

Schoolcraft Community Schools

Financial Statements

June 30, 2023



YEO & YEO

**BUSINESS SUCCESS
PARTNERS**

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Schoolcraft Community Schools
Members of the Board of Education and Administration
June 30, 2023

Members of the Board of Education

Jennifer Gottschalk – President

Jason Walther – Vice President

Wade Rutkoskie – Treasurer

Katie Redmond – Secretary

Randy Blankenship – Trustee

Adam Haley – Trustee

Chris Blodgett – Trustee

Administration

Rick Frens – Superintendent

Kendra Drewyor, CPA – Finance Director



Independent Auditors' Report

Management and the Board of Education
Schoolcraft Community Schools
Schoolcraft, 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 Schoolcraft Community Schools, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Schoolcraft Community Schools' basic financial statements as listed in the table of contents.

In our opinion, based on our audit, 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 Schoolcraft Community Schools, as of June 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Schoolcraft Community Schools' basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is 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 other supplementary information, as identified in the table of contents, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2023 on our consideration of Schoolcraft Community Schools' 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 Schoolcraft Community Schools' 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 Schoolcraft Community Schools' internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Kalamazoo, Michigan
August 23, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Schoolcraft Community Schools
Management's Discussion and Analysis
June 30, 2023**

This section of the Schoolcraft Community Schools annual financial report presents a 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 section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Schoolcraft Community School District financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant fund – the General Fund. The remaining statement, the fiduciary statement of assets and liabilities, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. The annual report is arranged as follows:

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

Basic Financial Statements

District-wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

Required Supplemental Information

Other Supplemental Information

Reporting the School District as a Whole - Government-wide Financial Statements

The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information about the School District as a whole using the accrual basis of accounting, which is similar to the accounting used by most 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.

These two statements report the School District's net position and how they have changed. Net position – the difference between assets and liabilities, as reported in the statement of net position – 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 – as reported in the statement of activities – are indicators of whether its financial health is improving

Schoolcraft Community Schools
Management's Discussion and Analysis
June 30, 2023

or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools to assess the overall health of the School District.

The statement of net position and statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

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

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. Other funds are established to help the School District to control and manage money for particular purposes (the Food Service is an example) or to show that the School District is meeting legal responsibilities for using certain taxes, grants, and other money (i.e. construction bond funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental Funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on demonstrating how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. The relationship between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds are described in the reconciliation.

Schoolcraft Community Schools
Management's Discussion and Analysis
June 30, 2023

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position as of June 30, 2023 and 2022:

| TABLE 1 | Governmental Activities | |
|---|-------------------------|-----------------------|
| | 2023 | 2022 |
| Assets | | |
| Current and other assets | \$ 20,766,118 | \$ 32,262,949 |
| Property and equipment | 39,008,682 | 24,479,269 |
| Total assets | 59,774,800 | 56,742,218 |
| Deferred outflows of resources | 7,925,715 | 4,269,388 |
| Total assets and deferred outflows of resources | 67,700,515 | 61,011,606 |
| Liabilities | | |
| Current liabilities | 3,575,759 | 2,833,756 |
| Long-term liabilities | 64,704,636 | 57,097,711 |
| Total liabilities | 68,280,395 | 59,931,467 |
| Deferred inflows of resources | 4,006,978 | 8,981,443 |
| Total liabilities and deferred inflows of resources | 72,287,373 | 68,912,910 |
| Net position | | |
| Net investment in capital assets | 7,403,432 | 6,602,755 |
| Restricted | 598,302 | 246,998 |
| Unrestricted | (12,588,592) | (14,751,057) |
| Total net position | \$ (4,586,858) | \$ (7,901,304) |

The above analysis focuses on the net position (see Table 1). Total assets, and long-term liabilities increased by approximately \$6.68 million, and \$3.37 million respectively, in the current year. The School District continues to invest in capital assets to maintain their existing facilities, along with building new facilities as part of the 2020 Capital Bond Project.

Schoolcraft Community Schools
Management's Discussion and Analysis
June 30, 2023

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the sources of revenue for the fiscal year 2023 and fiscal year 2022.

| TABLE 2 | Governmental Activities | |
|--|----------------------------|----------------------------|
| | 2023 | 2022 |
| Revenue | | |
| Program Revenue | | |
| Charges for services | \$ 704,600 | \$ 441,474 |
| Operating grants | 6,032,346 | 4,104,802 |
| Capital grants | 16,949 | - |
| General revenue | | |
| Property taxes | 3,136,821 | 2,945,094 |
| State foundation allowance | 8,623,541 | 7,975,563 |
| Other | 600,922 | 177,010 |
| Total Revenue | <u>19,098,230</u> | <u>15,643,943</u> |
| Functions/Program Expenses | | |
| Instruction | 8,387,528 | 7,127,608 |
| Support services | 5,526,589 | 4,685,532 |
| Food services | 516,239 | 546,396 |
| Community services | 26,123 | 18,476 |
| Interest on long-term debt | 1,344,254 | 1,462,187 |
| Total Expenses | <u>15,800,733</u> | <u>13,840,199</u> |
| Increase (decrease) in net position | \$ <u>3,314,446</u> | \$ <u>1,803,744</u> |

In the current year, the district increased revenues in both program and general revenues, contributing to an increase in overall net position by approximately \$1.5 million. Property taxes for operations and unrestricted State aid constitute the vast majority of School District operating revenue sources. The District levies 18.0 mills of property taxes for operations (General Fund) on Non-Homestead properties and for the 2022-23 fiscal year the District's current year property tax collections were approximately \$1.14 million. This is an increase of 9.4% from the prior year due primarily to an increase in property values. The District is funded primarily by state aid, which increased by an additional \$550 per pupil resulting in a final per-pupil allocation of \$9,150. The Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources. Additionally, in the current year the District recognized approximately \$1.13 million in one-time federal grants that were a result of the Covid-19 pandemic.

Schoolcraft Community Schools
Management's Discussion and Analysis
June 30, 2023

The School District's Funds

As noted earlier, the School District uses funds to help control and manage money for particular purposes. Examining funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health. As the School District completed the 2023 fiscal year, the governmental funds reported a combined fund balance of \$17,366,144 which decreased from the prior year balance of \$29,712,343. The changes in the individual funds are:

- In the General Fund, our principal operating fund, the fund balance increased by \$1,809,106. This increase is largely due to recognizing one-time revenue under the Coronavirus Aid, Relief, and Economic Security Act. Additionally, the increase in property tax and state aid revenue as described above. Overall, the District was conservative with spending as it dealt with the continuous impacts of inflation, labor shortages, and supply chain issues. Total revenues increased by approximately 20.6% while total expenditures only increased by 8.6%. The District maintains a healthy amount of reserves at 30.53% percent of expenditures. Management will continue to make conservative reductions of operating expenses and increase revenues where opportunities exists.
- The 2020 Capital Projects Fund was established in June 2020 with the issuance of bonds for \$33.1 million. In fiscal year 2021-22 a new 7th and 8th grade wing went into occupancy at the beginning of the school year, along with breaking ground on the new K-6 building. Throughout the current year work continued on the new elementary and in the spring of 2023, work began on the stadium athletic upgrades. All bond work is expected to be completed in fiscal year 23-24. These projects resulted in a decrease in fund balance of approximately \$14.4 million.
- The overall fund balance in the Non-Major Governmental Funds increased by \$232,006. This was largely due to increases in our food service fund and capital projects fund. Additional detail on the changes in the Non-Major Governmental Funds is available on pages 6-1 and 6-2.

Student Enrollment

The District's student enrollment for the fall count of 2022-2023 was 1,067 students. Our enrollment continues to remain steady from year to year and increased by 21 full time equivalent (FTE) students from the prior school year's fall student count. The following summarized fall student enrollment in the past five years.

| | Student FTE | FTE Change from Prior Year |
|---------|-------------|-------------------------------|
| 2022/23 | 1,067 | 21 |
| 2021/22 | 1,046 | (8) |
| 2020/21 | 1,054 | (15) |
| 2019/20 | 1,069 | 10 |
| 2018/19 | 1,059 | (5) |

The 2022-23 beginning budget was adopted using projections of student enrollment of 1,040 FTE. The projection represents no change in FTE for 2023-24.

Schoolcraft Community Schools
Management's Discussion and Analysis
June 30, 2023

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The Uniform Budgeting Act of the State of Michigan requires the local Board of Education to approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any budget amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30. For the 2022-23 fiscal year, the District only amended the budget once and the final amendment to the budget was adopted in June of 2022. A schedule showing the School District's original and final budget amounts compared with actual revenues and expenditure is provided in the required supplementary information of these financial statements.

General Fund Revenues

| | | |
|--------------------------------|----|------------------|
| Total Revenues Final Budget | \$ | 15,181,191 |
| Total Revenues Original Budget | | 12,762,900 |
| | \$ | <u>2,418,291</u> |
| | | |
| Total Revenues Actual | \$ | 15,561,563 |
| Total Revenues Final Budget | | 15,181,191 |
| | \$ | <u>380,372</u> |

Budgeted revenues were increased to reflect the receipt of additional state and federal funding once the funding model was known. When creating the original budget, the District had estimated a increase in per pupil funding of \$500 a student and a decrease of 7 FTEs as a result of information available at the time. However, the District's actual per pupil funding and FTEs came in higher than budgeted. Additionally, federally funding relating to the COVID-19 global pandemic was made available to the District. The actual variance from the final budget was 2.5%.

