Otsego Public Schools

Financial Statements

June 30, 2023

YEO & YEO

BUSINESS SUCCESS
PARTNERS

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Otsego Public Schools
Members of the Board of Education and Administration
June 30, 2023

Members of the Board of Education

Scot Reitenour – President

Shelly Jirgens – Vice President

Amy Stender – Treasurer

Shannon Goodwin – Secretary

Brian Ouellette – Trustee

Todd Bentley – Trustee

Mike Keeler – Trustee

Administration

Jeffery Haase – Superintendent

Meredith Weathers – Director of Finance

Independent Auditors' Report

Management and the Board of Education
Otsego Public Schools
Otsego, 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 Otsego Public Schools as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Otsego Public 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 Otsego Public Schools as of June 30, 2023, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Otsego Public 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 Otsego Public 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 Otsego Public 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 Otsego Public 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, and 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 Otsego Public 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, other than the prior year information, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, other than the prior year information, 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.

Prior Year Supplementary Information
We also have previously audited, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, Otsego Public Schools' basic financial statements as of and for the year ended June 30, 2022, which are not presented with the accompanying basic financial statements. In our report dated September 26, 2022, we expressed unmodified opinions on the respective basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise Otsego Public Schools' basic financial statements as a whole. The 2022 information in the comparative supplementary schedules is presented for purposes of additional analysis and is not a required part of the 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 2022 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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 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 2022 information in the comparative supplementary schedules is fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2023, on our consideration of Otsego Public 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 Otsego Public 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 Otsego Public Schools' internal control over financial reporting and compliance.

Yeo & Yeo, P.C.
Kalamazoo, Michigan
October 3, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Otsego Public Schools
Management's Discussion and Analysis
June 30, 2023

This section of the Otsego Public Schools' (the School District) annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2023. Please read this section in conjunction with the School District's basic financial statements, which immediately follow this section.

Using this Annual Financial Report

This annual financial report consists of a series of financial statements, notes to those financial statements, and other supplementary information (hereinafter referred to as "financial statements"). These financial statements are organized so the reader can understand the School District's whole financial situation.

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 explain how services were financed in the short-term as well as what remains for future expenditures. 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) with all other funds being presented in one column as non-major funds.

The final statement, the fiduciary statement of assets and liabilities, presents financial information pertaining to activities where the School District acts solely as an agent for the benefit of students and parents.

The annual financial report is comprised of the following elements:

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 Supplementary Information

Other Supplementary 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, deferred outflow of resources, liabilities and deferred inflows of resources. The statement of activities includes all of the current year's revenues and expenses regardless of when cash is actually received or paid.

These two statements report the School District's net position and activities and how they have changed. Net position – the difference between assets, deferred outflow of resources, liabilities and deferred inflows of resources 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 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. We 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. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Special Revenue and Debt funds are an example) or to show that the fund is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental Funds

Governmental fund reporting focuses on showing 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 is a combination of cash basis and full accrual basis. Revenues are recognized when they are both measurable and available. Expenditures, however, are recorded on a full accrual basis because they are always measurable when they are incurred. 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 the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation.

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. The following table provides a summary of the School District's net position as of June 30, 2023 and 2022 (the difference between assets and liabilities as of certain dates).

	Governmental Activities	
	2023	2022
Assets:		
Current and other assets	$ 23,476,349	$ 28,518,355
Property and equipment	63,746,762	56,787,536
Total assets	87,223,111	85,305,891
Deferred outflows of resources	21,914,304	13,429,133
Total assets and deferred outflows of resources	109,137,415	98,735,024
Liabilities:		
Current liabilities	6,008,104	5,484,612
Long-term liabilities	130,367,291	110,659,563
Total liabilities	136,375,395	116,144,175
Deferred inflows of resources	11,330,046	24,128,059
Total liabilities and deferred inflows of resources	147,705,441	140,272,234
Net position:		
Net investment in capital assets	723,361	(1,035,387)
Restricted for:		
Capital projects	0	832
Food Service	431,857	0
Unrestricted (deficit)	(39,723,244)	(40,897,252)
Total net position	$ (38,568,026)	$ (41,537,210)

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ending June 30, 2023 and 2022.

	Governmental Activities	
	2023	2022
Revenue:		
Program Revenue:		
Charges for services	$ 1,985,540	$ 1,452,463
Operating grants	7,199,546	7,241,647
Capital grants	0	635,478
General revenue:		
Property taxes	6,816,894	6,332,408
State aid - unrestricted	23,910,192	20,441,968
Interest and investment earnings	474,351	14,640
Other	591,726	0
Total Revenue	40,978,249	36,118,604
Functions/Program Expenses:		
Instruction	21,934,521	17,902,456
Support services	11,812,908	10,898,706
Food services	1,426,433	1,303,132
Community services	611,823	470,779
Interest on long-term debt	2,083,020	1,993,334
Total Expenses	38,009,065	32,568,407
Change in net position	$ 2,969,184	$ 3,550,197

As of June 30, 2023, the estimated net pension liability for the School District was $54,419,298 ($33,719,157 as of June 30, 2022). Additionally, deferred inflows relating to net pension liability as of June 30, 2023 were $2,639,415 ($13,370,968 as of June 30, 2022) and deferred outflows relating to the net pension liability as of June 30, 2023 were $16,067,392 ($8,450,761 as of June 30, 2022). As of June 30, 2023, the estimated net OPEB liability for the School District was $3,069,180 ($2,201,393 as of June 30, 2022). Deferred inflows relating to the net OPEB liability as of June 30, 2023 were $6,250,322 ($8,247,579 as of June 30, 2022) and deferred outflows relating to the net OPEB liability as of June 30, 2023 were $4,369,938 ($3,362,306 as of June 30, 2022). These deferrals will be amortized both in the current year and into the future.

Property taxes for operations and unrestricted State of Michigan aid constitute the vast majority of School District unrestricted operating revenue sources. The Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted resources.

The School District's Funds

As noted earlier, the School District uses funds to help it control and manage money for particular purposes. Reviewing the activity in 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.

In the General Fund, the School District's principal operating fund balance increased by $1,259,264, from $4,837,367 to $6,096,631. The $1,259,264 consists of $266,000 from excess operating revenue over expenses and $993,257 of other financing sources. The General Fund principal operating fund balance is approximately 18% of our General Fund operating expenditures.

- The overall General Fund revenue sources increased by approximately $3,682,000 over the prior year. The vast majority of this increase is a result of additional state sources of $3,758,800. State sources increased as follows: $1,685,300 from State Aid – Discretionary 22b (Section 22b is discretionary funding from the foundation allowance. The foundation allowance increased $450 in FY 22/23); $1,450,900 from a MSPERS One Time Deposit (Section 147c (2)) and approximately $87,000 from a number of small state grants. Federal sources decreased in the current year by approximately $338,800. The District will continue to see a decrease in federal sources as American Rescue federal grants are expended. All federal funding relating to COVID must be expended by September 30, 2024.

- The General Fund expenditures increased by approximately $4,048,100 over the prior year. The increase is a direct result of the additional funding sources noted above.

- In FY 22/23, the Districted received $798,556 from an installment loan that was used for the purchase of 14 new busses.

Responsible budgeting and fiscal operating practices will continue due to the continued uncertainty in state aid revenue and expenditure periods ending for federal sources.

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 expenses. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in late June 2023. A schedule showing the School District's original and final budget amounts compared with actual revenues and expenditures is provided in the required supplementary information of these financial statements. Final budget to actual variances were not significant. Over the course of the fiscal year, the District revised the annual operating budget for the state aid budget which was released after the adoption of the initial budget and changes in revenue and expense for approved federal grant applications.

