.02010%	0.01806%	0.01585%	0.01564%	0.01534%	0.01496%	0.01581%	0.01612%	0.01779%
School District's Proportionate Share of Net Pension Liability	\$ 7,557,837	\$ 4,276,779	\$ 5,445,829	\$ 5,179,465	\$ 4,610,705	\$ 3,875,969	\$ 3,945,276	\$ 3,937,732	\$ 3,919,471
School District's Covered Payroll	\$ 2,149,710	\$ 1,777,032	\$ 1,460,722	\$ 1,365,675	\$ 1,350,351	\$ 1,223,538	\$ 1,326,019	\$ 1,344,775	\$ 1,440,960
School District's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll	351.57%	240.67%	372.82%	379.26%	341.44%	316.78%	297.53%	292.82%	272.00%
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%

**North Adams-Jerome Public Schools
Schedule of School District's Pension Contributions
Michigan Public School Employee Retirement Plan
Last Nine School District Fiscal Years (Amounts determined as of June 30 of each year)**

	<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	\$ 683,984	\$ 542,400	\$ 435,673	\$ 415,484	\$ 417,641	\$ 350,819	\$ 355,095	\$ 311,099	\$ 276,357
Contributions in Relation to Statutorily Required Contributions	<u>683,984</u>	<u>542,400</u>	<u>435,673</u>	<u>415,484</u>	<u>417,641</u>	<u>350,819</u>	<u>355,095</u>	<u>311,099</u>	<u>276,357</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 2,146,170	\$ 2,135,127	\$ 1,662,012	\$ 1,415,257	\$ 1,358,411	\$ 1,328,308	\$ 1,326,019	\$ 1,344,775	\$ 1,440,960
Contributions as a Percentage of Covered Payroll	31.87%	25.40%	26.21%	29.36%	30.74%	26.41%	26.78%	23.13%	19.18%

North Adams-Jerome Public Schools
Schedule of School District's Proportionate Share of Net OPEB Liability
Michigan Public School Employee Retirement Plan
Last Six Fiscal Years (Amounts were determined as of September 30 of each fiscal year)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's Portion of Net OPEB Liability (%)	0.02152%	0.01918%	0.01625%	0.01551%	0.01582%	0.01498%
School District's Proportionate Share of Net OPEB Liability	\$ 455,800	\$ 292,765	\$ 870,322	\$ 1,113,306	\$ 1,257,321	\$ 1,326,880
School District's Covered Payroll	\$ 2,149,710	\$ 1,777,032	\$ 1,460,722	\$ 1,365,675	\$ 1,350,351	\$ 1,223,538
School District's Proportionate Share of Net OPEB Liability as a Percentage of its Covered Payroll	21.20%	16.47%	59.58%	81.52%	93.11%	108.45%
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%

North Adams-Jerome Public Schools
Schedule of School District's OPEB Contributions
Michigan Public School Employee Retirement Plan
Last Six School District Fiscal Years (Amounts determined as of June 30 of each year)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily Required Contributions	\$ 163,923	\$ 142,385	\$ 114,779	\$ 106,496	\$ 102,671	\$ 116,655
Contributions in Relation to Statutorily Required Contributions	<u>163,923</u>	<u>142,385</u>	<u>114,779</u>	<u>106,496</u>	<u>102,671</u>	<u>116,655</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 2,146,170	\$ 2,135,127	\$ 1,662,012	\$ 1,415,257	\$ 1,358,411	\$ 1,328,308
Contributions as a Percentage of Covered Payroll	7.64%	6.67%	6.91%	7.52%	7.56%	8.78%