General Fund Expenditures

| | | |
|------------------------------------|----|------------------|
| Total Expenditures Final Budget | \$ | 14,270,283 |
| Total Expenditures Original Budget | | 12,857,900 |
| | \$ | <u>1,412,383</u> |
| | | |
| Total Expenditures Actual | \$ | 13,752,457 |
| Total Expenditures Final Budget | | 14,270,283 |
| | \$ | <u>(517,826)</u> |

Final budget expenditures were increased to reflect staffing and compensation as well as high school program participation that was finalized subsequent to the original budget. The actual variance from the final budget was 3.6%. Additionally, the district was not fully staffed for the entire year.

Schoolcraft Community Schools
Management's Discussion and Analysis
June 30, 2023

Capital Assets and Debt Administration

At June 30, 2023, the School District had \$39,008,682 invested in capital assets, including land, buildings, and furniture and equipment.

| | 2023 | 2022 |
|-------------------------------|---------------|---------------|
| Land | \$ 187,900 | \$ 187,900 |
| Construction in progress | 27,937,679 | 12,936,894 |
| Building and additions | 24,113,693 | 24,191,693 |
| Equipment and furniture | 1,269,214 | 2,312,309 |
| Buses and other vehicles | 1,483,828 | 1,444,707 |
| Total capital assets | 54,992,314 | 41,073,503 |
| Less accumulated depreciation | (15,983,632) | (16,594,234) |
| Net capital assets | \$ 39,008,682 | \$ 24,479,269 |

Debt

At the end of this year, the School District had \$34,780,000 in General Obligation Bonds outstanding versus \$35,445,000 last year.

The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "Qualified Debt," that is debt backed by the State of Michigan, such obligations are not subject to this debt limit. Other obligations include other bonds, school bond loan, note payables and compensated absences. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The School District's elected officials and administration considered many factors when setting the School District's 2024 fiscal year budget. One of the most important factors affecting the budget is student enrollment count. The state foundation revenue is determined by multiplying the blended student count by the state foundation allowance per pupil. The 2023-24 budget was adopted in June 2023, based on an estimate of students that will be enrolled in October 2023. Approximately 80 percent of total General Fund revenue is from the foundation allowance. Under state law, the School District cannot access additional property tax revenue for general operations. As a result, School District funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2023 school year, it is anticipated that the fall student count will support the estimates used in creating the 2024 budget. The legislature had not adopted a final State School Aid Act before the Board of Education was required to adopt its budget at the June 2023 meeting.

Schoolcraft Community Schools
Management's Discussion and Analysis
June 30, 2023

Contacting the School District's Financial Management

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. Any questions related to the School District can be directed verbally to either the Superintendent or Finance Director at 269-488-7390 or in writing to the same at 551 East Lyons St. Schoolcraft, MI 49087.

BASIC FINANCIAL STATEMENTS

Schoolcraft Community Schools
Statement of Net Position
June 30, 2023

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets | |
| Cash | \$ 17,458,998 |
| Accounts receivable | 18,083 |
| Due from other governmental units | 3,216,319 |
| Interest receivable | 1,556 |
| Inventory | 3,557 |
| Prepaid items | 67,605 |
| Capital assets not being depreciated | 28,125,579 |
| Capital assets – net of accumulated depreciation | <u>10,883,103</u> |
| Total assets | <u>59,774,800</u> |
| Deferred Outflow of Resources | |
| Deferred amount of pension expense relating to net pension liability | 6,033,880 |
| Deferred amount relating to net OPEB Liability | 1,867,091 |
| Deferred amount on debt refunding | <u>24,744</u> |
| Total deferred outflows of resources | <u>7,925,715</u> |

See Accompanying Notes to Financial Statements

Schoolcraft Community Schools
Statement of Net Position
June 30, 2023

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Liabilities | |
| Accounts payable | \$ 1,748,247 |
| Accrued expenditures | 278,717 |
| Accrued salaries payable | 1,052,764 |
| Unearned revenue | 496,031 |
| Long-term liabilities | |
| Net pension liability | 21,291,526 |
| Net OPEB Liability | 1,257,129 |
| Debt due within one year | 760,000 |
| Debt due in more than one year | <u>41,395,981</u> |
| Total liabilities | <u>68,280,395</u> |
| Deferred Inflows of Resources | |
| Deferred amount on net pension liability | 1,305,079 |
| Deferred amount relating to net OPEB Liability | <u>2,701,899</u> |
| Total deferred inflows of resources | <u>4,006,978</u> |
| Net Position | |
| Net investment in capital assets | 7,403,432 |
| Restricted for | |
| Food service | 346,479 |
| Debt service | 251,823 |
| Unrestricted (deficit) | <u>(12,588,592)</u> |
| Total net position | <u><u>\$ (4,586,858)</u></u> |

See Accompanying Notes to Financial Statements

Schoolcraft Community Schools
Statement of Activities
For the Year Ended June 30, 2023

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position |
|---|----------------------|-------------------------|--|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Functions/Programs | Expenses | | | | |
| Governmental activities | | | | | |
| Instruction | \$ 8,387,528 | \$ 103,910 | \$ 4,821,236 | \$ 16,949 | \$ (3,445,433) |
| Supporting services | 5,526,589 | 287,755 | 891,960 | - | (4,346,874) |
| Food services | 516,239 | 250,426 | 319,150 | - | 53,337 |
| Community services | 26,123 | 62,509 | - | - | 36,386 |
| Interest and fiscal charges on long-term debt | <u>1,344,254</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(1,344,254)</u> |
| Total governmental activities | <u>\$ 15,800,733</u> | <u>\$ 704,600</u> | <u>\$ 6,032,346</u> | <u>\$ 16,949</u> | <u>(9,046,838)</u> |
| General revenues | | | | | |
| Property taxes, levied for general purposes | | | | | 1,147,355 |
| Property taxes, levied for debt service | | | | | 1,989,466 |
| State aid – unrestricted | | | | | 8,623,541 |
| Interest and investment earnings | | | | | 603,041 |
| Other | | | | | <u>(2,119)</u> |
| Total general revenues | | | | | <u>12,361,284</u> |
| Change in net position | | | | | 3,314,446 |
| Net position – beginning | | | | | <u>(7,901,304)</u> |
| Net position – ending | | | | | <u>\$ (4,586,858)</u> |

See Accompanying Notes to Financial Statements

Schoolcraft Community Schools
Governmental Funds
Balance Sheet
June 30, 2023

| | General Fund | 2020 Capital Projects Fund | Nonmajor Funds | Total Governmental Funds |
|-------------------------------------|---------------------|----------------------------------|---------------------|--------------------------------|
| Assets | | | | |
| Cash | \$ 2,920,104 | \$ 11,666,391 | \$ 2,872,503 | \$ 17,458,998 |
| Accounts receivable | 18,083 | - | - | 18,083 |
| Due from other funds | 112,965 | 8,099 | 141,423 | 262,487 |
| Due from other governmental units | 3,215,821 | - | 498 | 3,216,319 |
| Interest receivable | - | - | 1,556 | 1,556 |
| Inventory | - | - | 3,557 | 3,557 |
| Prepaid items | 58,488 | - | 9,117 | 67,605 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total assets | <u>\$ 6,325,461</u> | <u>\$ 11,674,490</u> | <u>\$ 3,028,654</u> | <u>\$ 21,028,605</u> |
| Liabilities and Fund Balance | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 340,037 | \$ 1,395,241 | \$ 12,969 | \$ 1,748,247 |
| Due to other funds | 149,522 | - | 112,965 | 262,487 |
| Accrued salaries payable | 1,052,764 | - | - | 1,052,764 |
| Unearned revenue | 481,429 | - | 14,602 | 496,031 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities | <u>2,023,752</u> | <u>1,395,241</u> | <u>140,536</u> | <u>3,559,529</u> |
| Deferred Inflows of Resources | | | | |
| Unavailable revenue | 102,932 | - | - | 102,932 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

See Accompanying Notes to Financial Statements

Schoolcraft Community Schools
Governmental Funds
Balance Sheet
June 30, 2023

| | <u>General Fund</u> | <u>2020 Capital Projects Fund</u> | <u>Nonmajor Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|---|---------------------------|---|
| Fund Balances | | | | |
| Non-spendable | | | | |
| Inventory | - | - | 3,557 | 3,557 |
| Prepaid items | 58,488 | - | 9,117 | 67,605 |
| Restricted for | | | | |
| Food service | - | - | 341,137 | 341,137 |
| Debt service | - | - | 530,540 | 530,540 |
| Capital projects | - | 10,279,249 | - | 10,279,249 |
| Committed for | | | | |
| Student/school activities | - | - | 149,408 | 149,408 |
| HVAC project | 456,258 | - | - | 456,258 |
| Assigned for | | | | |
| Future capital projects | - | - | 1,854,359 | 1,854,359 |
| Future negative student lunch balances | 5,448 | - | - | 5,448 |
| Next fiscal year budget appropriations | 253,223 | - | - | 253,223 |
| Unassigned | <u>3,425,360</u> | <u>-</u> | <u>-</u> | <u>3,425,360</u> |
| Total fund balances | <u>4,198,777</u> | <u>10,279,249</u> | <u>2,888,118</u> | <u>17,366,144</u> |
| Total liabilities and fund balances | <u>\$ 6,325,461</u> | <u>\$ 11,674,490</u> | <u>\$ 3,028,654</u> | <u>\$ 21,028,605</u> |