The key process is a conservative adoption and the continued comparison of actual versus budget revisions. The School District strives to maintain a strong fund balance to support long-term sustained operations.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2023 and 2022, the School District had the following costs of investments in capital assets, including land, buildings, and furniture and equipment:

	2023	2022
Land	$ 1,196,860	$ 1,196,860
Building and additions	72,517,246	72,268,542
Equipment and furniture	7,052,200	6,268,646
Right to use assets – equipment	194,701	0
Buses and other vehicles	1,080,837	618,463
Construction-in-progress	13,786,004	6,628,649
Total capital assets	95,827,848	86,981,160
Less accumulated depreciation	(31,918,835)	(30,193,624)
Total capital assets, net of accumulated depreciation	$ 63,909,013	$ 56,787,536

Debt

As of June 30, 2023, the School District had $58,240,000 in General Obligation Bonds outstanding versus $66,115,000 as of June 30, 2022 – a decrease of 11.9%. The decrease is a result of scheduled principal payments totaling $7,875,000.

The School District's General Obligation Bond rating is "A+" from Standard & Poor's Corporation. 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" (i.e., debt backed by the State of Michigan), such obligations are not subject to this debt limit.

Other obligations include school bond loans, notes payable and compensated absences. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and FY23/24 Budgets

The School District's elected officials and administration considered many factors when setting the School District's FY 23/24 fiscal year budget. A primary directive is projecting a conservative adopted budget with all known available information. As of the date of the School District's FY 23/24 budget being adopted, the State of Michigan had not adopted a state aid budget. As a result, the elected officials and administration of the School District adopted a budget based on the following primary assumptions:

- The School District's per pupil foundation funding grant was based on $9,550 per pupil which was a $400 increase from the FY 22/23 foundation allowance.
- Enrollment was budgeted using FY 22/23 enrollment numbers.
- Assessed values of property remained flat.
- Salary and benefits were increased only by contractual amounts. Curriculum budgets were based on immediate needs and other operating expenses were budgeted flat or decreased to achieve a balanced budget.

Shortly after the School District's elected officials approved the FY 23/24 and prior to the release of the School District's June 30, 2023 financial statements, the Governor released the FY 23/24 School Aid Budget. Under this budget, the School District will now issue a revised FY 23/24 budget considering the following additional or revised assumptions:

- The School District's per pupil foundation funding grant will be increased to $9,608.
- Enrollment will be calculated using a "90/10" formula to determine district funding. The formula is a weighted blend of 90% of current year's attendance and 10% of last year's attendance.
- 3% in the assessed values of property.
- Non-homestead millage rate will be calculated at 18 mills versus the headlee rollback rate of 17.2674 mills. In August 2023, the School District taxpayers passed an operating millage whereby allowing the district to levy the statutory rate of not to exceed 18 mills on all property, except principal residence and other property exempted thy law.
- The General Fund budget will be funded at levels necessary to ensure a quality education and maintain a balanced budget.

Contacting the School District's Financial Management

This annual 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. If you have questions about this report or need additional financial information, contact the Director of Finance, Otsego Public Schools, 400 Sherwood Street, Otsego, Michigan, 49078.

BASIC FINANCIAL STATEMENTS

Otsego Public Schools
Statement of Net Position
June 30, 2023

	Governmental Activities
Assets	
Cash	$ 6,737,758
Investments	7,538,382
Accounts receivable	239,489
Leases receivable	2,440,309
Due from other governmental units	5,886,398
Inventory	31,812
Prepaid items	439,950
Right to use assets - net of amortization	162,251
Capital assets not being depreciated	14,982,864
Capital assets – net of accumulated depreciation	48,763,898
Total assets	87,223,111
Deferred Outflows of Resources	
Deferred amount relating to net pension liability	16,067,392
Deferred amount relating to net OPEB liability	4,369,938
Deferred amount on debt refunding	1,476,974
Total deferred outflows of resources	21,914,304

See Accompanying Notes to the Financial Statements

Otsego Public Schools
Statement of Net Position
June 30, 2023

	Governmental Activities
Liabilities	
Accounts payable	$ 908,288
Due to other governmental units	717,077
Payroll deductions and withholdings	156,927
Accrued expenditures	579,584
Accrued salaries payable	2,212,892
Unearned revenue	1,433,336
Long-term liabilities	
Due within one year	12,124,146
Due in more than one year	60,754,667
Net pension liability	54,419,298
Net OPEB liability	3,069,180
Total liabilities	136,375,395
Deferred Inflows of Resources	
Deferred amount on net pension liability	2,639,415
Deferred amount on net OPEB liability	6,250,322
Deferred amount related to leases receivable	2,440,309
Total deferred inflows of resources	11,330,046
Net Position	
Net investment in capital assets	723,361
Restricted for	
Food service	431,857
Unrestricted (deficit)	(39,723,244)
Total net position	$ (38,568,026)

See Accompanying Notes to the Financial Statements

Otsego Public Schools
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	$ 21,934,521	$ -	$ 3,882,311	$ (18,052,210)
Supporting services	11,812,908	1,286,090	1,828,853	(8,697,965)
Food services	1,426,433	336,367	1,023,280	(66,786)
Community services	611,823	363,083	465,102	216,362
Interest on long-term debt	2,083,020	-	-	(2,083,020)
Total governmental activities	$ 38,009,065	$ 1,985,540	$ 7,199,546	(28,823,979)
General revenues				
Property taxes, levied for general purposes				2,085,621
Property taxes, levied for debt service				4,731,273
State aid – unrestricted				23,910,192
Interest and investment earnings				474,351
Other				591,726
Total general revenues				31,793,163
Change in net position				2,969,184
Net position – beginning				(41,537,210)
Net position – ending				$ (38,568,026)

See Accompanying Notes to the Financial Statements

Otsego Public Schools
Governmental Funds
Balance Sheet
June 30, 2023

	General Fund	2017 Refunding Debt Fund	2020 Building & Site Fund	2022 Building & Site Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash	$ 5,108,632	$ 77,577	$ 8,965	$ 181,711	$ 1,360,873	$ 6,737,758
Investments	-	-	-	7,179,783	358,599	7,538,382
Accounts receivable	233,118	6,371	-	-	-	239,489
Leases receivable	2,440,309	-	-	-	-	2,440,309
Due from other funds	-	-	-	-	90,931	90,931
Due from other governmental units	5,822,835	-	-	-	63,563	5,886,398
Inventory	-	-	-	-	31,812	31,812
Prepaid items	306,818	-	-	23,100	110,032	439,950
Total assets	$ 13,911,712	$ 83,948	$ 8,965	$ 7,384,594	$ 2,015,810	$ 23,405,029
Liabilities						
Accounts payable	$ 484,626	$ -	$ -	$ 395,316	$ 28,346	$ 908,288
Due to other funds	86,582	4,349	-	-	-	90,931
Due to other governmental units	717,077	-	-	-	-	717,077
Payroll deductions and withholdings	156,927	-	-	-	-	156,927
Accrued expenditures	313,712	-	-	-	-	313,712
Accrued salaries payable	2,207,106	-	-	-	5,786	2,212,892
Unearned revenue	1,408,742	-	-	-	24,594	1,433,336
Total liabilities	5,374,772	4,349	-	395,316	58,726	5,833,163
Deferred Inflows of Resources						
Leases receivable	2,440,309	-	-	-	-	2,440,309
Fund Balances						
Non-spendable						
Inventory	-	-	-	-	31,812	31,812
Prepaid items	306,818	-	-	23,100	110,032	439,950
Restricted for						
Food service	-	-	-	-	400,045	400,045
Debt service	-	79,599	-	-	1,636	81,235
Capital projects	-	-	8,965	6,966,178	684,067	7,659,210
Committed for student/school activities	-	-	-	-	729,492	729,492
Assigned	1,557,376	-	-	-	-	1,557,376
Unassigned	4,232,437	-	-	-	-	4,232,437
Total fund balances	6,096,631	79,599	8,965	6,989,278	1,957,084	15,131,557
Total liabilities, deferred inflows of resources, and fund balances	$ 13,911,712	$ 83,948	$ 8,965	$ 7,384,594	$ 2,015,810	$ 23,405,029