Combining and Individual Fund Statements and Schedules

**North Adams-Jerome Public Schools
General Fund Combining Balance Sheet
All Funds Treated as General
June 30, 2023**

	<u>General Fund</u>	<u>Athletic Fund</u>	<u>Total General Funds</u>
ASSETS			
Cash and Investments	\$ 2,268,692	\$ (1,223,655)	\$ 1,045,037
Due from Other Governmental Units	816,808	--	816,808
Other Receivables	1,005	--	1,005
Prepaid Items	130,873	--	130,873
<i>Total Assets</i>	<u>\$ 3,217,378</u>	<u>\$ (1,223,655)</u>	<u>\$ 1,993,723</u>
LIABILITIES			
Accounts Payable	\$ 231,248	\$ 1,367	\$ 232,615
Payroll Liabilities	399,739	--	399,739
Unearned Revenue	252,285	--	252,285
State Aid Anticipation Loan	917,730	--	917,730
<i>Total Liabilities</i>	<u>1,801,002</u>	<u>1,367</u>	<u>1,802,369</u>
FUND BALANCE			
Nonspendable	130,873	--	130,873
Assigned	3,272	--	3,272
Unassigned	1,282,231	(1,225,022)	57,209
<i>Total Fund Balance</i>	<u>1,416,376</u>	<u>(1,225,022)</u>	<u>191,354</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 3,217,378</u>	<u>\$ (1,223,655)</u>	<u>\$ 1,993,723</u>

North Adams-Jerome Public Schools
General Fund Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
All Funds Treated as General
For the Year Ended June 30, 2023

	<u>General Fund</u>	<u>Athletic Fund</u>	<u>Total General Funds</u>
Revenues			
Property Taxes	\$ 817,331	\$ --	\$ 817,331
Other Local Sources	16,551	15,495	32,046
State Sources	3,674,700	--	3,674,700
Federal Sources	392,543	--	392,543
Other Sources	10,414	--	10,414
Total Revenues	<u>4,911,539</u>	<u>15,495</u>	<u>4,927,034</u>
Expenditures			
Instruction	2,925,737	--	2,925,737
Supporting Services	2,088,187	112,991	2,201,178
Debt Service - Principal	90,947	--	90,947
Debt Service - Interest	17,730	--	17,730
Total Expenditures	<u>5,122,601</u>	<u>112,991</u>	<u>5,235,592</u>
Excess of Revenues Over (Under) Expenditures	<u>(211,062)</u>	<u>(97,496)</u>	<u>(308,558)</u>
Other Financing Sources (Uses)			
Transfers In	13,287	--	13,287
Transfers Out	(42,266)	--	(42,266)
Net Other Financing Sources (Uses)	<u>(28,979)</u>	<u>--</u>	<u>(28,979)</u>
Net Change in Fund Balance	(240,041)	(97,496)	(337,537)
<i>Fund Balance at Beginning of Period</i>	1,656,417	(1,127,526)	528,891
Fund Balance at End of Period	\$ 1,416,376	\$ (1,225,022)	\$ 191,354

**North Adams-Jerome Public Schools
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2023**

	<u>Special Revenue</u>		<u>Capital Projects</u>	Total Nonmajor Governmental Funds
	<u>Food Service</u>	<u>Student Activity</u>	<u>Sinking</u>	
ASSETS				
Cash and Investments	\$ 132,065	\$ 53,698	\$ 106,719	\$ 292,482
Due from Other Governmental Units	1,813	--	--	1,813
Other Receivables	105	--	--	105
Inventories	1,049	--	--	1,049
<i>Total Assets</i>	<u>\$ 135,032</u>	<u>\$ 53,698</u>	<u>\$ 106,719</u>	<u>\$ 295,449</u>
LIABILITIES				
Accounts Payable	\$ 1,010	\$ --	\$ --	\$ 1,010
Payroll Liabilities	9,085	--	--	9,085
Unearned Revenue	13,541	--	--	13,541
<i>Total Liabilities</i>	<u>23,636</u>	<u>--</u>	<u>--</u>	<u>23,636</u>
FUND BALANCE				
Nonspendable	1,049	--	--	1,049
Restricted	110,347	--	106,719	217,066
Committed	--	53,698	--	53,698
Unassigned	--	--	--	--
<i>Total Fund Balance</i>	<u>111,396</u>	<u>53,698</u>	<u>106,719</u>	<u>271,813</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 135,032</u>	<u>\$ 53,698</u>	<u>\$ 106,719</u>	<u>\$ 295,449</u>