See Accompanying Notes to Financial Statements

Schoolcraft Community Schools
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2023

| | |
|---|------------------------------|
| Total fund balances for governmental funds | \$ 17,366,144 |
| Total net position for governmental activities in the statement of net position is different because | |
| Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds. | |
| Other governmental units | 102,932 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | |
| Capital assets not being depreciated | 28,125,579 |
| Capital assets – net of accumulated depreciation | 10,883,103 |
| Deferred outflows (inflows) of resources | |
| Deferred outflows of resources resulting from debt refunding | 24,744 |
| Deferred inflows of resources resulting from net pension liability | (1,305,079) |
| Deferred outflows of resources resulting from net pension liability | 6,033,880 |
| Deferred inflows of resources resulting from the net OPEB liability | (2,701,899) |
| Deferred outflows of resources resulting from the net OPEB liability | 1,867,091 |
| Certain liabilities are not due and payable in the current period and are not reported in the funds. | |
| Accrued interest | (278,717) |
| Special termination benefits | (100,000) |
| Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. | |
| Net pension liability | (21,291,526) |
| Net OPEB liability | (1,257,129) |
| Compensated absences | (120,861) |
| Bonds payable | (41,231,654) |
| School bond loan payable | (677,589) |
| Accrued interest on school bond loan payable | <u>(25,877)</u> |
| Net position of governmental activities | <u>\$ (4,586,858)</u> |

See Accompanying Notes to Financial Statements

Schoolcraft Community Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2023

| | General Fund | 2020 Capital Projects Fund | Nonmajor Funds | Total Governmental Funds |
|---|-------------------|----------------------------------|-------------------|--------------------------------|
| Revenues | | | | |
| Local sources | \$ 1,596,318 | \$ 613,474 | \$ 2,466,701 | \$ 4,676,493 |
| State sources | 11,507,564 | - | 92,346 | 11,599,910 |
| Federal sources | 1,337,290 | - | 280,282 | 1,617,572 |
| Intermediate sources | 1,120,391 | - | - | 1,120,391 |
| | <u>15,561,563</u> | <u>613,474</u> | <u>2,839,329</u> | <u>19,014,366</u> |
| Expenditures | | | | |
| Current | | | | |
| Education | | | | |
| Instruction | 8,191,597 | - | - | 8,191,597 |
| Supporting services | 5,202,640 | - | 244,385 | 5,447,025 |
| Food services | - | - | 491,139 | 491,139 |
| Community services | 26,123 | - | - | 26,123 |
| Capital outlay | 2,097 | 15,000,285 | 216,062 | 15,218,444 |
| Debt service | | | | |
| Principal | - | - | 665,000 | 665,000 |
| Interest and other expenditures | - | 500 | 1,698,900 | 1,699,400 |
| | <u>13,422,457</u> | <u>15,000,785</u> | <u>3,315,486</u> | <u>31,738,728</u> |
| Excess (deficiency) of revenues over expenditures | <u>2,139,106</u> | <u>(14,387,311)</u> | <u>(476,157)</u> | <u>(12,724,362)</u> |

See Accompanying Notes to Financial Statements

Schoolcraft Community Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2023

| | General Fund | 2020 Capital Projects Fund | Nonmajor Funds | Total Governmental Funds |
|--|-------------------------|----------------------------------|-------------------------|--------------------------------|
| Other Financing Sources (Uses) | | | | |
| Proceeds from school loan revolving fund | - | - | 378,163 | 378,163 |
| Transfers in | - | - | 330,000 | 330,000 |
| Transfers out | (330,000) | - | - | (330,000) |
| Total other financing sources (uses) | (330,000) | - | 708,163 | 378,163 |
| Net change in fund balance | 1,809,106 | (14,387,311) | 232,006 | (12,346,199) |
| Fund balances – beginning | 2,389,671 | 24,666,560 | 2,656,112 | 29,712,343 |
| Fund balances – ending | <u>\$ 4,198,777</u> | <u>\$ 10,279,249</u> | <u>\$ 2,888,118</u> | <u>\$ 17,366,144</u> |

See Accompanying Notes to Financial Statements

Schoolcraft Community Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2023

| | |
|---|----------------------------|
| Net change in fund balances – total governmental funds | \$ (12,346,199) |
| Total change in net position reported for governmental activities in the statement of activities is different because | |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds | |
| Property taxes | 102,932 |
| 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. | |
| Depreciation expense | (621,167) |
| Capital outlay | 15,152,699 |
| Loss on disposal of capital assets (net book value) | (2,119) |
| Expenses are recorded when incurred in the statement of activities. | |
| Interest | (16,592) |
| Special termination benefits | 50,000 |
| Compensated absences | 10,586 |
| The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However the amount recorded on the governmental funds equals actual pension contributions. | |
| Net change in net pension liability | (7,924,869) |
| Net change in the deferred inflow of resources related to the net pension liability | 7,316,303 |
| The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows related to the net pension liability and OPEB expense. However the amount recorded on the governmental funds equals actual OPEB contributions. | |
| Net change in net OPEB liability | (405,229) |
| Net change in the deferred inflow of resources related to the net OPEB liability | 1,339,526 |
| Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources which are then amortized in the statement of activities. | |
| Proceeds from long-term debt | (378,163) |
| Repayments of long-term debt | 665,000 |
| Amortization of deferred amount on debt defeasance | (25,037) |
| Amortization of premiums | 396,775 |
| Change in net position of governmental activities | \$ <u>3,314,446</u> |

See Accompanying Notes to Financial Statements

Schoolcraft Community Schools
Notes to the Financial Statements
June 30, 2023

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Schoolcraft Community Schools (the "School District") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all non-fiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net position resulting from current year activities.

Fund Financial Statements

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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.

Schoolcraft Community Schools
Notes to the Financial Statements
June 30, 2023

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the School District.

The School District reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

2020 Capital Projects Fund – The 2020 Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The fund is kept open until the purpose for which the fund was created has been accomplished.

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds include the Food Service Fund and the Student/School Activity Fund.

Debt Funds – Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt. The School District is not required to establish budgets for debt service funds; therefore no budget is presented for this major fund.

Capital Projects Fund – The Capital Projects Fund is used to record authorized revenues and expenditures for invoices specifically designated for acquiring and maintaining school buildings, equipment, and transportation equipment. The School District is not

required to establish budgets for capital projects funds; therefore no budget is presented for this major fund.

Assets, Liabilities and Equity

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2023, the rates are as follows per \$1,000 of assessed value:

| | |
|-----------------------------------|----------|
| General Fund | |
| Non-principal residence exemption | 18.00000 |
| Commercial personal property | 6.00000 |
| Debt Service Funds | 7.00000 |

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries.

The property tax levy collection period runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by Kalamazoo County and should be remitted to the School District by May 15.

Schoolcraft Community Schools
Notes to the Financial Statements
June 30, 2023

Investments – Investments, which are classified on the financial statements as cash, are stated at fair value based on a quoted market price.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed, rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School District follows the consumption method, and they therefore are capitalized as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

| | |
|--------------------------|-------------|
| Buildings and additions | 20–50 years |
| Equipment and furniture | 5–10 years |
| Buses and other vehicles | 5–10 years |

Deferred Outflows of Resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB

liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. The School District also reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce the net pension and OPEB liabilities in the following year.

Compensated Absences – Employees are provided with sick days each year. If not used, sick days may be carried forward into the next fiscal year. Once ninety (90) days of sick leave have been accumulated, teachers are paid \$25/day for unused sick leave accumulated over the ninety days. The monies will be paid at the end of the school year. Upon retirement, teachers will be paid \$25 for each day of unused sick leave accumulated up to 100 days. Employees that leave the School District's employment with accumulated sick days forfeit the right to receive payment thereof. Support staff follows the same policy as teachers except that the accumulated sick days are paid on a graduated rate from \$5 to \$20 per day based on the normal number of hours in their workday. Additionally, some employees are provided vacation days (five days) which can also be carried forward to the next fiscal year. Payout of these funds are at each employee's individual pay rate.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

Schoolcraft Community Schools
Notes to the Financial Statements
June 30, 2023

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

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

Deferred Inflows of Resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions relating to the net pension liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPERS

Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

Fund Balance – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – amounts that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Assigned – amounts intended to be used for specific purposes, as determined by the board of education or the Superintendent. The Board of Education has granted the finance committee and Superintendent the authority to assign funds. Residual amounts in governmental funds other than the general fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the School District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Schoolcraft Community Schools

Notes to the Financial Statements

June 30, 2023

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

Adoption of New Accounting Standards

During the year ended June 30, 2023 the School District adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). Our opinions are not modified with respect to this matter. The School District has determined that the effects of this standard are immaterial to the financial statements; and therefore, no SBITAs are recorded or disclosed.

Upcoming Accounting and Reporting Changes

Statement No. 100, *Accounting Changes and Error Corrections*, improves the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. More understandable, reliable, relevant, consistent and comparable information will be provided to financial statement users for making decisions or assessing accountability. Additionally, the display and note disclosure requirements will result in more consistent, decision useful, understandable and comprehensive information for users about accounting changes and error corrections. This statement is effective for the year ending June 30, 2024.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for the year ending June 30, 2025.

The School District is evaluating the impact that the above pronouncements will have on its financial reporting.

Note 2 - Stewardship, Compliance, Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year-end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year.

Schoolcraft Community Schools
Notes to the Financial Statements
June 30, 2023

Excess of Expenditures Over Appropriations

The School District did not have any significant variances of expenditures in excess the budget as of year end.

Compliance – Bond Proceeds

The 2020 Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, management believes the School District has complied, in all material respects, with the applicable provisions of Section 1351a of the Revised School Code.