See Accompanying Notes to the Financial Statements

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

Total fund balances for governmental funds	$	15,131,557
Total net position for governmental activities in the statement of net position is different because		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		
Right to use assets - net of amortization		162,251
Capital assets not being depreciated		14,982,864
Capital assets – net of accumulated depreciation		48,763,898
Deferred outflows (inflows) of resources		
Deferred outflows of resources resulting from debt refunding		1,476,974
Deferred outflows of resources resulting from net pension liability		16,067,392
Deferred outflows of resources resulting from net OPEB liability		4,369,938
Deferred inflows of resources resulting from net pension liability		(2,639,415)
Deferred inflows of resources resulting from net OPEB liability		(6,250,322)
Certain liabilities are not due and payable in the current period and are not reported in the funds		
Accrued interest		(265,872)
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		(54,419,298)
Net OPEB liability		(3,069,180)
Compensated absences		(421,078)
Bonds payable		(59,041,197)
School bond loan payable		(12,452,964)
Installment agreements		(165,018)
Other loans payable and liabilities		(798,556)
Net position of governmental activities	$	(38,568,026)

See Accompanying Notes to the Financial Statements

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

	General Fund	2017 Refunding Debt Fund	2020 Building & Site Fund	2022 Building & Site Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Local sources	$ 3,430,213	$ 4,084,605	$ 101,160	$ 286,583	$ 2,088,199	$ 9,990,760
State sources	25,762,134	181,294	-	-	106,734	26,050,162
Federal sources	2,427,885	-	-	-	935,228	3,363,113
Interdistrict sources	1,572,300	-	-	-	-	1,572,300
Total revenues	33,192,532	4,265,899	101,160	286,583	3,130,161	40,976,335
Expenditures						
Current						
Education						
Instruction	20,334,149	-	-	-	-	20,334,149
Supporting services	10,322,747	-	-	-	628,512	10,951,259
Food services	-	-	-	-	1,322,387	1,322,387
Community services	507,019	-	-	-	-	507,019
Intergovernmental payments	60,678	-	-	-	-	60,678
Facilities acquisition	-	-	7,054,197	879,354	62,278	7,995,829
Capital outlay	1,660,874	-	-	-	-	1,660,874
Debt service						
Principal	34,708	6,000,000	-	-	1,875,000	7,909,708
Interest and other expenditures	6,350	481,275	-	-	1,333,459	1,821,084
Total expenditures	32,926,525	6,481,275	7,054,197	879,354	5,221,636	52,562,987
Excess (deficiency) of revenues over expenditures	266,007	(2,215,376)	(6,953,037)	(592,771)	(2,091,475)	(11,586,652)
Other Financing Sources						
Proceeds from school loan revolving fund	-	2,218,674	-	-	2,725,801	4,944,475
Proceeds from notes and loans	798,556	-	-	-	-	798,556
Proceeds from issuance of leases	194,701	-	-	-	-	194,701
Total other financing sources	993,257	2,218,674	-	-	2,725,801	5,937,732
Net change in fund balance	1,259,264	3,298	(6,953,037)	(592,771)	634,326	(5,648,920)
Fund balances – beginning	4,837,367	76,301	6,962,002	7,582,049	1,322,758	20,780,477
Fund balances – ending	$ 6,096,631	$ 79,599	$ 8,965	$ 6,989,278	$ 1,957,084	$ 15,131,557

See Accompanying Notes to the Financial Statements

Otsego Public 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	$ (5,648,920)
Total change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(2,099,805)
Capital outlay	9,361,642
Loss on disposal of capital assets (net book value)	(138,446)
Expenses are recorded when incurred in the statement of activities.	
Interest	(311,785)
Compensated absences	(472)
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	(20,700,141)
Net change in the deferred inflows and outflows of resources related to the net pension liability	18,348,184
The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows related to the net OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.	
Net change in net OPEB liability	(867,787)
Net change in the deferred inflows and outflows of resources related to the net OPEB liability	3,004,889
Bond and note proceeds and 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 of premiums, discounts and similar items when debt is first issued, whereas these amounts are recorded as liabilities 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.	
Debt issued	(5,937,732)
Repayments of long-term debt	7,909,708
Amortization of premiums and discounts	188,941
Amortization of deferred amount on debt refunding	(139,092)
Change in net position of governmental activities	$ 2,969,184

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Otsego Public 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.

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 government.

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.

2017 Refunding Debt Fund – The 2017 Refunding Debt Fund is used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long term debt.

2022 and 2020 Building & Site Funds – These funds are used to record bond proceeds and other local revenue and expenditures for projects related to the 2022 and 2020 Building & Site Bonds. The funds are 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 Service Funds – The 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.

Capital Project Funds – The Sinking Fund is used to record the property tax levy and related 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. The 2018 Building & Site Fund is used to record bond proceeds and other local revenue and expenditures for projects related to the 2018 Building and Site Bonds. The fund is kept open until the purpose for which the fund was created has been accomplished.

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	17.26740
Commercial personal property	5.26740
Debt Service Funds	8.49000

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

Property taxes are levied on December 1 and payable through March 15. Property taxes become a lien on the first day of the levy year and are due on or before 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 the

Counties of Allegan, Van Buren, and Kalamazoo and remitted to the School District by May 15.

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 the governmental funds the School District follows the consumption method, and 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 acquisition value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of $5,000 and an estimated useful life in excess of two years. 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	15 – 50 years
Equipment and furniture	5 – 50 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 and experience differences 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 – The School District's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of an employee's retirement. The liability for compensated absences includes salary and related benefits, where applicable.

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.

Pension – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net

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

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

Deferred Inflows of Resources – 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. Deferred inflows for leases are related to leases receivable and are being amortized to recognize lease revenue in a systematic and rational manner over the term of the lease. For district-wide financial statements, the School District reports deferred inflows 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 the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions and experience differences 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. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPSERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

Fund Equity – 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 and the Superintendent. The Board of Education has granted the Superintendent the authority to assign funds. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

At June 30, 2023, assigned fund balance consisted of the following:

Instructional purposes	$ 394,071
District improvements	400,000
Technology upgrades	553,305
Turf field replacement	195,000
Band uniforms	15,000
	$ 1,557,376

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.

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 the above pronouncements will have on its financial reporting.

Note 2 - Stewardship, Compliance, and 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.

Excess of Expenditures over Appropriations
The School District had no significant expenditures in excess of appropriations for the year.

Compliance – Bond Proceeds
The 2022 Building & Site 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 2022 Building & Site Fund, from the inception of the funds through the current fiscal year:

	2022 Building & Site Fund
Revenues and other financing sources	$ 8,126,274
Expenditures and other financing uses	1,136,996

Compliance – Sinking Funds
The Sinking Fund records capital project activities funded with Sinking Fund millage. For this fund, management believes the School District has complied, in all material respects, with the applicable provisions of § 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 2004-4.

Note 3 - Deposits and Investments

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	$ 7,096,358
Investments in securities, mutual funds, and similar vehicles	7,179,782
Total	$ 14,276,140

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

Investment	Carrying Value	Maturities	Rating	Rating Organization
Commercial paper				
Norton Healthcare	$ 986,982	8/1/2023	A-1	S&P
Michigan CLASS	6,192,800	n/a	AAAm	S&P
	$ 7,179,782			

Interest rate risk – Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy restricts investment maturities to within four years of the date of purchase. In addition, the policy restricts investments in commercial paper, which can only be purchased with a 270-day maturity. The School District's policy does not address other ways to minimize interest rate risk.