North Adams-Jerome Public Schools
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	<u>Special Revenue</u>		<u>Capital Projects</u>	Total Nonmajor Governmental Funds
	<u>Food Service</u>	<u>Student Activity</u>	<u>Sinking</u>	
Revenues				
Property Taxes	\$ --	\$ --	\$ 127,073	\$ 127,073
Other Local Sources	8,445	91,258	589	100,292
State Sources	21,970	--	--	21,970
Federal Sources	258,305	--	--	258,305
Total Revenues	<u>288,720</u>	<u>91,258</u>	<u>127,662</u>	<u>507,640</u>
Expenditures				
Supporting Services	--	86,203	--	86,203
Food Service Activities	266,925	--	--	266,925
Building and Site Improvements	--	--	83,574	83,574
Total Expenditures	<u>266,925</u>	<u>86,203</u>	<u>83,574</u>	<u>436,702</u>
Excess of Revenues Over (Under) Expenditures	<u>21,795</u>	<u>5,055</u>	<u>44,088</u>	<u>70,938</u>
Other Financing Sources (Uses)				
Transfers In	42,266	--	--	42,266
Transfers Out	(13,287)	--	--	(13,287)
Net Other Financing Sources (Uses)	<u>28,979</u>	<u>--</u>	<u>--</u>	<u>28,979</u>
Net Change in Fund Balance	<u>50,774</u>	<u>5,055</u>	<u>44,088</u>	<u>99,917</u>
Fund Balance at Beginning of Period	<u>60,622</u>	<u>48,643</u>	<u>62,631</u>	<u>171,896</u>
Fund Balance at End of Period	<u>\$ 111,396</u>	<u>\$ 53,698</u>	<u>\$ 106,719</u>	<u>\$ 271,813</u>

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
North Adams-Jerome Public Schools
Sturgis, Michigan

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 North Adams-Jerome Public Schools (the "School"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 13, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws,

regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* (as noted on the following page).

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.

A handwritten signature in cursive script that reads "Gabridge & Company". The signature is written in dark ink and is positioned above the typed name of the firm.

Gabridge & Company, PLC
Grand Rapids, MI
October 13, 2023

North Adams-Jerome Public Schools

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2023-001 – Compliance Finding – Child Nutrition Cluster

Finding Type:	Material Weakness in Internal Control over Compliance
Criteria:	The School is responsible for ensuring that grant funds necessary for the operations of the food service program are applied for each year.
Condition/Finding:	The School failed to apply for the food service grant funding in a timely manner, resulting in the School not being eligible to receive federal funding for two months during the fiscal year.
Cause:	This condition is the result of management negligence in applying for the grant timely.
Effect:	As a result, the School was not eligible to receive federal funding for two months during the fiscal year.
Recommendation:	We recommend that the School establish procedures to ensure that grant applications are submitted timely to eliminate the loss of federal revenue in the future.
View of Responsible Officials:	The School concurs with this finding and will work to establish procedures to ensure all grant applications are submitted timely in the future so the School can maximize the federal funding available.

October 13, 2023

To the Board of Education
North Adams-Jerome Public Schools
North Adams, Michigan

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

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in Note 1 to the financial statements. There were no new accounting policies adopted during the fiscal year ended June 30, 2023. We noted no transactions entered into by the School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability.
- Management’s estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management’s estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 13, 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.

Other Matters

We applied certain limited procedures to management's discussion and analysis, the pension and OPEB schedules, and the budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of

inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Restriction on Use

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

Very truly yours,

A handwritten signature in cursive script that reads "Gabridge & Company". The signature is written in dark ink and is positioned above the printed name of the company.

Gabridge & Company, PLC
Grand Rapids, MI