The following is a summary of the revenue and expenditures in the 2020 Capital Project Funds from inception through the current fiscal year:

| | <u>2020 Capital Projects Fund</u> |
|---------------------------------------|---------------------------------------|
| Revenues and other financing sources | \$ 40,675,334 |
| Expenditures and other financing uses | 30,396,085 |

Note 3 - Deposits and Investments

The breakdown between deposits and investments for the School District is as follows:

| | |
|---|----------------------------|
| Deposits (checking, savings accounts, certificates of deposit) | \$ 4,742,171 |
| Investments in securities, money markets, and similar vehicles | <u>12,716,827</u> |
| Total | <u><u>\$17,458,998</u></u> |

As of year end, the School District had the following investments:

| Investment | Fair Value | Maturities | Rating | Rating Organization |
|------------------------|----------------------|------------|--------|------------------------|
| MILAF + MAX Class | \$ 1,248,226 | < 60 days | AAAm | S & P |
| MILAF+ Cash Mgmt Class | <u>11,468,601</u> | < 60 days | AAAm | S & P |
| Total investments | <u>\$ 12,716,827</u> | | | |

As of June 30, 2023, the net asset value of the School District's investment in MILAF + Portfolio was \$12,716,827. Participation in the investment pool has not resulted in any unfunded commitments. Shares are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made provided the District has sufficient shares to meet the redemption request. In the event of an emergency that would make the determination of net asset value not reasonably practical, the Trust's Board of Trustee's may suspend the right of withdrawal or postpone the date of payment. The net asset value ("NAV") per share of the MILAF+ Portfolio is calculated as of the close of business each business day by dividing the net position of that Portfolio by the number of its outstanding shares. It is the MILAF+ Portfolio's objective to maintain a NAV of \$1.00 per share, however, there is no assurance that this objective will be achieved. The exact price for share transactions will be determined based on the NAV next calculated after receipt of a properly executed order. The number of shares purchased or redeemed will be determined by the NAV.

Interest rate risk – The School District does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit risk – State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances,

Schoolcraft Community Schools
Notes to the Financial Statements
June 30, 2023

commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

Concentration of credit risk – The School District has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year-end, \$5,529,609 of the School District's bank balance of \$5,779,609 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All investment securities were uninsured and unregistered and held by a counterparty in the District's name.

Note 4 - Capital Assets

A summary of the changes in governmental capital assets is as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|--------------|-----------|-------------------|
| Governmental activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 187,900 | \$ - | \$ - | \$ 187,900 |
| Construction in progress | 12,936,894 | 15,000,785 | - | 27,937,679 |
| Total capital assets not being depreciated | 13,124,794 | 15,000,785 | - | 28,125,579 |
| Capital assets being depreciated | | | | |
| Buildings and additions | 24,191,693 | - | 78,000 | 24,113,693 |
| Equipment and furniture | 2,312,309 | 45,428 | 1,088,523 | 1,269,214 |
| Buses and other vehicles | 1,444,707 | 106,486 | 67,365 | 1,483,828 |
| Total capital assets being depreciated | 27,948,709 | 151,914 | 1,233,888 | 26,866,735 |
| Less accumulated depreciation for | | | | |
| Buildings and additions | 13,653,348 | 401,414 | 78,000 | 13,976,762 |
| Equipment and furniture | 1,868,174 | 115,968 | 1,086,404 | 897,738 |
| Buses and other vehicles | 1,072,712 | 103,785 | 67,365 | 1,109,132 |
| Total accumulated depreciation | 16,594,234 | 621,167 | 1,231,769 | 15,983,632 |
| Net capital assets being depreciated | 11,354,475 | (469,253) | 2,119 | 10,883,103 |
| Net capital assets | \$24,479,269 | \$14,531,532 | \$ 2,119 | \$ 39,008,682 |

Depreciation expense was charged to activities of the School District as follows:

| | |
|--------------------------------|-------------------|
| Governmental activities | |
| Instruction | \$ 359,451 |
| Support services | 239,018 |
| Food services | 22,698 |
| Total governmental activities | <u>\$ 621,167</u> |

Schoolcraft Community Schools
Notes to the Financial Statements
June 30, 2023

Construction Commitments

At year end, substantially all of the district's remaining unspent 2020 bond proceeds were related to signed construction contracts.

Note 5 - Interfund Receivables, Payables, Transfers

Individual interfund receivable and payable balances at year-end were:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|----------------------------|---------------------|-------------------|
| General | Nonmajor Funds | \$ 112,965 |
| 2020 Capital Projects Fund | General | 8,099 |
| Nonmajor Funds | General Fund | <u>141,423</u> |
| | | <u>\$ 262,487</u> |

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made. Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

A transfer of \$330,000 was made to the Capital Projects Fund from the General Fund to contribute funding to the School District's capital project plans.

Note 6 - Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

| | |
|--|-------------------|
| Prepaid student lunch fees | \$ 14,602 |
| Grant and categorical aid payments received prior to meeting all eligibility requirements | <u>481,429</u> |
| Total | <u>\$ 496,031</u> |

Note 7 - Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. The State can withhold state aid if it has to make a bond payment on behalf of the School District related to qualified bonds. For the School Loan Revolving Fund, the State may withhold state aid if the School District is in default, or apply late charges in an instance of default or fails to appropriately levy debt mills. Other long-term obligations include compensated absences.

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Long-term obligation activity is summarized as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Amount Due Within One Year |
|------------------------------|----------------------|-------------------|---------------------|----------------------|----------------------------------|
| Bonds payable | | | | | |
| General obligation bonds | \$ 35,445,000 | \$ - | \$ 665,000 | \$ 34,780,000 | \$ 685,000 |
| Premium on bonds | 6,848,429 | - | 396,775 | 6,451,654 | - |
| School Loan Revolving Fund | 299,426 | 378,163 | - | 677,589 | - |
| Accrued interest on SLRF | 4,852 | 21,025 | - | 25,877 | - |
| Other liabilities | | | | | |
| Compensated absences | 131,447 | 15,704 | 26,290 | 120,861 | 25,000 |
| Special termination benefits | 150,000 | - | 50,000 | 100,000 | 50,000 |
| Total | <u>\$ 42,879,154</u> | <u>\$ 414,892</u> | <u>\$ 1,138,065</u> | <u>\$ 42,155,981</u> | <u>\$ 760,000</u> |

For governmental activities, compensated absences and special termination benefits are primarily liquidated by the general fund.

General obligation bonds payable at year-end, consists of the following:

\$4,345,000 serial bond due in annual installments of \$565,000 to \$585,000 through May 2026, interest at 4.00% \$ 1,715,000

\$19,585,000 serial bonds due in annual installments of \$100,000 to \$1,590,000 beginning May 2023 through May 2035, interest at 4.00% to 5.00%, \$13,555,000 term bonds due in annual installments of \$1,660,000 to \$2,230,000 beginning May 2044 through May 2050; interest at 5.00% 33,065,000

Total general obligation bonded debt \$ 34,780,000

Future principal and interest requirements for bonded debt are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|----------------------|----------------------|----------------------|
| 2024 | \$ 685,000 | \$ 1,672,300 | \$ 2,357,300 |
| 2025 | 685,000 | 1,644,900 | 2,329,900 |
| 2026 | 710,000 | 1,617,500 | 2,327,500 |
| 2027 | 740,000 | 1,589,100 | 2,329,100 |
| 2028 | 775,000 | 1,552,100 | 2,327,100 |
| 2029-2033 | 4,510,000 | 7,138,250 | 11,648,250 |
| 2034-2038 | 5,790,000 | 5,889,000 | 11,679,000 |
| 2039-2043 | 7,330,000 | 4,335,200 | 11,665,200 |
| 2044-2048 | 9,195,000 | 2,515,000 | 11,710,000 |
| 2049-2050 | <u>4,360,000</u> | <u>329,500</u> | <u>4,689,500</u> |
| Total | <u>\$ 34,780,000</u> | <u>\$ 28,282,850</u> | <u>\$ 63,062,850</u> |

The general obligation bonds are payable from the Debt Service Funds. As of year-end, the fund had a balance of \$530,540 to pay this debt. Future debt and interest will be payable from future tax levies.

School Loan Revolving Fund

The School Loan Revolving Fund consists of a borrowing agreement with the State of Michigan for the purpose of meeting the financing of current debt maturities on two of the School District's bond issues. In prior years, the School District issued bonds to renovate and construct School District facilities. The bond elections, as passed by the voters, specified that the School District debt millage would not exceed the pre-bond vote millage of 7.0 mills, but instead the election permitted the School District to extend this levy through the year 2050. Since the monies generated by the 7.0 mills are presently not sufficient to cover the entire debt service requirements of the School District, it has been necessary for the School District to borrow funds to meet debt service requirements. Management of the School District anticipates that as the other bonds mature, the revenues provided by the debt millage will

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be sufficient to satisfy the future debt service requirements of the bonds issued and all necessary borrowing from the School Loan Revolving Fund. During the year, the School District borrowed \$378,163. As of year end, the District had an outstanding balance of \$677,589 plus \$25,877 in accrued interest from the School Loan Revolving Fund. The School District has agreed to repay the loan amount with interest at rates and at times to be determined by the State Treasurer.

Compensated Absences

Accrued compensated absences, including payroll taxes on these benefits at year-end is \$120,861. The amount anticipated to be paid out over the next year is included within the amounts listed as due within one year.

Special Termination Benefits

The district entered into an employee severance agreement during the 2020-2021 fiscal year. Per the agreement, payments of \$50,000 are due annually through fiscal year 2024-2025.

Deferred Amount on Refunding

The advance refunding of bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt. This amount is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through fiscal year 2026.

Note 8 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees. The School District has purchased commercial insurance for general liability, property and casualty and health and vision claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured

basis. Under this method, the School District must reimburse the Employment Commission for all benefits charged against the School District. The School District had no unemployment compensation expense for the year. No provision has been made for possible future claims.