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, 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, $7,251,049 of the School District's bank balance of $7,504,851 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 4 - Fair Value Measurements

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The School District has the following recurring fair value measurements as of June 30, 2023:

Commercial paper of $986,982 with pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset (Level 2 inputs).

The District holds shares or interests of $6,192,800 in the Michigan CLASS investment pool where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient. The Michigan CLASS investment pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated "A1" or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statues and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies (Level 2 inputs).

Note 5 - 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	$ 1,196,860	$ -	$ -	$ 1,196,860
Construction-in-progress	6,628,649	7,650,857	493,502	13,786,004
Total capital assets not being depreciated	7,825,509	7,650,857	493,502	14,982,864
Capital assets being depreciated				
Buildings and additions	72,268,542	248,704	-	72,517,246
Equipment and furniture	6,268,646	910,331	126,777	7,052,200
Right to use assets - equipment	-	194,701	-	194,701
Buses and other vehicles	618,463	850,551	388,177	1,080,837
Total capital assets being depreciated	79,155,651	2,204,287	514,954	80,844,984
Less accumulated depreciation for				
Buildings and additions	27,067,262	1,494,777	-	28,562,039
Equipment and furniture	2,783,460	438,299	126,777	3,094,982
Right to use assets - equipment	-	32,450	-	32,450
Buses and other vehicles	342,902	134,279	247,817	229,364
Total accumulated depreciation	30,193,624	2,099,805	374,594	31,918,835
Net capital assets being depreciated	48,962,027	104,482	140,360	48,926,149
Net capital assets	$ 56,787,536	$ 7,755,339	$ 633,862	$ 63,909,013
Right to use assets				
Right to use assets - net of amortization	$ -	$ 162,251	$ -	$ 162,251
Capital assets				
Assets not being depreciated	7,825,509	7,650,857	493,502	14,982,864
Other capital assets, net of depreciation	48,962,027	(57,769)	140,360	48,763,898
Net capital assets	$ 56,787,536	$ 7,755,339	$ 633,862	$ 63,909,013

Depreciation expense of capital assets and amortization expense of right to use assets was charged to activities of the School District as follows:

Governmental activities	
Instruction	$ 1,287,027
Supporting services	693,147
Food services	83,699
Community services	35,932
Total governmental activities	$ 2,099,805

Construction Commitments

The School District entered into construction contracts of approximately $18.9 million before year end, of which approximately $3.9 million had not yet been incurred.

Note 6 - Interfund Payables, Receivables, and Transfers

Individual Interfund receivable and payable balances at year end were:

Receivable Fund	Payable Fund	Amount
Nonmajor Governmental Funds	General Fund	$ 86,582
Nonmajor Governmental Funds	2017 Refunding Debt Fund	4,349
		$ 90,931

The outstanding balances between funds result mainly from the time lag between the dates the transactions are recorded in the accounting system and payments between funds are made.

There were no interfund transfers made during the year.

Note 7 - Leases

Lease Receivable

The School District has a lease agreement for the use of broadband airwaves. The lease commenced in 2019 and automatically renews in

renewal terms through no later than 2049 unless the lessee notifies the lessor in writing of the lessee's intention not to extend the agreement 90 days prior to the expiration of any term. It is the School District's intent to exercise all renewals. Payments are $10,000 per month with an implied interest rate of 2.05%.

The School District collected $120,000 from the lessee for the year ended June 30, 2023, which includes $69,203 in lease revenue and $50,797 in lease interest revenue. A lease receivable and deferred inflow of resources have been recorded to reflect future expected payments.

Lease Liability

During the 2023 fiscal year, the School District entered into a 5 year lease agreement as lessee for the use of office equipment. An initial lease liability was recorded in the amount of $194,701 during the current fiscal year. As of June 30, 2023, the value of the lease liability was $165,018. The School District is required to make annual principal and interest payments of $43,240. The lease has an interest rate of 4.2%. The value of the right-to-use asset as of the end of the current fiscal year was $194,701 and had accumulated amortization of $32,450. Future payments are due as follows:

	Principal	Interest	Total
Year Ending June 30,			
2024	$ 37,016	$ 6,224	$ 43,240
2025	38,601	4,639	43,240
2026	40,254	2,986	43,240
2027	41,978	1,262	43,240
2028	7,169	38	7,207
Total	$ 165,018	$ 15,149	$ 180,167

Note 8 - 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 and leases.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bonds and notes payable					
General obligation bonds	$ 66,115,000	$ -	$ 7,875,000	$ 58,240,000	$ 11,760,000
Premium on bonds	990,138	-	188,941	801,197	-
Total	67,105,138	-	8,063,941	59,041,197	11,760,000
Notes from direct borrowings and direct placements					
School Loan Revolving Fund	7,069,647	4,944,475	-	12,014,122	-
SLRF Accrued Interest	136,683	302,159	-	438,842	-
Installment agreement - equipment	6,939	-	6,939	-	-
Installment agreement - buses	-	798,556	-	798,556	262,130
Total	7,213,269	6,045,190	6,939	13,251,520	262,130
Other liabilities					
Leases	-	194,701	29,683	165,018	37,016
Compensated absences	420,606	63,091	62,619	421,078	65,000
Total	420,606	257,792	92,302	586,096	102,016
Total debt	$ 74,739,013	$ 6,302,982	$ 8,163,182	$ 72,878,813	$ 12,124,146

For governmental activities, installment agreements, leases, and compensated absences are primarily liquidated by the General Fund.

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

$6,960,000 2018 Building and Site bond due in annual installments of $120,000 to $400,000 through May 2049, interest at 2.00% to 3.00%	$	5,560,000
$9,465,000 2016 Refunding serial bond due in annual installments of $2,000,000 to $2,465,000 through May 2027, interest at 2.00% to 3.00%		8,890,000
$7,715,000 2022 Building & Site bonds due in annual installments of $100,000 to $845,000 beginning May 2027 through May 2050, interest at 3.49% to 3.75%		7,715,000
$7,105,000 2019 Refunding bond due in annual installments of $3,310,000 to $3,795,000 beginning May 2025 through May 2026, interest at 2.00 to 2.10%		7,105,000
$15,125,000 2020 Building & Site bonds due in one installment of $100,000 in May of 2025, and annual installments of $445,000 to $800,000 beginning May 2028 through May 2050, interest at 2.1% to 2.4%		15,125,000
$3,850,000 2020 Refunding bond due in one installment of $100,000 in May of 2025, and annual installments of $905,000 to $960,000 beginning May 2028 through May 2031, interest at 2.00%		3,850,000
$29,295,000 2017 Refunding serial bond due in annual installments of $100,000 to $9,295,000 through May 2034, interest at 3.00% to 3.25%		9,995,000
Total general obligation bonded debt	$	58,240,000

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

Year Ending June 30,	Principal	Interest	Total
2024	$ 11,760,000	$ 1,547,409	$ 13,307,409
2025	5,910,000	1,194,609	7,104,609
2026	5,820,000	1,076,409	6,896,409
2027	2,500,000	956,213	3,456,213
2028	1,550,000	896,213	2,446,213
2029 – 2033	7,215,000	3,768,485	10,983,485
2034 – 2038	5,770,000	2,966,410	8,736,410
2039 – 2043	6,635,000	2,159,082	8,794,082
2044 – 2048	7,540,000	1,168,253	8,708,253
2049 – 2050	3,540,000	140,799	3,680,799
Total	$ 58,240,000	$ 15,873,882	$ 74,113,882

The general obligation bonds are payable from the Debt Service Funds. As of year-end, the funds had a balance of $81,235 to pay this debt. Future debt and interest will be payable from future tax levies.