Note 9 - Pension Plans

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 governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

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

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

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

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Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be 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 September 30, 2021 valuation will be amortized over a 17-year period beginning October 1, 2021 and ending September 30, 2038.

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

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

Required contributions to the pension plan from the School District were \$1,926,882 for the year ending September 30, 2022.

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

At June 30, 2023, the School District reported a liability of \$21,291,526 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2021. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2022, the School District's proportion was .0566 percent, which was an increase of .0002 percent from its proportion measured as of September 30, 2021.

For the plan year ending September 30, 2022, the School District recognized pension expense of \$2,538,334 for the measurement period. For the reporting period ending June 30, 2023, the School District recognized total pension contribution expense of \$2,113,383.

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Section 147c of the State School Aid Act (MCL 388.1747c) was amended to include a one-time distribution to districts, intermediate districts, and other participating entities of MPSERS, which is referred to as Section 147c(2). Section 147c(2) is required to be forwarded to the state's ORS as additional assets being contributed to the retirement system. This funding is a one-time, state payment toward the MPSERS unfunded liability and not part of the actuarially determined contributions and therefore not included in the above pension expense, pension contributions or related deferred inflows/outflows of resources. For the period ending June 30, 2023, the School District recognized in their financial statements an additional amount related to Section 147c(2) of \$590,026 in total pension expense and offset in state revenues.

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 | Total |
|--|--------------------------------------|-------------------------------------|---------------------|
| Difference between expected and actual experience | \$ 212,990 | \$ (47,606) | \$ 165,384 |
| Changes of assumptions | 3,658,647 | - | 3,658,647 |
| Net difference between projected and actual earnings on pension plan investments | 49,929 | - | 49,929 |
| Changes in proportion and differences between the School District contributions and proportionate share of contributions | 133,329 | (244,358) | (111,029) |
| Total to be recognized in future | 4,054,895 | (291,964) | 3,762,931 |
| School District contributions subsequent to the measurement date | 1,978,985 | (1,013,115) | 965,870 |
| Total | <u>\$ 6,033,880</u> | <u>\$(1,305,079)</u> | <u>\$ 4,728,801</u> |

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. The District will offset the contribution expense in the year ended June 30, 2024 with the 147c supplemental income received subsequent to the measurement date which is included in the deferred inflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be

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recognized in pension expense as follows during the following plan years:

Deferred (Inflow) and Deferred Outflow of Resources by Year
(To Be Recognized in Future Pension Expenses)

| | |
|------|---------------------|
| 2023 | \$ 1,086,593 |
| 2024 | 774,033 |
| 2025 | 675,740 |
| 2026 | 1,226,565 |
| | <u>\$ 3,762,931</u> |

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2021
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- 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: RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total pension liability as of September 30, 2022, is based on the results of an actuarial valuation date of September 30, 2021, and rolled forward using generally accepted actuarial procedures, including the experience study.

The recognition period for liabilities is the average of the expected remaining service lives of all employees is 4.3922 years.

The recognition period for assets is 5 years.

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

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding

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expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2022, are summarized in the following table:

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

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

Rate of Return

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

Discount Rate

A discount rate of 6.00% was used to measure the total pension liability (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.00% (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan). The projection of cash flows used to

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

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

The following presents the School District's proportionate share of the net pension liability calculated using 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 higher:

| | Current Single Discount Rate Assumption * | |
|---------------|---|---------------|
| 1% Decrease * | | 1% Increase * |
| 5.00% | 6.00% | 7.00% |
| \$ 28,096,904 | \$ 21,291,526 | \$ 15,683,587 |

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

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

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

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

There were no significant payables to the pension plan that are not ordinary accruals to the School District.

Note 10 - 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 governed by 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.

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

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

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

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contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

Contributions

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

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

The schedule below summarizes OPEB contribution rates in effect for plan year 2022.

| OPEB Contribution Rates | | |
|--------------------------------|--------|----------|
| Benefit Structure | Member | Employer |
| Premium Subsidy | 3.0% | 8.09% |
| Personal Healthcare Fund (PHF) | 0.0% | 7.23% |

Required contributions to the OPEB plan from the School District were \$452,110 for the year ended September 30, 2022.

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

At June 30, 2023, the School District reported a liability of \$1,257,129 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2021. The School District's proportion of the net OPEB liability was determined by dividing each 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 September 30, 2022, the School District's proportion was .0594 percent, which was an increase of .0035 percent from its proportion measured as of September 30, 2021.

For the plan year ending September 30, 2022, the School District recognized OPEB expense of \$(482,781) for the measurement period. For the reporting period ending June 30, 2023, the School District recognized total OPEB contribution expense of \$453,398.

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At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources | Total |
|--|--------------------------------------|-------------------------------------|---------------------|
| Difference between expected and actual experience | \$ - | \$ (2,462,234) | \$ (2,462,234) |
| Changes of assumptions | 1,120,519 | (91,239) | 1,029,280 |
| Net difference between projected and actual earnings on OPEB plan investments | 98,255 | - | 98,255 |
| Changes in proportion and differences between the School District contributions and proportionate share of contributions | 252,253 | (148,426) | 103,827 |
| Total to be recognized in future | 1,471,027 | (2,701,899) | (1,230,872) |
| School District contributions subsequent to the measurement date | 396,064 | - | 396,064 |
| Total | <u>\$ 1,867,091</u> | <u>\$ (2,701,899)</u> | <u>\$ (834,808)</u> |

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows during the following plan years:

| Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses) | |
|---|------------------------------|
| 2023 | \$ (458,651) |
| 2024 | (395,156) |
| 2025 | (359,071) |
| 2026 | (31,779) |
| 2027 | 6,017 |
| Thereafter | 7,768 |
| | <u><u>\$ (1,230,872)</u></u> |

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2021
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return: 6.00% net of investment expenses
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation of 2.75%

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- Healthcare Cost Trend Rate: Pre-65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 Post-65: 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120
- Mortality:
 - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
 - Active: RP-2014 Male and Female 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.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total OPEB liability as of September 30, 2022, is based on the results of an actuarial valuation date of September 30, 2021, and rolled forward using generally accepted actuarial procedures, including the experience study.

The recognition period for liabilities is the average of the expected remaining service lives of all employees in years is 6.2250.

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

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

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

Schoolcraft Community Schools
Notes to the Financial Statements
June 30, 2023

Rate of Return

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

Discount Rate

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

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

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

| 1% Decrease 5.00% | Current Discount Rate 6.00% | 1% Increase 7.00% |
|----------------------|-----------------------------------|----------------------|
| <u>\$ 2,108,713</u> | <u>\$ 1,257,129</u> | <u>\$ 539,990</u> |

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

The following presents the School District's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the School District's proportionate share of 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 |
|-------------------|---------------------------------------|---------------------|
| <u>\$ 526,426</u> | <u>\$ 1,257,129</u> | <u>\$ 2,077,358</u> |

OPEB Plan Fiduciary Net Position

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

Payables to the OPEB Plan

There were no significant payables to the OPEB plan that are not ordinary accruals to the School District.

Note 11 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

Schoolcraft Community Schools
Notes to the Financial Statements
June 30, 2023

Note 12 - Tax Abatements

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities.

For the fiscal year ended June 30, 2023, the School District's property tax revenues were not reduced by a material amount under these programs.

There are no significant abatements made by the School District.

REQUIRED SUPPLEMENTARY INFORMATION

Schoolcraft Community Schools
Required Supplemental Information
Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2023

| | Budgeted Amounts | | | Over (Under) Budget |
|--------------------------------------|------------------|--------------|--------------|---------------------------|
| | Original | Final | Actual | |
| Revenues | | | | |
| Local sources | \$ 1,266,000 | \$ 1,580,973 | \$ 1,596,318 | \$ 15,345 |
| State sources | 10,140,000 | 11,379,188 | 11,507,564 | 128,376 |
| Federal sources | 261,600 | 1,100,730 | 1,337,290 | 236,560 |
| Intermediate sources | 1,095,300 | 1,120,300 | 1,120,391 | 91 |
| | | | | |
| Total revenues | 12,762,900 | 15,181,191 | 15,561,563 | 380,372 |
| | | | | |
| Expenditures | | | | |
| Instruction | | | | |
| Basic programs | 6,222,100 | 6,987,245 | 6,810,939 | (176,306) |
| Added needs | 1,237,200 | 1,494,079 | 1,351,012 | (143,067) |
| Adult and continuing education | 52,000 | 30,000 | 29,646 | (354) |
| Supporting services | | | | |
| Pupil | 560,600 | 527,032 | 505,177 | (21,855) |
| Instructional staff | 235,700 | 220,300 | 125,765 | (94,535) |
| General administration | 423,000 | 436,643 | 402,053 | (34,590) |
| School administration | 849,600 | 891,829 | 922,863 | 31,034 |
| Business | 381,600 | 401,600 | 398,200 | (3,400) |
| Operations and maintenance | 1,178,100 | 1,377,800 | 1,329,388 | (48,412) |
| Pupil transportation services | 639,700 | 706,989 | 687,869 | (19,120) |
| Central | 283,100 | 387,130 | 421,316 | 34,186 |
| Athletic activities | 383,700 | 410,386 | 410,009 | (377) |
| Community services | 44,700 | 30,950 | 26,123 | (4,827) |
| Capital outlay | 36,800 | 38,300 | 2,097 | (36,203) |
| | | | | |
| Total expenditures | 12,527,900 | 13,940,283 | 13,422,457 | (517,826) |
| | | | | |
| Excess of revenues over expenditures | 235,000 | 1,240,908 | 2,139,106 | 898,198 |

Schoolcraft Community Schools
Required Supplemental Information
Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2023

| | <u>Budgeted Amounts</u> | | | <u>Over (Under) Budget</u> |
|-----------------------------|-------------------------|---------------------|---------------------|------------------------------------|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Other Financing Uses | | | | |
| Transfers out | <u>(330,000)</u> | <u>(330,000)</u> | <u>(330,000)</u> | <u>-</u> |
| Net change in fund balance | (95,000) | 910,908 | 1,809,106 | 898,198 |
| Fund balance – beginning | <u>2,389,671</u> | <u>2,389,671</u> | <u>2,389,671</u> | <u>-</u> |
| Fund balance – ending | <u>\$ 2,294,671</u> | <u>\$ 3,300,579</u> | <u>\$ 4,198,777</u> | <u>\$ 898,198</u> |

Schoolcraft Community Schools
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each Fiscal Year)

| | June 30, | | | | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|------|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| A. School District's proportion of net pension liability (%) | 0.0566% | 0.0565% | 0.0577% | 0.0567% | 0.0570% | 0.0577% | 0.0573% | 0.0570% | 0.0555% | |
| B. School District's proportionate share of net pension liability | \$ 21,291,526 | \$ 13,366,657 | \$ 19,830,708 | \$ 18,765,152 | \$ 17,133,401 | \$ 14,964,088 | \$ 14,299,496 | \$ 13,909,259 | \$ 12,224,654 | |
| C. School District's covered payroll | \$ 5,738,091 | \$ 5,031,018 | \$ 5,172,277 | \$ 4,960,603 | \$ 4,807,713 | \$ 4,791,171 | \$ 4,869,341 | \$ 4,777,605 | \$ 4,741,991 | |
| D. School District's proportionate share of net pension liability as a percentage of its covered payroll | 371.06% | 265.68% | 383.40% | 378.28% | 356.37% | 312.33% | 293.66% | 291.13% | 257.80% | |
| E. 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% | |

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms for plan fiscal year 2022.

Changes of benefit assumptions: There were no changes of benefit assumptions for plan fiscal year 2022.

Schoolcraft Community Schools
Required Supplementary Information
Schedule of the School District's Pension Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

| | For the Years Ended June 30, | | | | | | | | | |
|--|------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| A. Statutorily required contributions | \$ 2,113,383 | \$ 1,913,038 | \$ 1,681,568 | \$ 1,455,779 | \$ 1,498,821 | \$ 1,367,039 | \$ 1,016,577 | \$ 1,090,677 | \$ 1,031,136 | |
| B. Contributions in relation to statutorily required contributions | <u>2,113,383</u> | <u>1,913,038</u> | <u>1,681,568</u> | <u>1,455,779</u> | <u>1,498,821</u> | <u>1,367,039</u> | <u>1,016,577</u> | <u>1,090,677</u> | <u>1,031,136</u> | |
| C. Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | |
| D. School District's covered payroll | \$ 5,718,297 | \$ 5,568,223 | \$ 4,990,992 | \$ 5,092,608 | \$ 4,922,010 | \$ 4,846,092 | \$ 4,835,287 | \$ 4,846,565 | \$ 4,757,080 | |
| E. Contributions as a percentage of covered payroll | 36.96% | 34.36% | 33.69% | 28.59% | 30.45% | 28.21% | 21.02% | 22.50% | 21.68% | |

Schoolcraft Community Schools
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each Fiscal Year)

| | | June 30, | | | | | | | | | |
|----|--|--------------|--------------|--------------|--------------|--------------|--------------|------|------|------|------|
| | | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| A. | School District's proportion of the net OPEB liability (%) | 0.0594% | 0.0558% | 0.0584% | 0.0568% | 0.0565% | 0.0578% | | | | |
| B. | School District's proportionate share of the net OPEB liability | \$ 1,257,129 | \$ 851,900 | \$ 3,126,439 | \$ 4,075,026 | \$ 4,489,295 | \$ 5,117,849 | | | | |
| C. | School District's covered payroll | \$ 5,738,091 | \$ 5,031,018 | \$ 5,172,277 | \$ 4,960,603 | \$ 4,807,713 | \$ 4,791,171 | | | | |
| D. | School District's proportionate share of the net OPEB liability as a percentage of its covered payroll | 21.91% | 16.93% | 60.45% | 82.15% | 93.38% | 106.82% | | | | |
| E. | Plan fiduciary net position as a percentage of total OPEB liability | 83.09% | 87.33% | 59.44% | 48.46% | 42.95% | 36.39% | | | | |

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms for plan fiscal year 2022.

Changes of benefit assumptions: There were no changes of benefit assumptions for plan fiscal year 2022.

Schoolcraft Community Schools
Required Supplementary Information
Schedule of the School District's OPEB Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

| | For the Years Ended June 30, | | | | | | | | | |
|--|------------------------------|----------------|----------------|----------------|----------------|----------------|------|------|------|------|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| A. Statutorily required contributions | \$ 453,398 | \$ 446,807 | \$ 406,143 | \$ 358,387 | \$ 386,275 | \$ 321,118 | | | | |
| B. Contributions in relation to statutorily required contributions | <u>453,398</u> | <u>446,807</u> | <u>406,143</u> | <u>358,387</u> | <u>386,275</u> | <u>321,118</u> | | | | |
| C. Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | | | | |
| D. School District's covered payroll | \$5,718,297 | \$5,568,223 | \$4,990,992 | \$5,092,608 | \$4,922,010 | \$4,846,092 | | | | |
| E. Contributions as a percentage of covered payroll | 7.93% | 8.02% | 8.14% | 7.04% | 7.85% | 6.63% | | | | |

OTHER SUPPLEMENTARY INFORMATION

Schoolcraft Community Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2023

| | Special Revenue Funds | | Debt Service Funds | | Capital | Total |
|--------------------------------------|-----------------------|-------------------|--------------------|------------------|---------------------|---------------------|
| | Food | Student/ | 2020 Debt | 2019 Debt | Projects | Nonmajor |
| | Service | School | Service Fund | Service Fund | Fund | Governmental |
| | | Activity Fund | | | | Funds |
| Assets | | | | | | |
| Cash | \$ 430,000 | \$ 149,123 | \$ 466,881 | \$ 62,103 | \$ 1,764,396 | \$ 2,872,503 |
| Due from other funds | 38,206 | 285 | - | - | 102,932 | 141,423 |
| Due from other governmental units | 498 | - | - | - | - | 498 |
| Interest receivable | - | - | 491 | 1,065 | - | 1,556 |
| Inventory | 3,557 | - | - | - | - | 3,557 |
| Prepaid items | 1,785 | - | - | - | 7,332 | 9,117 |
| | | | | | | |
| Total assets | <u>\$ 474,046</u> | <u>\$ 149,408</u> | <u>\$ 467,372</u> | <u>\$ 63,168</u> | <u>\$ 1,874,660</u> | <u>\$ 3,028,654</u> |
| Liabilities and Fund Balances | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ 12,969 | \$ 12,969 |
| Due to other funds | 112,965 | - | - | - | - | 112,965 |
| Unearned revenue | 14,602 | - | - | - | - | 14,602 |
| | | | | | | |
| Total liabilities | <u>127,567</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>12,969</u> | <u>140,536</u> |
| Fund Balances | | | | | | |
| Non-spendable | | | | | | |
| Inventory | 3,557 | - | - | - | - | 3,557 |
| Prepaid items | 1,785 | - | - | - | 7,332 | 9,117 |
| Restricted for | | | | | | |
| Food service | 341,137 | - | - | - | - | 341,137 |
| Debt service | - | - | 467,372 | 63,168 | - | 530,540 |
| Committed | - | 149,408 | - | - | - | 149,408 |
| Assigned for future capital projects | - | - | - | - | 1,854,359 | 1,854,359 |
| | | | | | | |
| Total fund balances | <u>346,479</u> | <u>149,408</u> | <u>467,372</u> | <u>63,168</u> | <u>1,861,691</u> | <u>2,888,118</u> |
| | | | | | | |
| Total liabilities and fund balances | <u>\$ 474,046</u> | <u>\$ 149,408</u> | <u>\$ 467,372</u> | <u>\$ 63,168</u> | <u>\$ 1,874,660</u> | <u>\$ 3,028,654</u> |

Schoolcraft Community Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2023

| | Special Revenue Funds | | Debt Service Funds | | Capital Projects Fund | Total Nonmajor Governmental Funds |
|---|-----------------------|------------------------------|------------------------|------------------------|-----------------------|-----------------------------------|
| | Food Service | Student/School Activity Fund | 2020 Debt Service Fund | 2019 Debt Service Fund | | |
| Revenues | | | | | | |
| Local sources | \$ 250,426 | \$ 220,293 | \$ 1,520,771 | \$ 470,882 | \$ 4,329 | \$ 2,466,701 |
| State sources | 38,868 | - | - | 53,478 | - | 92,346 |
| Federal sources | 280,282 | - | - | - | - | 280,282 |
| Total revenues | 569,576 | 220,293 | 1,520,771 | 524,360 | 4,329 | 2,839,329 |
| Expenditures | | | | | | |
| Current | | | | | | |
| Education | | | | | | |
| Supporting services | - | 244,385 | - | - | - | 244,385 |
| Food services | 491,139 | - | - | - | - | 491,139 |
| Capital outlay | - | - | - | - | 216,062 | 216,062 |
| Debt service | | | | | | |
| Principal | - | - | 75,000 | 590,000 | - | 665,000 |
| Interest and other expenditures | - | - | 1,606,700 | 92,200 | - | 1,698,900 |
| Total expenditures | 491,139 | 244,385 | 1,681,700 | 682,200 | 216,062 | 3,315,486 |
| Excess (deficiency) of revenues over expenditures | 78,437 | (24,092) | (160,929) | (157,840) | (211,733) | (476,157) |
| Other Financing Sources | | | | | | |
| Proceeds from school bond loan fund | - | - | 378,163 | - | - | 378,163 |
| Transfers in | - | - | - | - | 330,000 | 330,000 |
| Total other financing sources | - | - | 378,163 | - | 330,000 | 708,163 |
| Net change in fund balance | 78,437 | (24,092) | 217,234 | (157,840) | 118,267 | 232,006 |
| Fund balances - beginning | 268,042 | 173,500 | 250,138 | 221,008 | 1,743,424 | 2,656,112 |
| Fund balances - ending | \$ 346,479 | \$ 149,408 | \$ 467,372 | \$ 63,168 | \$ 1,861,691 | \$ 2,888,118 |