School Loan Revolving Fund

The School Loan Revolving Fund (SLRF) consists of a borrowing agreement with the State of Michigan for the purpose of meeting the financing of current debt maturities on the School District's bond issues. In prior years, the School District issued bonds to renovate and construct School District facilities. The bond election, as passed by the voters, specified that the School District debt millage would not exceed the pre-bond vote millage of 7.5 mills, but instead the election permitted the School District to extend this levy through the year 2025. Since the monies generated by the 7.5 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 from the SLRF 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 be sufficient to satisfy the future debt service requirements of the bonds and all necessary borrowing from the SLRF. During the year, the School District borrowed $4,944,475 and accrued interest of

$302,159. The School District had an outstanding balance at year-end of $12,452,964 from the School Loan Revolving Fund and related accrued interest. The School District has agreed to repay the loan amount with interest at rates and at times to be determined by the State Treasurer.

Deferred Amount on Refunding
The advance refundings resulted in differences between the reacquisition price and the net carrying amount of the old debt, of which the total current unamortized balance is $1,476,974. The amounts are reported in the accompanying statement of net position as deferred outflows of resources and are being charged to activities through fiscal year 2034.

Compensated Absences
Accrued compensated absences at year-end, consists of $421,078 in accrued sick time benefits. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year. The amount anticipated to be paid out over the next year is included within the amounts listed as due within one year.

Note 9 - 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. No provision has been made for possible future claims.

Note 10 - Pension Plan

Plan Description
The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan 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

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 $4,924,943 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 $54,419,298 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 .01447 percent, which was an increase of .0023 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 $7,402,385 for the measurement period. For the reporting period ending June 30, 2023, the School District recognized total pension contribution expense of $5,275,666.

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 $1,450,883 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	$ 544,383	$ (121,676)	$ 422,707
Changes of assumptions	9,351,185	-	9,351,185
Net difference between projected and actual earnings on pension plan investments	127,613	-	127,613
Changes in proportion and differences between the School District contributions and proportionate share of contributions	1,160,385	(26,473)	1,133,912
Total to be recognized in future	11,183,566	(148,149)	11,035,417
School District contributions subsequent to the measurement date	4,883,826	(2,491,266)	2,392,560
Total	$ 16,067,392	$ (2,639,415)	$ 13,427,977

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

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	$ 3,407,085
2024	2,445,992
2025	1,996,940
2026	3,185,400
	$ 11,035,417

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

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 Return*
Domestic Equity Pools	25.0 %	5.1%
Private Equity Pools	16.0	8.7
International Equity	15.0	6.7
Fixed Income Pools	13.0	(0.2)
Real Estate and Infrastructure Pools	10.0	5.3
Absolute Return Pools	9.0	2.7
Real Return/Opportunistic Pools	10.0	5.8
Short Term Investment Pools	2.0	(0.5)
	100.0%	

**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:

1% Decrease *	Current Single Discount Rate Assumption *	1% Increase *
5.00%	6.00%	7.00%
$ 71,813,256	$ 54,419,298	$ 40,085,893

**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 (MPSERS) Fiduciary Net Position
Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS Annual Comprehensive Financial Report, available on the ORS website at www.michigan.gov/orsschools.

Payables to the Michigan Public School Employees' Retirement System (MPSERS)
There were no significant payables to the pension plan that are not ordinary accruals to the School District.

Note 11 - Postemployment Benefits Other Than Pensions (OPEB)

Plan Description
The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan 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% 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 $1,103,790 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 $3,069,180 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 .1449 percent, which was an increase of .0007 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 $(987,617) for the measurement period. For the reporting period ending June 30, 2023, the School District recognized total OPEB contribution expense of $1,157,396.

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	$ -	$ (6,011,347)	$ (6,011,347)
Changes of assumptions	2,735,658	(222,753)	2,512,905
Net difference between projected and actual earnings on OPEB plan investments	239,881	-	239,881
Changes in proportion and differences between the School District contributions and proportionate share of contributions	404,158	(16,222)	387,936
Total to be recognized in future	3,379,697	(6,250,322)	(2,870,625)
School District contributions subsequent to the measurement date	990,241	-	990,241
Total	$ 4,369,938	$ (6,250,322)	$ (1,880,384)

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	$ (978,038)
2024	(919,234)
2025	(873,130)
2026	(54,262)
2027	(47,922)
Thereafter	1,961
	$ (2,870,625)

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%

- 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 Return*
Domestic Equity Pools	25.0 %	5.1%
Private Equity Pools	16.0	8.7
International Equity	15.0	6.7
Fixed Income Pools	13.0	(0.2)
Real Estate and Infrastructure Pools	10.0	5.3
Absolute Return Pools	9.0	2.7
Real Return/Opportunistic Pools	10.0	5.8
Short Term Investment Pools	2.0	(0.5)
	100.0%	

**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 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%
$ 5,148,253	$ 3,069,180	$ 1,318,341

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
$ 1,285,226	$ 3,069,180	$ 5,071,703

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 12 - Contingencies and Commitments

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.

The School District has entered into an agreement with a third party for the installation and maintenance of solar panels on School District property. The agreement expires in the year 2044. Should the School District wish to terminate the agreement, various payments would be required to be made to the third party. The School District has no immediate plans to terminate this agreement.

The School District currently has pending complaints requiring a response and evaluation. The outcome of these complaints is not presently determinable, nor is the possibility of any potential negative effects on the financial condition of the School District.

Note 13 - Tax Abatements

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by the City of Otsego. 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

Otsego Public Schools
Required Supplementary Information
Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2023

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Budget
Revenues				
Local sources	$ 2,977,917	$ 3,549,301	$ 3,430,213	$ (119,088)
State sources	22,911,686	25,738,810	25,762,134	23,324
Federal sources	1,329,720	2,416,333	2,427,885	11,552
Interdistrict sources	1,371,248	1,567,924	1,572,300	4,376
Total revenues	28,590,571	33,272,368	33,192,532	(79,836)
Expenditures				
Instruction				
Basic programs	15,089,402	17,570,752	17,467,068	(103,684)
Added needs	2,545,738	2,872,343	2,867,081	(5,262)
Supporting services				
Pupil	1,250,595	1,275,308	1,272,122	(3,186)
Instructional staff	538,973	646,073	676,754	30,681
General administration	902,402	899,306	883,494	(15,812)
School administration	1,724,142	1,603,302	1,556,972	(46,330)
Business	443,765	447,117	466,116	18,999
Operations and maintenance	2,986,764	3,251,428	3,177,345	(74,083)
Pupil transportation services	916,429	941,426	917,393	(24,033)
Central	705,011	691,469	693,590	2,121
Athletic activities	642,360	711,627	678,961	(32,666)
Other				
Community services	449,490	527,526	507,019	(20,507)
Intergovernmental payments	-	60,678	60,678	-
Capital outlay	200,000	1,692,510	1,660,874	(31,636)
Debt service				
Principal	189,150	29,684	34,708	5,024
Interest and fiscal charges	6,350	6,350	6,350	-
Total expenditures	28,590,571	33,226,899	32,926,525	(300,374)
Excess of revenues over expenditures	-	45,469	266,007	220,538
Other Financing Sources				
Proceeds from notes and loans	-	798,556	798,556	-
Proceeds from issuance of leases	-	194,701	194,701	-
Total other financing sources	-	993,257	993,257	-
Net change in fund balance	-	1,038,726	1,259,264	220,538
Fund balance – beginning	4,837,367	4,837,367	4,837,367	-
Fund balance – ending	$ 4,837,367	$ 5,876,093	$ 6,096,631	$ 220,538

Otsego Public 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 June Fiscal Year)

		2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A.	School district's proportion of the net pension liability (%)	0.1447%	0.1424%	0.1411%	0.1380%	0.1333%	0.1303%	0.1271%	0.1237%	0.1233%	
B.	School district's proportionate share of the net pension liability	$ 54,419,298	$ 33,719,157	$ 48,466,012	$ 45,689,287	$ 40,065,818	$ 33,773,738	$ 31,713,117	$ 30,219,791	$ 27,154,617	
C.	School district's covered payroll	$ 14,079,018	$ 13,028,757	$ 12,649,348	$ 12,274,679	$ 12,062,986	$ 11,391,833	$ 10,899,835	$ 10,319,821	$ 10,495,328	
D.	School district's proportionate share of the net pension liability as a percentage of its covered payroll	386.53%	258.81%	383.15%	372.22%	332.14%	296.47%	290.95%	292.83%	258.73%	
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 in plan fiscal year 2022.
Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2022.