Schoolcraft Community Schools
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2023

| <u>Year Ending June 30,</u> | <u>2019 Refunding Bonds</u> | <u>2020 Building & Site Bonds</u> | <u>Total</u> |
|-------------------------------------|---------------------------------|---|----------------------|
| 2024 | \$ 585,000 | \$ 100,000 | \$ 685,000 |
| 2025 | 565,000 | 120,000 | 685,000 |
| 2026 | 565,000 | 145,000 | 710,000 |
| 2027 | - | 740,000 | 740,000 |
| 2028 | - | 775,000 | 775,000 |
| 2029 | - | 815,000 | 815,000 |
| 2030 | - | 855,000 | 855,000 |
| 2031 | - | 900,000 | 900,000 |
| 2032 | - | 945,000 | 945,000 |
| 2033 | - | 995,000 | 995,000 |
| 2034 | - | 1,045,000 | 1,045,000 |
| 2035 | - | 1,100,000 | 1,100,000 |
| 2036 | - | 1,155,000 | 1,155,000 |
| 2037 | - | 1,215,000 | 1,215,000 |
| 2038 | - | 1,275,000 | 1,275,000 |
| 2039 | - | 1,335,000 | 1,335,000 |
| 2040 | - | 1,405,000 | 1,405,000 |
| 2041 | - | 1,470,000 | 1,470,000 |
| 2042 | - | 1,530,000 | 1,530,000 |
| 2043 | - | 1,590,000 | 1,590,000 |
| 2044 | - | 1,660,000 | 1,660,000 |
| 2045 | - | 1,745,000 | 1,745,000 |
| 2046 | - | 1,835,000 | 1,835,000 |
| 2047 | - | 1,930,000 | 1,930,000 |
| 2048 | - | 2,025,000 | 2,025,000 |
| 2049 | - | 2,130,000 | 2,130,000 |
| 2050 | - | 2,230,000 | 2,230,000 |
| Total | <u>\$ 1,715,000</u> | <u>\$ 33,065,000</u> | <u>\$ 34,780,000</u> |
| Principal payments due first day of | May | May | |
| Interest payments due first day of | May and November | May and November | |
| Interest rate | 4.00% | 4.00% – 5.00% | |
| Original issue | <u>\$ 4,345,000</u> | <u>\$ 33,140,000</u> | |

Schoolcraft Community Schools

Single Audit

June 30, 2023



YEO & YEO

**BUSINESS SUCCESS
PARTNERS**

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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*

Independent Auditors' Report

Management and the Board of Education
Schoolcraft Community Schools
Schoolcraft, 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 Schoolcraft Community Schools, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Schoolcraft Community Schools' basic financial statements, and have issued our report thereon dated August 23, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Schoolcraft Community Schools' 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Schoolcraft Community Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Schoolcraft Community Schools' 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.

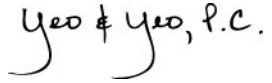
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

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

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.



Kalamazoo, Michigan
August 23, 2023

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditors' Report

Management and the Board of Education
Schoolcraft Community Schools
Schoolcraft, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Schoolcraft Community Schools' compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Schoolcraft Community Schools' major federal programs for the year ended June 30, 2023. Schoolcraft Community Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control over Compliance

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Schoolcraft Community Schools, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Schoolcraft Community Schools' basic financial statements. We issued our report thereon dated August 23, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

Kalamazoo, Michigan
August 23, 2023

Schoolcraft Community Schools
Schedule of Expenditures of Federal Awards
June 30, 2023

| Program Title/Project Number/Subrecipient Name | Grant/Project Number | Assistance Listing Number | Approved Award Amount | (Memo Only) Prior Year Expenditures | (Unearned) Accrued Revenue at July 1, 2022 | Federal Funds/ Payments In-kind | Expenditures | Adjustments | (Unearned) Accrued Revenue at June 30, 2023 |
|---|----------------------|---------------------------|-----------------------|-------------------------------------|--|---------------------------------|--------------|-------------|---|
| U.S. Department of Agriculture | | | | | | | | | |
| Passed through the Michigan Department of Education: | | | | | | | | | |
| Child Nutrition Cluster | | | | | | | | | |
| Noncash Assistance (Commodities) | | | | | | | | | |
| National School Lunch Program | | | | | | | | | |
| Entitlement Commodities | N/A | 10.555 | \$ 26,500 | \$ - | \$ - | \$ 26,500 | \$ 26,500 | \$ - | \$ - |
| Entitlement Commodities - Bonus | N/A | 10.555 | 2,742 | - | - | 2,742 | 2,742 | - | - |
| Total Entitlement Commodities | | | | - | - | 29,242 | 29,242 | - | - |
| Cash Assistance: | | | | | | | | | |
| COVID-19 - Seamless Summer Option - Lunch | 220910 | 10.555 | 43,086 | - | (23,519) | 23,873 | 43,086 | - | (4,306) |
| COVID-19 - Seamless Summer Option - Lunch | 221960 | 10.555 | 18,144 | - | - | 18,144 | 18,144 | - | - |
| | 230910 | 10.555 | 14,603 | - | - | 14,603 | 14,603 | - | - |
| COVID-19 - Seamless Summer Option - Lunch | 231960 | 10.555 | 135,382 | - | - | 135,382 | 135,382 | - | - |
| Total COVID-19 - Seamless Summer Option - Lunch | | | | - | (23,519) | 192,002 | 211,215 | - | (4,306) |
| School Breakfast Program | 221970 | 10.553 | 2,547 | - | - | 2,547 | 2,547 | - | - |
| School Breakfast Program | 231970 | 10.553 | 25,717 | - | - | 25,717 | 25,717 | - | - |
| Total School Breakfast Program | | | | - | - | 28,264 | 28,264 | - | - |
| Total Child Nutrition Cluster | | | | - | (23,519) | 249,508 | 268,721 | - | (4,306) |
| Child and Adult Care Food Program | 211920 | 10.558 | 988 | - | - | 988 | 988 | - | - |
| Child and Adult Care Food Program | 222010 | 10.558 | 93 | - | - | 93 | 93 | - | - |
| Child and Adult Care Food Program | 231920 | 10.558 | 8,991 | - | - | 8,991 | 8,991 | - | - |
| Child and Adult Care Food Program | 232010 | 10.558 | 861 | - | - | 861 | 861 | - | - |
| Total Child and Adult Care Food Program | | | | - | - | 10,933 | 10,933 | - | - |
| COVID-19 - Pandemic EBT Local Level Costs | 210980 | 10.649 | 1,242 | 614 | - | 628 | 628 | - | - |
| Total U.S. Department of Agriculture | | | | 614 | (23,519) | 261,069 | 280,282 | - | (4,306) |
| Federal Communications Commission | | | | | | | | | |
| Passed through Universal Service Administrative Company | | | | | | | | | |
| COVID-19 - Emergency Connectivity Fund Program | ECF202200811 | 32.009 | 102,932 | - | - | - | 102,932 | - | 102,932 |

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Schoolcraft Community Schools
Schedule of Expenditures of Federal Awards
June 30, 2023