Otsego Public 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	$ 5,275,666	$ 4,931,639	$ 4,205,780	$ 3,871,552	$ 3,637,630	$ 3,056,903	$ 2,140,902	$ 2,021,386	$ 2,261,758	
B.	Contributions in relation to statutorily required contributions	5,275,666	4,931,639	4,205,780	3,871,552	3,637,630	3,056,903	2,140,902	2,021,386	2,261,758	
C.	Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
D.	School district's covered payroll	$ 14,884,156	$ 13,938,904	$ 12,645,078	$ 12,724,320	$11,536,031	$11,391,833	$11,443,384	$10,481,814	$10,341,199	
E.	Contributions as a percentage of covered payroll	35.44%	35.38%	33.26%	30.43%	31.53%	26.83%	18.71%	19.28%	21.87%	

Otsego Public 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 June Fiscal Year)

		2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A.	School district's proportion of the net OPEB liability (%)	0.1449%	0.1442%	0.1428%	0.1405%	0.1355%	0.1306%				
B.	School district's proportionate share of the net OPEB liability	$ 3,069,180	$ 2,201,393	$ 7,648,770	$10,085,379	$10,769,677	$11,567,881				
C.	School district's covered payroll	$14,079,018	$13,028,757	$12,649,348	$12,274,679	$12,062,986	$11,391,833				
D.	School district's proportionate share of the net OPEB liability as a percentage of its covered payroll	21.80%	16.90%	60.47%	82.16%	89.28%	101.55%				
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 in plan fiscal year 2022.

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

Otsego Public 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	$ 1,157,396	$ 1,120,871	$ 1,033,980	$ 1,008,099	$ 947,957	$ 1,017,008				
B.	Contributions in relation to statutorily required contributions	1,157,396	1,120,871	1,033,980	1,008,099	947,957	1,017,008				
C.	Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -				
D.	School district's covered payroll	$ 14,884,156	$ 13,938,904	$ 12,645,078	$12,724,320	$11,536,031	$11,391,833				
E.	Contributions as a percentage of covered payroll	7.78%	8.04%	8.18%	7.92%	8.22%	8.93%				

OTHER SUPPLEMENTARY INFORMATION

Otsego Public Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2023

	Special Revenue Funds		Debt Service Funds						Capital Project Funds		Total Nonmajor
	Food Service Fund	Student/School Activity Fund	2016 Debt Refunding Fund	2019 Debt Refunding Fund	2022 Debt Fund	2018 Debt Fund	2020 Refunding Debt Fund	2020 Debt Fund	2018 Building & Site Fund	Sinking Fund	Governmental Funds
Assets											
Cash	$ 367,456	$ 669,858	$ (4,363)	$ 92	$ 67	$ 1,202	$ 48	$ 227	$ 325,468	$ 818	$ 1,360,873
Due from other funds	18,065	68,503	4,363	-	-	-	-	-	-	-	90,931
Due from other governmental units	63,563	-	-	-	-	-	-	-	-	-	63,563
Inventory	31,812	-	-	-	-	-	-	-	-	-	31,812
Investments	-	-	-	-	-	-	-	-	358,599	-	358,599
Prepaid items	-	-	-	-	-	-	-	-	110,032	-	110,032
Total assets	$ 480,896	$ 738,361	$ -	$ 92	$ 67	$ 1,202	$ 48	$ 227	$ 794,099	$ 818	$ 2,015,810
Liabilities											
Accounts payable	$ 18,659	$ 8,869	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 818	$ 28,346
Accrued salaries payable	5,786	-	-	-	-	-	-	-	-	-	5,786
Unearned revenue	24,594	-	-	-	-	-	-	-	-	-	24,594
Total liabilities	49,039	8,869	-	-	-	-	-	-	-	818	58,726
Fund Balances											
Non-spendable											
Inventory	31,812	-	-	-	-	-	-	-	-	-	31,812
Prepaid items	-	-	-	-	-	-	-	-	110,032	-	110,032
Restricted for											
Food service	400,045	-	-	-	-	-	-	-	-	-	400,045
Debt service	-	-	-	92	67	1,202	48	227	-	-	1,636
Capital projects	-	-	-	-	-	-	-	-	684,067	-	684,067
Committed for student/school activities	-	729,492	-	-	-	-	-	-	-	-	729,492
Total fund balances	431,857	729,492	-	92	67	1,202	48	227	794,099	-	1,957,084
Total liabilities and fund balances	$ 480,896	$ 738,361	$ -	$ 92	$ 67	$ 1,202	$ 48	$ 227	$ 794,099	$ 818	$ 2,015,810

Otsego Public 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 Project Funds		Total Nonmajor
	Food Service Fund	Student/School Activity Fund	2016 Refunding Debt Fund	2019 Refunding Debt Fund	2022 Debt Fund	2018 Debt Fund	2020 Refunding Debt Fund	2020 Debt Fund	2018 Building & Site Fund	Sinking Fund	Governmental Funds
Revenues											
Local sources	$ 338,909	$ 764,685	$ 97,752	$ 51,123	$ 121,507	$ 103,264	$ 25,563	$ 51,340	$ 534,056	$ -	$ 2,088,199
State sources	85,510	-	4,779	2,390	5,691	4,779	1,195	2,390	-	-	106,734
Federal sources	935,228	-	-	-	-	-	-	-	-	-	935,228
Total revenues	1,359,647	764,685	102,531	53,513	127,198	108,043	26,758	53,730	534,056	-	3,130,161
Expenditures											
Current											
Education											
Supporting services	-	628,512	-	-	-	-	-	-	-	-	628,512
Food services	1,322,387	-	-	-	-	-	-	-	-	-	1,322,387
Facilities acquisition	-	-	-	-	-	-	-	-	61,446	832	62,278
Debt service											
Principal	-	-	475,000	-	-	1,400,000	-	-	-	-	1,875,000
Interest and other expenditures	-	-	217,180	146,415	271,897	257,939	77,520	362,508	-	-	1,333,459
Total expenditures	1,322,387	628,512	692,180	146,415	271,897	1,657,939	77,520	362,508	61,446	832	5,221,636
Excess (deficiency) of revenues over expenditures	37,260	136,173	(589,649)	(92,902)	(144,699)	(1,549,896)	(50,762)	(308,778)	472,610	(832)	(2,091,475)
Other Financing Sources											
Proceeds from school loan revolving fund	-	-	586,110	91,503	144,766	1,548,479	49,620	305,323	-	-	2,725,801
Net change in fund balance	37,260	136,173	(3,539)	(1,399)	67	(1,417)	(1,142)	(3,455)	472,610	(832)	634,326
Fund balances – beginning	394,597	593,319	3,539	1,491	-	2,619	1,190	3,682	321,489	832	1,322,758
Fund balances – ending	$ 431,857	$ 729,492	$ -	$ 92	$ 67	$ 1,202	$ 48	$ 227	$ 794,099	$ -	$ 1,957,084

Otsego Public Schools
Other Supplementary Information
General Fund
Comparative Balance Sheet
June 30, 2023

	2023	2022
Assets		
Cash	$ 5,108,632	$ 3,600,083
Accounts receivable	233,118	155,013
Leases receivable	2,440,309	2,509,512
Due from other funds	-	54,224
Due from other governmental units	5,822,835	5,163,046
Prepaid items	306,818	152,349
Total assets	$ 13,911,712	$ 11,634,227
Liabilities		
Accounts payable	$ 484,626	$ 174,980
Due to other funds	86,582	39,115
Due to other governmental units	717,077	413,465
Payroll deductions and withholdings	156,927	130,023
Accrued expenditures	313,712	281,406
Accrued salaries payable	2,207,106	2,020,212
Unearned revenue	1,408,742	1,228,147
Total liabilities	5,374,772	4,287,348
Deferred Inflows of Resources		
Leases receivable	2,440,309	2,509,512
Fund Balance		
Non-spendable		
Prepaid items	306,818	152,349
Assigned	1,557,376	1,344,651
Unassigned	4,232,437	3,340,367
Total fund balance	6,096,631	4,837,367
Total liabilities, deferred inflows of resources, and fund balance	$ 13,911,712	$ 11,634,227

Otsego Public Schools
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2023

Year Ending June 30,	2016 Debt Principal	2017 Debt Principal	2018 Building & Site Bonds	2019 Refunding Bonds	2020 Building & Site Bonds	2020 Refunding Bonds	2022 Building & Site Bonds	Total
2024	$ 2,465,000	$ 9,295,000	$ -	$ -	$ -	$ -	$ -	$ 11,760,000
2025	2,400,000	-	-	3,310,000	100,000	100,000	-	5,910,000
2026	2,025,000	-	-	3,795,000	-	-	-	5,820,000
2027	2,000,000	-	-	-	-	-	500,000	2,500,000
2028	-	100,000	120,000	-	445,000	905,000	100,000	1,670,000
2029	-	100,000	125,000	-	450,000	930,000	100,000	1,705,000
2030	-	100,000	130,000	-	470,000	955,000	-	1,655,000
2031	-	100,000	140,000	-	500,000	960,000	-	1,700,000
2032	-	100,000	145,000	-	590,000	-	245,000	1,080,000
2033	-	100,000	150,000	-	605,000	-	250,000	1,105,000
2034	-	100,000	160,000	-	615,000	-	255,000	1,130,000
2035	-	-	265,000	-	630,000	-	260,000	1,155,000
2036	-	-	275,000	-	640,000	-	265,000	1,180,000
2037	-	-	285,000	-	645,000	-	280,000	1,210,000
2038	-	-	295,000	-	660,000	-	285,000	1,240,000
2039	-	-	305,000	-	675,000	-	290,000	1,270,000
2040	-	-	315,000	-	680,000	-	305,000	1,300,000
2041	-	-	315,000	-	710,000	-	310,000	1,335,000
2042	-	-	325,000	-	725,000	-	320,000	1,370,000
2043	-	-	340,000	-	730,000	-	335,000	1,405,000
2044	-	-	350,000	-	750,000	-	340,000	1,440,000
2045	-	-	365,000	-	765,000	-	350,000	1,480,000
2046	-	-	370,000	-	790,000	-	360,000	1,520,000
2047	-	-	385,000	-	750,000	-	425,000	1,560,000
2048	-	-	400,000	-	700,000	-	500,000	1,600,000
2049	-	-	-	-	800,000	-	845,000	1,645,000
2050	-	-	-	-	700,000	-	795,000	1,495,000
Total	$ 8,890,000	$ 9,995,000	$ 5,560,000	$ 7,105,000	$ 15,125,000	$ 3,850,000	$ 7,715,000	$ 58,240,000
Principal payments due the first day of	May	May	May	May	May	May	May	
Interest payments due the first day of	May and November	May and November	May and November	May and November	May and November	May and November	May and November	
Interest rate	2.00% - 3.00%	3.00% - 3.25%	3.00% – 5.00%	2.00% – 2.10%	4.00% – 4.25%	2.00%	3.49% – 3.75%	
Original issue	$ 9,465,000	$ 29,295,000	$ 6,960,000	$ 7,105,000	$ 15,125,000	$ 3,850,000	$ 7,715,000	

Otsego Public Schools

Single Audit Report

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

Members of the Board of Education
Otsego Public Schools
Otsego, 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 Otsego Public Schools, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Otsego Public Schools' basic financial statements, and have issued our report thereon dated October 3, 2023.

Report on Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered Otsego Public 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 Otsego Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Otsego Public 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Otsego Public 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.

Yeo & Yeo, P.C.

Kalamazoo, Michigan
October 3, 2023

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

Independent Auditors' Report

Members of the Board of Education
Otsego Public Schools
Otsego, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program
We have audited Otsego Public 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 Otsego Public Schools' major federal programs for the year ended June 30, 2023. Otsego Public 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, Otsego Public 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 Otsego Public 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 Otsego Public 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 Otsego Public 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 Otsego Public 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 Otsego Public 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 Otsego Public 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 Otsego Public 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 Otsego Public 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 or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

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 Otsego Public Schools, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Otsego Public Schools' basic financial statements. We issued our report thereon dated October 3, 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
October 3, 2023

Otsego Public Schools
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor Pass-Through Grantor Program Title	Pass Through Number	Assistance Listing Number	Approved Grant Amount	Accrued Revenue July 1, 2022	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Adjust-ments	Accrued Revenue June 30, 2023
U.S. Department of Agriculture									
Child Nutrition Cluster									
Passed through Michigan Department of Education									
Non-cash assistance (commodities)									
National School Lunch Program									
Commodities - Entitlement	N/A	10.555	96,232	$ -	$ -	$ 96,232	$ 96,232	$ -	$ -
Commodities - Bonus			11,396	-	-	11,396	11,396	-	-
Total non-cash assistance			107,628	-	-	107,628	107,628	-	-
Cash assistance									
School Breakfast Program									
COVID - 19 - Seamless Summer Option Program	221971	10.553	152,519	34,805	152,519	-	34,805	-	-
National School Breakfast Program	221970	10.553	13,888	-	-	13,888	13,888	-	-
National School Breakfast Program	231970	10.553	960,680	-	886,728	73,952	71,223	-	2,729
Total School Breakfast Program			1,127,087	34,805	1,039,247	87,840	119,916	-	2,729
National School Lunch Program									
COVID-19 - Seamless Summer Option Program	221961	10.555	886,728	182,154	886,728	-	182,154	-	-
National School Lunch Program	221960	10.555	88,213	-	-	88,213	88,213	-	-
National School Lunch Program	231960	10.555	433,137	-	-	433,137	421,613	-	11,524
Supply Chain Assistance	220910	10.555	97,974	(48,571)	-	97,974	49,403	-	-
Supply Chain Assistance	230910	10.555	26,227	-	-	26,227	26,227	-	-
Total National School Lunch Program			1,532,279	133,583	886,728	645,551	767,610	-	11,524
Summer Food Service Program									
COVID-19 - Summer Food Service Program for Children	220900	10.559	40,537	16,432	16,432	24,105	40,537	-	-
Summer Food Service Program for Children	230900	10.559	26,323	-	-	26,323	-	-	26,323
Total Summer Food Service Program			66,860	16,432	16,432	50,428	40,537	-	26,323
Total Child Nutrition Cluster			2,833,854	184,820	1,942,407	891,447	1,035,691	-	40,576
Passed through Michigan Department of Education									
Local Food for Schools	230985	10.185	11,001	-	-	10,438	-	-	10,438
Passed through Michigan Department of Education									
Child and Adult Care Food Program	221920	10.558	24,272	4,182	20,465	3,807	7,989	-	-
Child and Adult Care Food Program	231920	10.558	24,420	-	-	24,420	20,386	-	4,034
Child and Adult Care Food Program-Cash in lieu	222010	10.558	52	-	11	41	41	-	-
Child and Adult Care Food Program-Cash in lieu	232010	10.558	924	-	-	924	755	-	169
Total Child and Adult Care Food Program			49,668	4,182	20,476	29,192	29,171	-	4,203
Passed through Michigan Department of Education									
Team Nutrition Grants	2022-2023	10.574	3,523	-	-	3,523	3,523	-	-
Passed through Michigan Department of Education									
Pandemic EBT (P-EBT) Local Costs	220980	10.649	628	-	-	628	628	-	-
Total Department of Agriculture			2,898,674	189,002	1,962,883	935,228	1,069,013	-	55,217