| Program Title/Project Number/Subrecipient Name | Grant/Project Number | Assistance Listing Number | Approved Award Amount | (Memo Only) Prior Year Expenditures | (Unearned) Accrued Revenue at July 1, 2022 | Federal Funds/ Payments In-kind | Expenditures | Adjustments | (Unearned) Accrued Revenue at June 30, 2023 |
|---|----------------------|---------------------------|-----------------------|-------------------------------------|--|---------------------------------|---------------------|-------------|---|
| U.S. Department of Education | | | | | | | | | |
| Passed through the Michigan Department of Education: | | | | | | | | | |
| Title I Grants to Local Educational Agencies 2020-2021 | 211530 | 84.010 | 73,556 | 63,980 | (9,576) | (9,576) | - | - | - |
| Title I Grants to Local Educational Agencies 2021-2022 | 221530 | 84.010 | 62,674 | 62,674 | 62,674 | 62,674 | - | - | - |
| Title I Grants to Local Educational Agencies 2022-2023 | 231530 | 84.010 | 86,235 | - | - | - | 44,052 | - | 44,052 |
| Total Title I Grants to Local Educational Agencies | | | | 126,654 | 53,098 | 53,098 | 44,052 | - | 44,052 |
| Passed through the Michigan Department of Education: | | | | | | | | | |
| Supporting Effective Instruction State Grants 2021-2022 | 220520 | 84.367 | 23,685 | 16,305 | 16,305 | 16,305 | - | - | - |
| Supporting Effective Instruction State Grants 2022-2023 | 221520 | 84.367 | 26,389 | - | - | - | 21,980 | - | 21,980 |
| Total Supporting Effective Instruction State Grants | | | | 16,305 | 16,305 | 16,305 | 21,980 | - | 21,980 |
| Passed through the Michigan Department of Education: | | | | | | | | | |
| Title IV - Student Support and Academic Enrichment | 210750 | 84.424 | 10,000 | - | - | (10,000) | (10,000) | - | - |
| Title IV - Student Support and Academic Enrichment | 220750 | 84.424 | 10,000 | - | - | 5,453 | 5,453 | - | - |
| Total Title IV - Student Support and Academic Enrichment | | | | - | - | (4,547) | (4,547) | - | - |
| Passed through the Michigan Department of Education: | | | | | | | | | |
| Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act | | | | | | | | | |
| COVID-19 - ESSER II Formula | 213712 | 84.425D | 199,265 | - | - | 199,265 | 199,265 | - | - |
| COVID-19 - ESSER III Formula | 213713 | 84.425U | 447,838 | 11,319 | 11,319 | 11,319 | 386,749 | - | 386,749 |
| COVID-19 - ARP Homeless | 211012 | 84.425W | 5,644 | - | - | - | 2,301 | - | 2,301 |
| COVID-19 - ESSER III - 11t | 213723 | 84.425U | 704,840 | - | - | - | 491,679 | - | 491,679 |
| COVID-19 - ESSER II - 98c | 213782 | 84.425D | 54,106 | - | - | - | 54,106 | - | 54,106 |
| Total Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act | | | | 11,319 | 11,319 | 210,584 | 1,134,100 | - | 934,835 |
| Total U.S. Department of Education | | | | 154,278 | 80,722 | 275,440 | 1,195,585 | - | 1,000,867 |
| U.S. Department of Health and Human Services | | | | | | | | | |
| Passed through Kalamazoo RESA | | | | | | | | | |
| Medicaid Cluster | | | | | | | | | |
| Medicaid Assistance Grant 2022-2023 | N/A | 93.778 | 4,600 | - | - | 2,789 | 2,789 | - | - |
| Total Federal Awards | | | | \$ 154,892 | \$ 57,203 | \$ 539,298 | \$ 1,581,588 | \$ - | \$1,099,493 |

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Schoolcraft Community Schools
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2023

Note 1 - Basis of Presentation

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

Note 2 - Summary of Significant Accounting Policies

Expenditures

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

Schoolcraft Community Schools has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 - Reconciliation to the Financial Statements

Federal expenditures per the Schedule reconcile to the financial statements as follows:

| | |
|---|----------------------------|
| Federal revenue per financial statements | \$ 1,617,572 |
| Expenditures incurred during the fiscal year but not reimbursed within 60 days (deferred inflow of resources) | 102,932 |
| Less Child Care Stabilization expenditures reimbursed under a beneficiary payment arrangement and not subject to single audit | <u>(138,916)</u> |
| Expenditures per Schedule of Expenditures of Federal Awards | <u><u>\$ 1,581,588</u></u> |

Note 4 - Subrecipients

No amounts were provided to subrecipients.

Schoolcraft Community Schools
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2023

Note 5 - Michigan Department of Education Disclosures

The federal amounts reported on the grant auditor report are in agreement with the Schedule.

The amounts reported on the recipient entitlement balance report agree with the Schedule for U.S.D.A. donated food commodities.

Schoolcraft Community Schools
Schedule of Findings and Questioned Costs
June 30, 2023

Section I – Summary of Auditors’ Results

Financial Statements

Type of report the auditor issued on whether the financial statements were prepared in accordance with Generally Accepted Accounting Principles:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified _____ Yes X None reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified _____ Yes X None reported

Type of auditors’ report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

Identification of major federal programs:

Assistance Listing Number(s)

84.425D, 84.425U, 84.425W

Name of Federal Program or Cluster

Education Stabilization Funds

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? _____ Yes X No

Schoolcraft Community Schools
Schedule of Findings and Questioned Costs
June 30, 2023

Section II – *Government Auditing Standards* Findings

There were no *Government Auditing Standards* findings for the year ended June 30, 2023.

Section III – Federal Award Findings

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2023.

Schoolcraft Community Schools
Summary Schedule of Prior Audit Findings
June 30, 2023

Section IV – *Government Auditing Standards* Findings

There were no *Government Auditing Standards* findings for the year ended June 30, 2022.

Section V – Federal Award Findings

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2022.

August 23, 2023

Management and the Board of Education
Schoolcraft Community Schools
Schoolcraft, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Schoolcraft Community Schools (the School District) as of and for the year ended June 30, 2023. We are required to communicate certain matters to you in accordance with generally accepted auditing standards that are related to internal control and the audit.

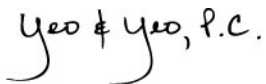
Our communication includes the following appendices:

- I. Auditors' Communication of Significant Matters with Those Charged with Governance
- II. Matters for Management's Consideration

Matters for management's consideration are not required to be communicated but we believe are valuable for management.

We discussed these matters with various personnel in the School District during the audit including management. We would also be pleased to meet with you to discuss these matters at your convenience.

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



Kalamazoo, Michigan

Appendix I

Auditors' Communication of Significant Matters with Those Charged with Governance

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 engagement letter dated May 31, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in the footnotes of the financial statements. The School District has adopted the following Governmental Accounting Standards Board Statements effective July 1, 2022:

- Statement No. 96, *Subscription-Based Information Technology Arrangements* is based on the standards established in Statement No. 87 *Leases*. This statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction (2) requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and (3) provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA.

We noted no transactions entered into by the School District during the year where there is 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:

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.
- Net pension liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.
- Net other postemployment (OPEB) liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.

We have evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Disclosures in the financial statements are neutral, consistent and clear.

A significant risk is an identified and assessed risk of material misstatement that, in the auditors' professional judgment, requires special audit consideration. Within our audit, we focused on the following areas.

- Management override of controls
- Improper revenue recognition
- Information technology controls
- Implementation of new accounting standard

Accounting Standards and Regulatory Updates

The Governmental Accounting Standards Board has released additional Statements. Details regarding these Statements are described in the footnotes of the financial statements.

Implementation Guide No 2021-1, *Implementation Guidance Update-2021* has an amended response related to the capitalization of assets purchased as a group. Under the amended guidance, governments *should* capitalize individual items when the purchase in the aggregate is considered significant, even if the individual items are less than the capitalization threshold of the government. The effective date for implementation is for reporting periods beginning after June 15, 2023 (effectively, for the first year ended June 30, 2024 or later) and requires retroactive implementation.

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 except as discussed below.

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 the financial statements taken as a whole.

Management has determined that the effects of the uncorrected misstatements summarized below are immaterial both individually and, in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit.

Subscription-based information technology arrangement (SBITA) liabilities and related right of use assets are understated by approximately \$87,000 on the district-wide financial statements.

Management has determined to exclude disclosures related to SBITAs which are typically required by accounting principles generally accepted in the United States of America as it was determined to be immaterial to the 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 auditors' 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 as of the date of the audit report.

Management's Consultations with Other 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 auditors' 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 Reports

Other information that is required to be reported to you is included in the: Independent Auditors' 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*; Independent Auditors' Report on Compliance For Each Major Federal Program; Independent Auditors' Report on Internal Control Over Compliance; Independent Auditors' Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance; and the Schedule of Findings and Questioned Costs. Please read all information included in those reports to ensure you are aware of relevant information.

Report on Required Supplementary Information

We applied certain limited procedures to management's discussion and analysis and the remaining required supplementary information (RSI) as described in the table of contents of the financial statements 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.

Report on Other Supplementary Information

We were engaged to report on other supplementary information as described in the table of contents of the financial 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.

Appendix II

Matters for Management's Consideration

In planning and performing our audit of the financial statements of Schoolcraft Community Schools as of and for the year ended June 30, 2023, we considered the School District's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

However, during our audit we became aware of the following matters for management's consideration that are opportunities for strengthening internal controls and ensuring compliance with regulations. This letter does not affect our report dated August 23, 2023, on the financial statements of Schoolcraft Community Schools.

Net Cash Resources

As a result of the COVID-19 pandemic and flexibilities awarded related to eligibility and food distribution, meal claim revenues were in excess of anticipated amounts. This resulted in the net cash resources to continue to be in excess of the three-month average expenditure requirement included in the federal regulations. At this time, neither MDE nor USDA has issued a waiver for this requirement. This item has not been determined to be material to the federal program or the financial statements. In order to resolve the issue, School Districts may reduce lunch prices in a manner that is consistent with the paid lunch equity provisions, improve food quality, or take other action designed to improve the program. We recommend that School Districts look at other possible enhancements to the program in order to develop a spend down plan to return to compliance with this requirement.

Athletic Gate Receipts

We noted that controls over athletic gate receipts could be improved. The District is collecting cash at events; however, we noted no significant ticket reconciliation procedures. We recommend that two ticket collectors are present at every entrance and a ticket reconciliation form is signed by both individuals. The reconciliation should have the first and last ticket number and a recalculation of sales compared to actual cash collected. The athletic director or another responsible party at the event may wish to sign off on this reconciliation as well. The reconciliation should act as a deterrent to fraud. Management has informed us that the District is working on alternative means to collect funds at events, which would render cash collection unnecessary.

Federal Equipment Listing

Federal regulations require a listing of capital assets purchased with federal funds is maintained. We noted that the District's capital asset inventory listing appears to be missing certain required information, and was just started within the last couple of years and is therefore not fully complete. Required information on the schedule includes, the serial or other identification number, acquisition date, cost, location, condition, disposition data, the federal award identification number. A physical inventory should be taken at least every other year. We recommend this schedule is updated for the missing information and completed to the best of the District's ability.