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Otsego Public Schools
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor Pass-Through Grantor Program Title	Pass Through Number	Assistance Listing Number	Approved Grant Amount	Accrued Revenue July 1, 2022	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Adjust-ments	Accrued Revenue June 30, 2023
U.S. Federal Communications Commission									
Passed through Universal Service Administrative Company									
Emergency Connectivity Fund	ECF202100896	32.009	684,034	91,083	635,478	-	91,083	-	-
U.S. Department of Education									
Passed through Michigan Department of Education									
Title I Grants to Local Educational Agencies	221530-2122	84.010	286,480	56,971	273,332	1,384	58,355	-	-
Title I Grants to Local Educational Agencies	231530-2223	84.010	276,088	-	-	261,266	185,099	-	76,167
Total Title I Grants to Local Educational Agencies			562,568	56,971	273,332	262,650	243,454	-	76,167
Passed through Allegan Area ESA									
Special Education Preschool Grants	N/A	84.173	19,099	-	-	19,099	19,099	-	-
Passed through Michigan Department of Education									
Supporting Effective Instruction State Grants	210520-2021	84.367	100,060	-	53,443	(344)	(344)	-	-
Supporting Effective Instruction State Grants	220520-2122	84.367	116,707	43,720	95,952	(9,242)	34,478	-	-
Supporting Effective Instruction State Grants	230520-2223	84.367	81,217	-	-	65,565	18,280	-	47,285
Total Supporting Effective Instruction State Grants			297,984	43,720	149,395	55,979	52,414	-	47,285
Passed through Michigan Department of Education									
Language Instruction for Immigrant Students	230570-2223	84.365	3,487	-	-	1,376	-	-	1,376
Passed through Kent ISD									
Language Instruction for Immigrant Students	2022-2023	84.365	411	-	-	411	-	-	411
Total Language Instruction for Immigrant Students			3,898	-	-	1,787	-	-	1,787
Passed through Michigan Department of Education									
Student Support and Academic Enrichment Program	220750-2122	84.424	29,227	14,853	25,014	-	14,853	-	-
Student Support and Academic Enrichment Program	230750-2223	84.424	22,709	-	-	22,527	9,905	-	12,622
Total Student Support and Academic Enrichment Program			51,936	14,853	25,014	22,527	24,758	-	12,622
Passed through Michigan Department of Education									
Education Stabilization Fund Under the Coronavirus Aid, Relief and Economic Security Act									
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER II)	213712-2021	84.425D	871,782	426,007	426,007	445,775	685,149	-	186,633
COVID-19-98c Learning Loss Grant	213782-2223	84.425D	118,836	-	-	118,836	118,836	-	-
COVID-19 -Elementary and Secondary Schools Emergency Relief Fund-ESSER III	213713-2122	84.425U	1,305,266	441,596	441,596	608,073	441,596	-	608,073
American Rescue Plan-Elementary and Secondary Schools Emergency Relief Fund-11t	213723-2122	84.425U	587,660	94,298	94,298	88,558	94,298	-	88,558
			2,883,544	961,901	961,901	1,261,242	1,339,879	-	883,264
Total U.S. Department of Education			3,819,029	1,077,445	1,409,642	1,623,284	1,679,604	-	1,021,125
U.S. Department of Health and Human Services									
Passed through Allegan Area ESA									
Medicaid Cluster									
Medical Assistance Program	2022-2023	93.778	6,753	-	-	6,753	6,753	-	-
Total Federal Programs			$ 7,408,490	$ 1,357,530	$ 4,008,003	$ 2,565,265	$ 2,846,453	$ -	$ 1,076,342

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Otsego Public 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 Otsego Public 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 Otsego Public Schools, it is not intended to and does not present the financial position or changes in financial position of Otsego Public 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. Adjustments shown on the Schedule represents additions or subtractions in the normal course of business to amounts reported as expenditures in prior years.

Indirect Cost Rate
Otsego Public 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 revenues per the financial statements	$ 3,363,113
Child care relief payments received under a beneficiary agreement	(797,848)
Federal expenditures per the schedule	$ 2,565,265

Note 4 – Subrecipients

No amounts were provided to subrecipients.

Note 5 – Michigan Department of Education Disclosures

The amounts reported on the recipient entitlement balance report agree with the Schedule for U.S.D.A. donated food commodities. The federal amounts reported on the Grant Auditor Report (GAR) are in agreement with the Schedule except for the following

	ALN	Grant #	Reported on the GAR	Reported on the Schedule	Variance
Title I Part A	84.010	221530	$ 1,384	$ 58,355	$ (56,971)
Title II, Part A	84.367	220520	(9,242)	34,478	(43,720)
Title IV Part A Student Support & Academic Enrich.	84.424	220750	-	14,853	(14,853)

These payments were disbursed per the GAR as of June 30, 2022, but not received by the District until July 2022.

Otsego Public Schools
Schedule of Findings and Questioned Costs
June 30, 2023

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Internal control over financial reporting:

- Material weaknesses identified? ____ Yes __X__ No
- Significant deficiency(s) identified that are not considered to be material weaknesses? ____ Yes __X__ None reported
- Noncompliance material to financial statements noted? ____ Yes __X__ No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? ____ Yes __X__ No
- Significant deficiency(s) identified that are not considered to be material weaknesses? ____ Yes __X__ None Reported

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

- Any audit findings disclosed that are required to be reported in accordance with §200.516(a)? ____ Yes __X__ No

Identification of major programs:

Assistance Listing Number(s)	**Name of Federal Program or Cluster**
10.553, 10.555, 10.559	Child Nutrition Cluster
84.425C, 84.425D, 84.425U	Educational Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act

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

- Auditee qualified as low-risk auditee? __X__ Yes ____ No

Otsego Public Schools
Schedule of Findings and Questioned Costs
June 30, 2023

SECTION II - *GOVERNMENT AUDITING STANDARDS* FINDINGS

There were no *Government Audit 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

Otsego Public Schools
Summary Schedule of Prior Audit Findings
June 30, 2023

SECTION IV – PRIOR AUDIT FINDINGS

There were no *Government Audit Standards* or federal award findings for the year ended June 30, 2022.

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October 3, 2023

Management and the Board of Education
Otsego Public Schools
Otsego, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Otsego Public Schools (the School District) as of and for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated May 31, 2023. Professional standards also require that we communicate to you the following information related to our audit.

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.

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 statement 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.

- Leases receivable and the related deferred inflows of resources. The estimate is based on management's assessment of the likelihood of exercising renewal options and utilizing interest and discount rates.

- 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 benefits (OPEB) liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.

We 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
- Implementation of new accounting standard
- Information Technology controls

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.

There were no known uncorrected misstatements that were more than trivial.

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.

Restriction on Use

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